



# 2018 REMUNERATION REPORT

(prepared according to art. 123-ter of Legislative Decree 58 of 24 February 1998 and art. 84-quater of CONSOB's Issuers' Regulations approved by Resolution 11971 of 14 May 1999 as subsequently amended and supplemented)

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# DEFINITIONS

Meeting	Ordinary Meeting of the Bank's shareholders
Shares	The ordinary shares of BPER listed on the Italian stock exchange managed by Borsa Italiana
Bonus	Variable part of the remuneration of key personnel, as defined in the Remuneration Policies of the BPER Group
Bonus Pool	Overall income allocation linked to incentive systems
BPER or Issuer	BPER Banca S.p.a.
Parent Company	BPER Banca S.p.a.
Cash	Cash component of variable remuneration (as opposed to the stock component)
Claw-back	Mechanism that envisages restitution of a bonus if payment has already taken place or already vested but subject to a retention period
Board of Statutory Auditors	Board of Statutory Auditors of the Bank
Remuneration Committee	Remuneration committee of BPER
Common Equity Tier 1 Ratio	The Common Equity Tier 1 Ratio reflects the entity's total risk exposure expressed as a percentage
Board of Directors	This indicate the Board of Directors of the Bank
Grant date	Date on which the Board of Directors of the Bank, following approval of the Plan at the Meeting, assigns the Phantom Stock to the Beneficiaries
Recipients or Beneficiaries	The persons to whom the Phantom Stock will be assigned
Managers with strategic responsibilities	Directors, Statutory Auditors, members of General Management (General Manager and Deputy General Managers), "C level" persons who make up the General Management Internal Committee, members of General Management at Group banks and companies and the Managers Responsible for Preparing Financial Reports.
Supervisory Provisions in force	Circular 285 of the Bank of Italy of 17 December 2013, seventh update of 18 November 2014 (hereinafter referred to as Bank of Italy Circular 285)
Entry gates	Minimum parameters (equity and profitability and cash) beyond which personnel are assessed for possible assignment of bonuses
BPER Group	BPER and its direct and indirect subsidiaries, as defined by current legislation
LCR	Liquidity Coverage Ratio: Relationship between the stock of high quality liquid assets and net outflows in the 30 days after the reporting date
Malus clause	Ex-post corrective mechanisms, based on which accrued bonuses can be reduced to zero
Deferral period	Period between assignment of the right to participate in the Plan and the moment in which that right matures
Retention period	Period between the moment in which the right to participate in the Plan matures and that in which part or all of the bonus is paid out
Key personnel	Group personnel whose professional activities have or may have a significant impact on the risk profile of the Bank, as defined in the Remuneration Policies of the BPER Group
Phantom Stock	these are "virtual" financial instruments that assign to each recipient the right to demand on maturity an amount of money corresponding to the value of the BPER stock
Phantom Stock Plan or Plan	The stock-based plan for compensating key personnel adopted by the BPER Group
Issuers' Regulations	Consob Regulation no. 11971/99 and subsequent amendments and additions
Risk Appetite Framework (RAF)	Guidance document for the Group's internal control system to steer the synergistic governance of planning, control and risk management. It constitutes "the frame of reference that in line with the maximum assumable risk , defines the business model and strategic plan, risk appetite, tolerance thresholds, risk limits, risk management policies and the key processes needed to define and implement them"
RORAC (return on risk-adjusted capital)	Ratio between the profit (loss) for the period, including minority interests and the target capital absorbed given by the Pillar 1 RWA and the Target CET1 Ratio
RORWA (return on risk-weighted assets)	This is the ratio between the net result for the period, including the minority interests, and Pillar 1 RWA.
Companies/banks	Unless otherwise specified this refers to companies/banks of the BPER Group
TUF	Legislative Decree no. 58 dated 24 February 1998 (Consolidated Finance Law).
Up-front	Method of granting bonuses not subject to deferral conditions



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# Letter of the Chairman of the Remuneration Committee

Shareholders,

As Chairman of the Remuneration Committee, together with the Directors Elisabetta Gualandri and Costanzo Jannotti Pecci, I have the pleasure of presenting the annual Remuneration Report of the BPER Group for the year 2018.

With the 2018 policy, we continue down the path that we have taken in recent years to develop a compensation system that reflects market best practice as much as possible. Through detailed planning, we have tried to develop a policy that combines transparency and simplification in order to make the approach more comprehensible. We have maintained a line of consistency and fairness, without neglecting professional skills and due attention to the interests of all stakeholders, both inside and outside the Group.

Our activities have been developed in sharing, for the parts of competence, with the Chairman and the Directors of Banco di Sardegna Remuneration Committee, Viviana Ferri, Daniela Petitto and Paolo Rinaldi.

The objective of the 2018 Remuneration Report is to make the policies adopted by the BPER Group as transparent as possible, in order to raise awareness among our shareholders regarding BPER's remuneration and incentive systems.

In light of the positive results that the Group has achieved and the high level of consensus received at the 2017 Shareholders' Meeting, we have chosen to confirm the structure of the remuneration system adopted last year, while introducing a number of refinements to ensure gradual improvement, better timing in the planning process and more and more simplification, also drawing inspiration from the *ex-post* checks on the results of previous years.

To be more specific, the main changes introduced and contained in the 2018 Report concern:

- the introduction of social and environmental sustainability objectives in the qualitative assessment of the Chief Executive Officer and of senior managers involved in Corporate Social Responsibility (CSR) planning;
- the activation of long-term incentive (LTI) plans for certain specialised members of staff, with the possibility of extending them to senior managers in connection with the next Business Plan;
- expansion of the scope of the management by objectives (MBO) system to managers and members of staff in the Credit and Loans Area in line with the strategic plans for non-performing loan management and in the Business Area in order to guarantee complete coverage of the business world;
- steadily bringing the incentive systems closer to the results of each participant's sphere of competence, through targeted use of multiplier mechanisms linked to the company's profitability and a different weighting of quantitative and qualitative objectives.

The use of virtual shares (or "phantom stocks") for payment of part of the bonus has been confirmed for 2018.

All of these changes have been made with a view to continuous

improvement of the remuneration policy and incentive systems, in order to ensure that they are always in line with market best practice and to strengthen the link between creation of value for the Group and recognition of the contribution made by the staff.

The commitment on the communication front will continue in 2018 with a view to offering increasingly complete, useful and transparent information, also by listening carefully to the people involved and guaranteeing full disclosure by means of:

- an executive summary that shows the remuneration policy for the various categories of staff in tabular form;
- disclosure of the remuneration envisaged under the policy for the corporate bodies;
- in relation to the Group's MBO system:
  - a representation in tabular form of the target and maximum bonuses by categories of personnel;
  - *ex-ante* communication of entry gates and thresholds;
  - a representation in tabular form of the correlation between the multiplier and the bonus pool;
  - *ex-post* communication about achievement of the thresholds for the entry gates and the multiplier;
  - an *ex-ante* and *ex-post* communication about the goal card assigned to the Chief Executive Officer.

I conclude by thanking you, on behalf of myself and my Committee, for your attention and for the support that I hope you will give to the 2018 policies explained in our Report.

*Mara Bernardini*



**SECTION I – 2018  
REMUNERATION  
POLICIES BPER  
GROUP**

# 1. Governance of the remuneration and incentive policies

The BPER Group has established a strong governance process in order to regulate the definition, implementation and management of its remuneration policies. This process will involve various control bodies and business functions at different levels, according to their sphere of competence:

## Definition of the remuneration and incentive policies

CORPORATE BODIES	BUSINESS FUNCTIONS
Shareholders' Meeting	Human Resources Department
Board of directors	Planning and Control
Remuneration Committee	Risk Management
Control and Risk Committee	Investor Relations
	Compliance
	Internal Audit

### 1.1. Shareholders' Meeting

In the field of remuneration, the Shareholders' Meeting:

- determines, in accordance with applicable legal and regulatory requirements, the remuneration payable to the directors and statutory auditors;
- approves of the remuneration policies in favour of the bodies with supervisory, management and control functions and the staff;
- approves any remuneration plans based on the use of financial instruments;
- approves the criteria for calculating any special remuneration to be awarded in the event of early termination of employment or stepping down ahead of schedule, including the limits set on such remuneration in terms of the number of years of the fixed portion of remuneration and the maximum amount that derives from applying these criteria;
- has the power to resolve, with qualified majorities required by current supervisory regulations, a ratio between the variable and fixed element of individual key personnel remuneration higher than 1:1, but not exceeding the maximum established in such regulations.

BPER Banca currently extends this rule to all personnel.

As regards this maximum limit to the ratio between the variable and fixed component for key personnel, it is currently set at 1:1.

## 1.2. Board of Directors

With respect to remuneration issues and in accordance with its strategic supervisory powers, the Board of Directors is responsible for planning the Group's remuneration policies, with the support of the Remuneration Committee and the relevant corporate functions.

In the conduct of its activities in the field of remuneration, the Board of Directors has responsibility for:

- determining the remuneration of directors that perform special duties, having heard the opinion of the Board of Statutory Auditors.
- approving the process for the identification of key personnel, assessing full compliance with the pertinent regulations,<sup>1</sup> and the list of roles included in this category as a result of the process, with the help of the Statutory Auditors.
- To approve Group remuneration policies, with particular reference to key personnel, to be submitted for approval to the Shareholders' Meeting.
- To approve the share-based incentive schemes to be submitted for approval by the Shareholders' Meeting.
- To assess correct implementation of the Group's remuneration policies in 2016.

## 1.3. Remuneration Committee

In compliance with the principles laid down by the Supervisory Provisions, the Remuneration Committee performs advisory, investigative and propositive functions to support the activities of the Board of Directors and, to the extent of its sphere of competence, to those of the Executive Committee, without prejudice to the autonomy of decision-making and the responsibility of these bodies to pass motions within their respective spheres of competence.

### Composition of the Committee

The Remuneration Committee consists of three non-executive directors, the majority of whom meet the independence requirements of art. 148, paragraph 3, of Legislative Decree 58/98 (TUF); at least one of them must have adequate knowledge and experience of financial matters or remuneration policies, to be assessed by the Board of Directors when they are nominated. The Board of Directors appoints the three members and chooses one of those who meet the independence requirement to act as Chairman. On the Chairman's proposal, the Remuneration Committee appoints a Secretary, who need not be one of its members.

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## Members of the Remuneration Committee

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Mara Bernardini	Chairman
Elisabetta Gualandri	Member
Costanzo Jannotti Pecci	Member

### Role of the Committee

The role of the Remuneration Committee is advisory, investigative and propositive, as support for the activities of the Board of Directors and Executive Committee, which involves the following responsibilities:

- making proposals on the remuneration to be paid to the Board of Directors and Board of Statutory Auditors to be submitted for the approval of the Shareholders' Meeting, as well as how the total amount approved should be split among the various directors;
- submitting proposals on the remuneration to be paid to directors with specific responsibilities, the members of General Management, the heads of corporate control functions, the manager responsible for preparing corporate accounting documents, as well as giving opinions on remuneration proposals for the other key Personnel of the Bank, as identified in accordance with current provisions issued by the Supervisory Authority;
- acting in a supporting role in relation to the remuneration and incentive policies, particularly in deciding the criteria for the remuneration of the Group's key Personnel, expressing its views on the achievement of performance objectives linked to incentive schemes and on ascertaining the other conditions needed for the payment of bonuses;
- verifying the consistency of decisions taken and the correct application of the remuneration and incentive policies with respect to what was approved by the Shareholders' Meeting,
- acting in a support role in proposals for the remuneration of corporate officers of Group companies.

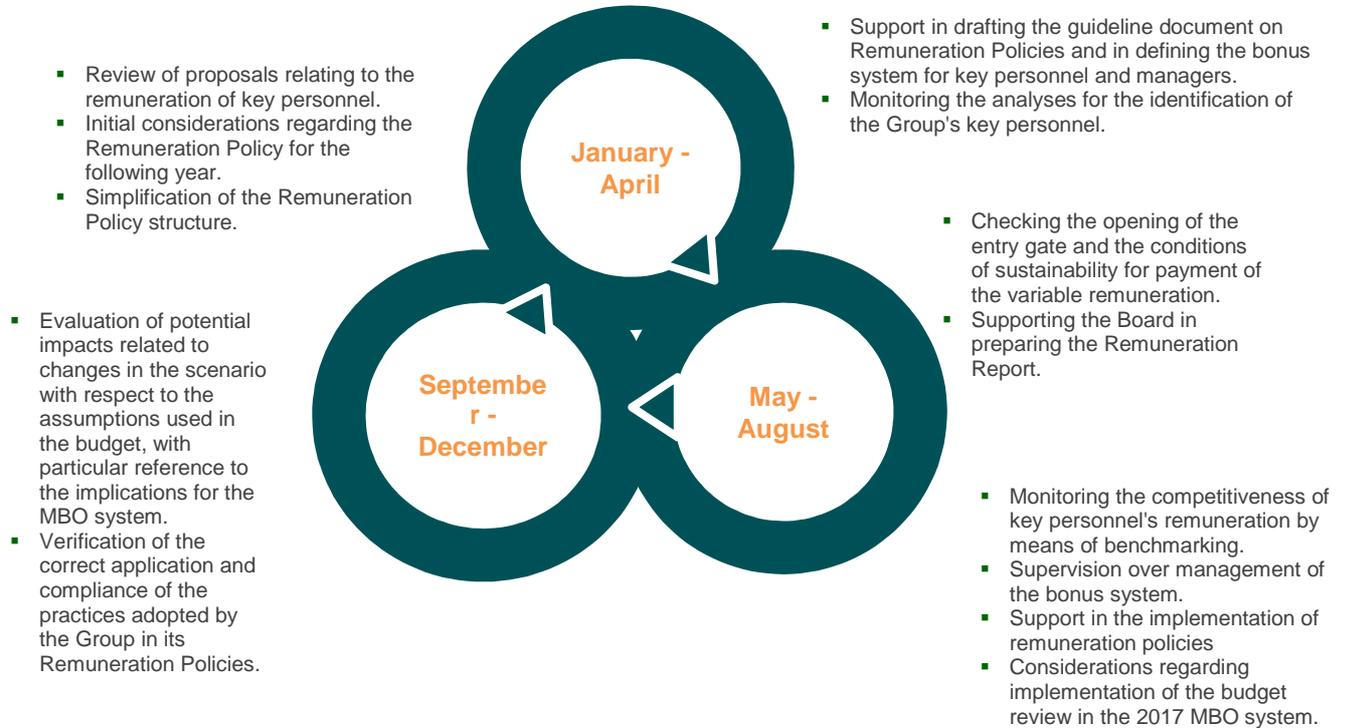
### The Committee's work cycle

The Committee is convened by the Chairman and meets at least once every quarter and, in any case, whenever a meeting is needed to discuss important matters.

The Committee's activities were intense during the course of 2017, particularly on the question of remuneration policies. The Committee met 19 times and the average duration of each meeting was approximately 1 hour and 15 minutes; from time to time, depending on the issues being addressed, Committee meetings were attended by the heads of the departments in question to provide detailed information on topics on the agenda (2 persons on average were invited to each meeting). The Committee has met 4 times in January and February 2018.

The Committee's calendar for the year is typically structured as follows:

## Main activities of the Remuneration Committee



### 1.4. Control and Risk Committee

In carrying out its duties and without encroaching on the Remuneration Committee's sphere of competence, the Control and Risk Committee examines whether the incentives underlying the remuneration and bonus system of the Bank and the Group are consistent with the RAF. In particular, it examines whether the incentives provided by the remuneration system take full account of the risks in terms of capital and liquidity.

## 2. Identification of key personnel

In light of the Bank of Italy's supervisory provisions<sup>2</sup> the process of identifying key personnel is carried out individually by each Italian bank belonging to the BPER Group. In this context, the Parent Company applies the Commission Delegated Regulation (EU) no. 604 of 4 March 2014 to identify key personnel of the Group and ensures that the process is applied consistently throughout the Group.

During the year, a check at Parent Company level is carried out in order to make any adjustments to the scope of key personnel.

The aim of the process is to identify from among all the Group's personnel those who constitute key personnel as people whose job it is to perform duties that could have a significant impact on the Group's risk profile. To this end, the following criteria are taken into consideration:

- Risk contribution made to the Group by various members of top management of Group Companies and verification of their contribution to future results.
- Analysis of responsibilities, level and delegated powers.
- Amount and structure of the remuneration received.

Human Resources, with Group Risk function's support (in checking the risk profile and definition of the levels of significance with respect to overall Group risk) has taken steps to document the self-assessment, integrating the analyses carried out by these functions with the evaluation of responsibilities, powers and the remuneration structure.

For key personnel, the Regulation envisages stricter rules in the way that remuneration is structured;<sup>3</sup> this is because of the need to create as close a link as possible between their remuneration and the company's performance, both in the present and in the future, according to factors that take into account the risks assumed and the long-term sustainability of the company's results.

As required by regulations<sup>4</sup>, in determining the scope of key personnel, qualitative and quantitative criteria have been applied to Group personnel. The Risk Department has analysed the structure of the risks to which the Group is exposed. In particular, it identified:

- The main risk categories that affect the Group as a whole;
- The parameters on which to measure the risk profile of the Group and individual companies;
- The level of contribution of each component to the overall risk of the Group and the individual types of risks.

Depending on these parameters, "key companies" have been identified for the purpose of determining the scope of key personnel. The Human Resources Department has therefore carried out the analyses in accordance with the qualitative criteria evaluating positions and responsibilities, with particular reference to the issue of risk assumption and management, and quantitative criteria. The outcome of this analysis for 2018 led to the identification of the following scope:

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<sup>2</sup> Bank of Italy Circular 285.

<sup>3</sup> Bank of Italy Circular 285.

<sup>4</sup> Bank of Italy Circular 285 and RTS (Regulatory Technical Standard) – UE Regulation 604 of 4/3/2014.

Category of personnel	Number
I. Executive Directors	3
II. Non-Executive Directors	55
III. General Managers and Heads of the main corporate functions	35
- Parent Company	25
- Banco di Sardegna	3
- Other banks/companies	7
IV. Heads of Control Functions	13
- Parent Company	12
- Banco di Sardegna	1
V. Other Risk Takers	19
- Parent Company	11
- Banco di Sardegna	8
VI. Application of quantitative criteria	3
<b>TOTAL</b>	<b>128</b>

In the light of persons identified through the application of qualitative and quantitative criteria, the scope of key personnel for 2018 consisted of:

	2017	2018
Non-executive directors	56 (44%)	55 (43%)
MRT	58 (46%)	60 (47%)
MRT – Control functions	13 (10%)	13 (10%)
<b>TOTAL</b>	<b>127 (100%)</b>	<b>128 (100%)</b>
% Total personnel of the BPER Group (see Circular 285 of the Bank of Italy)	1.07%	<b>1.07%</b>

# 3. Principles and objectives of the remuneration policy

The "Banca popolare dell'Emilia Romagna" Banking Group, of which BPER Banca is the Parent Company, was formed in 1992. To date, the Group consists of the Parent Company, three legally autonomous banks, which are located in various parts of Italy, and a bank based in Luxembourg, in addition to several other companies.<sup>5</sup>

The Group banks, which are strongly rooted in their areas where they are located, effectively play a role in supporting the development of the local economies, while benefiting from the advantages of belonging to a Group of national importance.

In this context, the code of ethics makes explicit reference to the prohibition for employees to make use of personal hedging or insurance strategies to protect compensation or other aspects of it that could alter or affect the effects of alignment to the risk inherent in remuneration arrangements.

Because of this position, the BPER Group bases its activities on solid and shared principles:

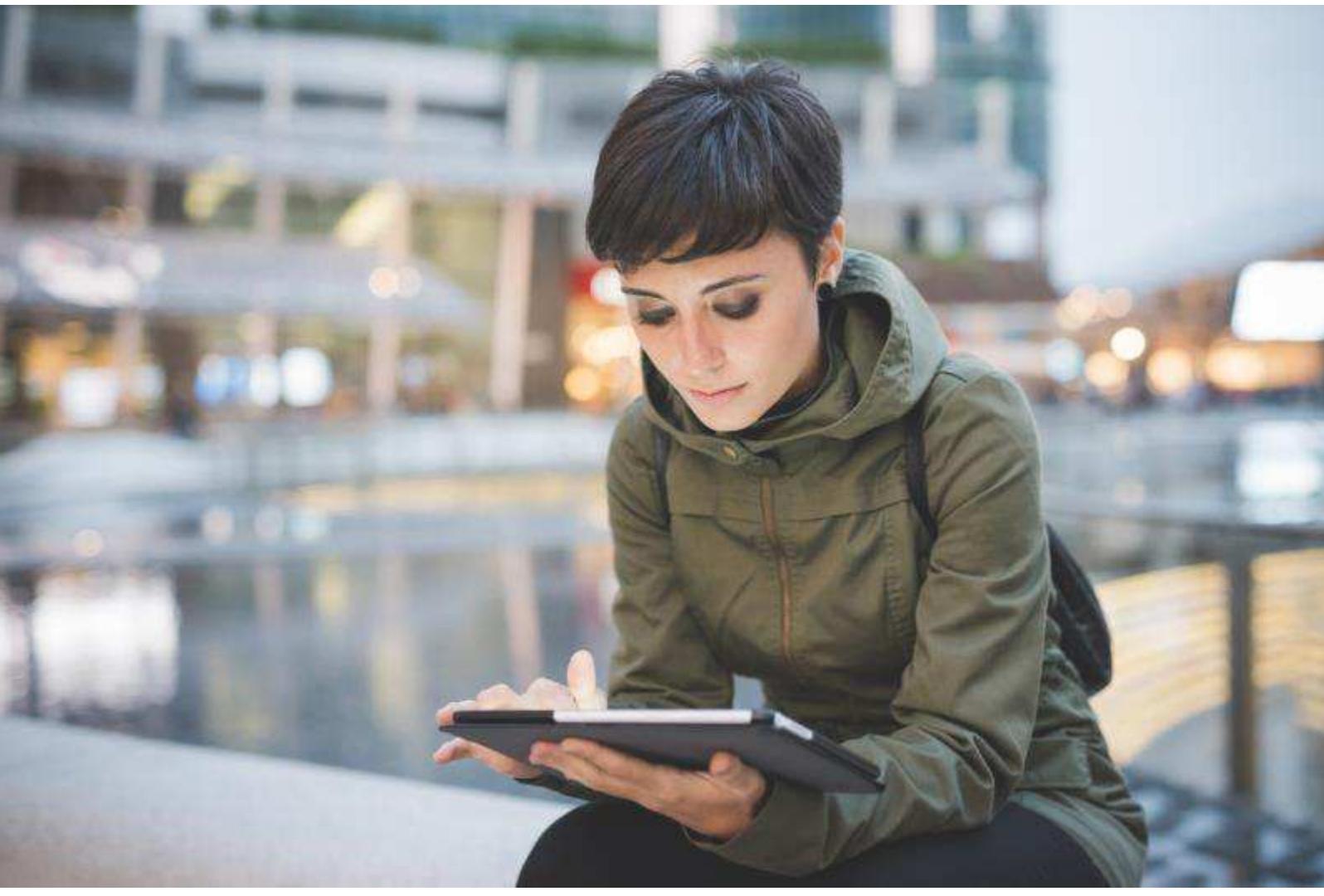
<b>To create value for</b>	Customers	<ul style="list-style-type: none"> <li>▪ <input type="checkbox"/> Awareness of customers' different needs.</li> <li>▪ <input type="checkbox"/> Products offered in an appropriate way to each segment or market.</li> <li>▪ <input type="checkbox"/> Attention to the quality of the relationship.</li> <li>▪ <input type="checkbox"/> Discouraging any conduct that is considered pure speculation or financial gambling.</li> </ul>
	Shareholders	<ul style="list-style-type: none"> <li>▪ <input type="checkbox"/> Increase in profitability and investment value over time.</li> <li>▪ <input type="checkbox"/> Balanced development.</li> <li>▪ <input type="checkbox"/> Diversification and expansion of markets served.</li> <li>▪ <input type="checkbox"/> Conscious management of risk.</li> </ul>
	Group personnel	<ul style="list-style-type: none"> <li>▪ <input type="checkbox"/> Development of internal expertise.</li> <li>▪ <input type="checkbox"/> Stimulation of human and professional growth.</li> <li>▪ <input type="checkbox"/> Implementation of a transparent and effective communication at all levels.</li> <li>▪ <input type="checkbox"/> Continuing education.</li> </ul>
	Social context	<ul style="list-style-type: none"> <li>▪ <input type="checkbox"/> Adopting a business approach with a broader scope than just making a profit, in line with the mutualistic aims that characterised the Group's origins.</li> </ul>

<sup>5</sup> to which has to be added Banca di Sassari, which is included among the product companies, because of its focus on consumer credit services.

In line with these values, the Group's remuneration strategy aims:

### Purpose

<p>To orient conduct towards the Group's priorities</p>	<p>To attract and retain highly qualified personnel and support motivation at an individual level, recognising merit and enhancing professional development</p>	<p>To develop and improve the quality of services offered to customers</p>
<p>To support sound and prudent risk management</p>	<p>To preserve internal and external pay equity, continuing watchful supervision of personnel costs</p>	<p>To behave consistently with the code of ethics and with current rules and regulations</p>



## 4. Market practice and use of external consultants

The remuneration policies adopted by the Group are defined in order to support business strategies ensuring a coherent and effective alignment with regard to incentive systems, including staff interests and value creation for the shareholders. In order to ensure the competitiveness of its remuneration policies, which is essential to attract, motivate and retain the best resources, the Group constantly monitors general market trends and practices, defining competitive, fair and transparent levels of remuneration as a result.

In that direction, the Group periodically uses salary benchmarks on a panel of companies operating in its sector and adopting analytical criteria to conduct a comparison with similar roles and positions, by comparing relative pay levels for fixed, variable and total remuneration.

For each category of staff, the Group's remuneration policy defines differentiated and competitive remuneration packages in terms of fixed and variable components and fringe benefit.

In carrying out all the activities necessary to ensure the competitiveness and effectiveness of its pay systems, the Group has been supported by external, independent consultancy firms with considerable expertise in this area. In particular, we have started working together with the international consultancy Hay Group - Korn Ferry, who have helped us develop benchmark salaries for various population bands.

In defining its remuneration policies, with particular reference to the monitoring of the main remuneration practices of the market, the Group typically compared itself with a panel of companies, mostly of them listed, belonging to the same business sector and with economic dimensions such as to ensure that the panel is balanced and suitable for the needs of the analysis:

<b>Companies</b>	Unicredit	Intesa San Paolo	Banca MPS	Banco BPM
	UBI Banca	Credito Emiliano	Banca Carige	Credito Valtellinese

The Group also compares remuneration levels by adopting a larger panel of companies, carried out on the basis of a system<sup>6</sup> of evaluation of the positions that ensures complete consistency and comparability of roles. In carrying out this analysis, the Group integrates the survey specifically commissioned to the consultants with surveys aimed at entire sectors or at specific categories of personnel.

<sup>6</sup> The evaluation of the positions was carried out by adopting the methodology of the consulting firm Hay Group - Korn Ferry.

# 5. Target audience of the remuneration policies

Remuneration policies, differentiated by categories of personnel are structured in order to ensure maximum effectiveness, in line with the nature and objectives of the relevant corporate function. In this direction, the remuneration and incentive policies are addressed to the five categories of personnel listed below:

- Corporate bodies
- Key personnel
- Managers
- Other personnel
- External collaborators



## 6. Remuneration of the corporate bodies

The remuneration of the corporate bodies is defined by the Group's Shareholders' Meeting which sets the total amount of remuneration paid to the Board of Directors and to the members of the Board of Statutory Auditors, including the fixed component attributed to the Directors, the additional emoluments payable to members of the Executive Committee and other Board Subcommittees, as well as any attendance fees.

### 6.1. Remuneration of the members of the Board of Directors

The remuneration of directors is designed to reward the skills and responsibilities entrusted to those who hold that position. The remuneration of non-executive directors is all fixed.<sup>7</sup> A variable component may be envisaged for Board members who are also executive directors, unless this assignment is secondary to the main function performed within the Group;<sup>8</sup> in this case the remuneration can only be fixed.

If executive directors<sup>9</sup> do not belong to the category of key personnel and receive variable remuneration, the provisions relating to "other managers" apply (paragraph 7.4).

The different time commitment made by individual directors is also recognised by granting them attendance fees that are paid to each member for each board meeting that they attend.

The fees set for attendance at Board meetings are composed of a fixed fee and an attendance fee for attending each meeting of the Board.

Office	2017 remuneration
Chairman of the Board	€ 440,000 <sup>10</sup>
Deputy Chairman	€ 110,000 <sup>11</sup>
Director	€ 55,000
Attendance fee	€ 300

Any costs involved in performing their duties are incurred directly by the Bank or Company, or reimbursed to the Director.

### 6.2. Remuneration for being a member of a committee

The directors who are members of board subcommittees receive a fixed

<sup>7</sup> For the position of non-executive director.

<sup>8</sup> Assignments specifically established as secondary or attributed after the main one.

<sup>9</sup> The executive directors of non-relevant companies, as defined by the analysis conducted by the Risk Department.

<sup>10</sup> Total remuneration for the office of Chairman, including the emolument as a director and the indemnity as Chairman, which as foreseen under current legislation "cannot be higher than the fixed remuneration received by the senior members of the management board".

<sup>11</sup> Total remuneration for the office of Deputy Chairman, inclusive of the emolument as a director and the indemnity for the role of Deputy Chairman.

remuneration in proportion to the commitment required.

Office	Executive Committee	Strategy Committee	Control and Risk Committee	Remuneration Committee	Nominations Committee	Independent Directors Committee
Chairman	€ 60,000	€ 40,000	€ 40,000	€ 30,000	€ 22,500	€ 22,50
Member	€ 30,000	€ 20,000	€ 25,000	€ 20,000	€ 15,000	€ 15,00

### 6.3. Remuneration for special powers

Non-executive directors vested with special powers have their remuneration supplemented by an additional element of compensation, always for a fixed amount, which takes into account their greater commitment, heightened skills and specific responsibilities. The additional compensation paid to directors vested with special powers is established by the Board of Directors, on the proposal of the Remuneration Committee and after consultation with the Board of Statutory Auditors. Remuneration for carrying out special powers are paid to:

- Chairman of the Board
- Deputy Chairmen
- Chief Executive Officer

### 6.4. Remuneration for the office of Chief Executive Officer

The remuneration paid to the CEO is established by the Board of Directors as part of the total remuneration decided by the Shareholders' Meeting for the Board of Directors.

As a director with specific responsibilities, the CEO receives a fixed remuneration for this office and is also a recipient of incentives under the bonus schemes, as defined in paragraph 7.1.

### 6.5. Remuneration of the members of the Board of Statutory Auditors

The remuneration of the statutory auditors, including the Chairman, is determined by the Shareholders' Meeting at the time of their appointment and for the entire period of office. In the light of their role and responsibilities, variable remuneration is not envisaged for the members of the Board of Statutory Auditors.

The fees paid to the members of the Board of Statutory Auditors are shown in the following table:

Office	Remuneration
Chairman of the Board of Statutory Auditors	€ 142,500
Member of the Board of Statutory Auditors	€ 95,000

Any costs involved in performing their duties are incurred directly by the Bank or Company, or reimbursed to the Statutory Auditors.



# 7. 2018 Remuneration policies

The Group remuneration and incentive policy is designed in compliance with the principles and purposes defined in paragraph 3 and in accordance with the regulations currently in force.<sup>12</sup> To ensure the effectiveness, competitiveness and strength of the remuneration policy, the Group conducts regular analyses in order to monitor the main market practices and trends and uses external consultants with solid experience in the field.

Particularly as regards key personnel, the Group has taken particular care to verify the regulatory compliance of all elements that make up the remuneration package and monitored investors' expectations on the matter, as expressed by the Proxy Advisors.

The table shows the maximum pay-mix, which consists of target and maximum variable bonus levels for key personnel and control functions. Note that these limits apply normally, though there may still be specific situations in which the Bank may use the entire regulatory limit of 100% (for example, paying entry bonuses or offering incentive packages to help recruit resources that the company deems necessary for the achievement of important objectives). This exception applies to all categories of key personnel, if permitted by the regulations.

	<b>Target bonus (% fixed remuneration)</b>	<b>Maximum bonus (% fixed remuneration)</b>
CEO and GM	45%	60%
Key personnel	35%	50%
Control functions	20%	20%

The remuneration and incentive policy is defined with the aim of rewarding the achievement of company objectives with a view to creating value for the shareholders. At the same time it is based on clear and defined indicators that regulate clearly and objectively the disbursement of variable bonuses<sup>13</sup>, subjecting their payment, especially for key personnel, to the fact that there are adequate capital, liquidity and risk-adjusted return ratios, also in compliance with the Bank of Italy's requirements.<sup>14</sup> The structure of the bonus schemes for key personnel can be explained starting from the one for the CEO in paragraph 7.1, highlighting the elements that differ from it. In the event of significant and unexpected changes in market conditions, the Board of Directors can order a review of the annual budget, with a consequent revision of individual targets.<sup>15</sup>

<sup>12</sup> Bank of Italy Circular 285.

<sup>13</sup> The Group does not have any discretionary processes, i.e. no bonuses are awarded automatically based on the budget and left to the discretion of individual managers.

<sup>14</sup> Bank of Italy Circular 285.

<sup>15</sup> Just as, more normally, this need can arise in the case of extraordinary transactions that affect the perimeters of the Group or the individual companies that make it up.

If the sum of the bonuses accrued is higher than the bonus pool approved by the Parent Company's Board of Directors, the Board has the right to reduce the individual bonuses proportionally.

## 7.1. Remuneration of the CEO

The remuneration of BPER's CEO consists of a fixed component and a variable component, and the ratio between them has to be within the limit decided by the Shareholders' Meeting, i.e. 1:1.

The variable component is determined on the basis of clear and measurable performance targets, through a weighted assessment of two areas, so it is not possible to award discretionary bonuses. This is done after checking that the access conditions have been achieved for all key personnel. These areas are:

1. A "quantitative" area involving the financial results and risk management.
2. A "qualitative" area of functional objectives, the handling of planned projects and the management skills and CSR targets (social and environmental sustainability).

The correlation between the amount of variable remuneration actually paid and the company's medium/long-term results is sustained by applying *ex-post* correction mechanisms over a multi-year time horizon, based on a verification that adequate levels of capital, liquidity and risk-adjusted return remain, as prescribed in current regulations.

The adoption of qualitative performance parameters ensures that the remuneration system is aligned to the Group's mission and values, supporting its orientation towards the construction of long-term value. It is evaluated from a qualitative point of view by the Board of Directors on the proposal of the Remuneration Committee, based on a supposition expressed by the Chairman of the Board of Directors.

The CEO's remuneration package has been put together in such a way as to ensure an appropriate balance between fixed and variable remuneration; it is also modulated with the aim of ensuring a variable remuneration in proportion to the results achieved, within the limits (the so-called "maximum cap") foreseen by the bonus scheme.

## Variable bonus scheme - MBO

The Group has defined a variable bonus scheme in order to align the interests of management to the creation of value for the shareholders, so as to reward good behaviour and positive results, while penalizing, through non-payment of bonuses, both the failure to achieve the results and any deterioration in the Group's capital, liquidity and profitability ratios.

The incentive scheme provides for the identification of the bonus pool that is the maximum amount of bonuses that can be paid, which for the CEO and key personnel is defined at Group level<sup>16</sup>. The amount of the bonus pool is proportional to the results achieved and envisages a maximum limit.

In order to discourage excessive risk-taking that can lead to a deterioration in the Group's "health", also in compliance with the Bank of Italy's regulatory requirements, disbursement of the bonus pool, whatever the amount, is without exception subject to compliance with certain indicators, called "entry gates", which are related to the capital, liquidity and risk-adjusted return ratios.

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<sup>16</sup> Excluding bonuses deriving from MBOs for control functions, which are of limited amount and are not related - not even indirectly - to the company's results.

The entry gates for 2018, which have to be achieved together, are as follows:

Entry gate	Minimum threshold
Common Equity Tier 1 (CET 1) – Pillar 1 consolidated ratio	> RAF Tolerance
Consolidated Liquidity Coverage Ratio (LCR)	> RAF Capacity
Consolidated Return On Risk-Weighted Assets (RORWA)	> RAF Tolerance

Failure to achieve even only one of the entry gates means not paying any <sup>17</sup> bonus under this scheme (MBO). If all the above entry gates are achieved, the company's results are subjected to an assessment which can change the bonus pool by means of a multiplier/demultiplier mechanism which acts directly on the individual target bonuses, starting with that of the CEO. Based on this approach, the amount of the target bonus is determined in proportion to the results achieved. For 2018, the amount of the target bonus for the resources that perform Group functions will be parametrized to Group Profit Before Extraordinary Items<sup>18</sup>, as shown below.

In the event of a recovery resolution by the Board of Directors, this triggers off a suspension of payment of the variable remuneration (both the immediate and the deferred portion). The Board of Directors can decide that, instead of just a suspension, there should be:

- A reduction or elimination of bonuses still to be determined.
- A reduction or elimination of bonuses already determined but not yet paid.
- A reduction or elimination of deferred portions or those subject to retention.

The Board of Directors of the Parent Company can also order to reduce or eliminate bonuses attributed to various categories of personnel:

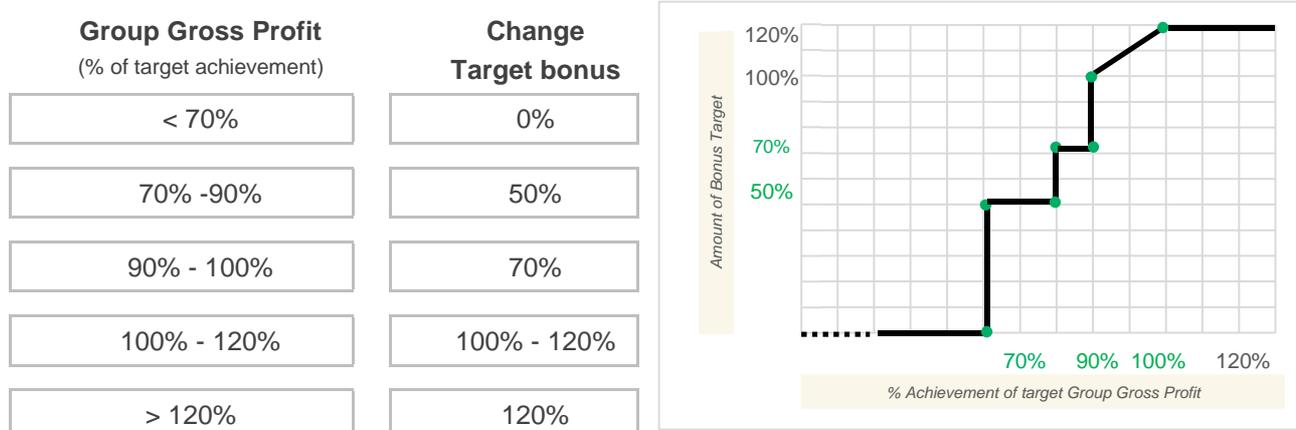
- in the event of particularly low profitability or a loss, both at consolidated and separate level,
- in companies in which the combined capital requirements set by the Supervisory Authorities are not complied with.<sup>19</sup>

<sup>17</sup> As will become clearer from reading the following paragraphs, CET1 and LCR are binding for all MBO systems, RORWA does not apply to the control functions.

<sup>18</sup> Group Profit Before Extraordinary Items.

<sup>19</sup> Circular no. 285 of 17 December 2013 – 3.1 PART ONE – Implementation rules for the CRD IV Directive (3.1.2 Capital reserves).

## How the target bonus works



Once it has been verified that the entry gates have been exceeded and the target bonus (and target bonus pool<sup>20</sup>) has been calculated, the actual allocation of the bonus and the related amount, within the maximum limits of the variable remuneration, are defined through a process of individual performance assessment that includes an analysis of various quantitative and qualitative indicators. For 2018, the CEO's strategic objective sheet (or "scorecard") consists of both quantitative and qualitative targets. In order to ensure an appropriate balance between the two types of objectives, which is also effective in terms of motivation as an incentive to achieve company's desired results, an 80% weighting has been set for the quantitative objectives with the other 20% being for the qualitative objectives.

## The CEO's objective sheet

Quantitative objectives	
Weighting 80%	Group 1st Margin <b>20%</b>
	Group operating costs <b>20%</b>
	Group gross doubtful loans <b>30%</b>
	Group's CET 1 ratio - Phase In (%) <b>20%</b>
	Group's net commission income/Group 1st Margin (%) <b>10%</b>
Qualitative objectives	
Weighting 20%	Functional objectives, handling of planned projects, management skills shown, CSR targets met.

The qualitative evaluation of the CEO is approved by the Board of Directors

<sup>20</sup> The theoretical maximum amount of the bonus payable is the sum of the maximum bonuses obtainable at an individual level. Except for the bonuses of the control functions, it is directly linked to the Group's gross profit, while bonuses for the subsidiaries are partially linked to their individual profits, though still subject to the expected capital and liquidity ratios.

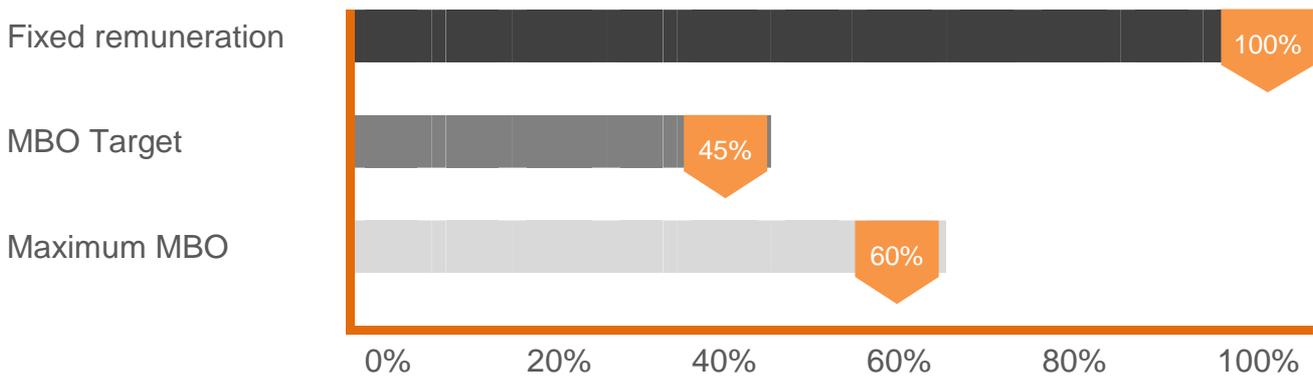
on the proposal of the Remuneration Committee.

Once the results have been measured, the system provides for the application of parameters to adjust for risk, based on those contained in the Risk Appetite Framework (RAF). These parameters act as a corrective with respect to the incentive accrued on the achievement of the objectives set by the CEO's individual scorecard.

Correctives	% Weighting
CET1 - pillar II	33%
LCR	33%
Gross doubtful loans ratio	33%

The CEO's bonus opportunity provides for a maximum cap of 60% of the Fixed Remuneration, namely:

## The CEO's MBO



The method of paying accrued bonuses after the final calculation of the results of the scorecard has been set by the Board of Directors in line with the regulatory requirements,<sup>21</sup> with the dual aim of achieving alignment with the *ex-post* risk and supporting the medium and long-term orientation, as well as managing to correlate the variable component with the actual results and the risks assumed. The Board has also decided to maintain for 2018 the use of virtual shares as a financial instrument directly linked to the equity value of the share (so-called "phantom stock"<sup>22</sup>, i.e. assignments of virtual BPER shares whose value is paid in cash at the time the instruments mature).

In line with what we have just said, payment of the CEO's bonus is structured as follows:

- The deferral of 60% of the bonus in equal annual instalments<sup>23</sup> over 3, 4 or 5 years according to the amount of the bonus, subject to the same malus conditions provided for the other key personnel.
- the payment of 50% of the bonus with the assignment of phantom stock of the Parent Company, with a retention period of 2 years (during which

<sup>21</sup> Bank of Italy Circular 285.

<sup>22</sup> The amount of remuneration based on financial instruments may not be assigned entirely in the form of phantom stock if the Bank decides to pay a portion by means of other kinds of instrument according to the specific regulations (such as bonds).

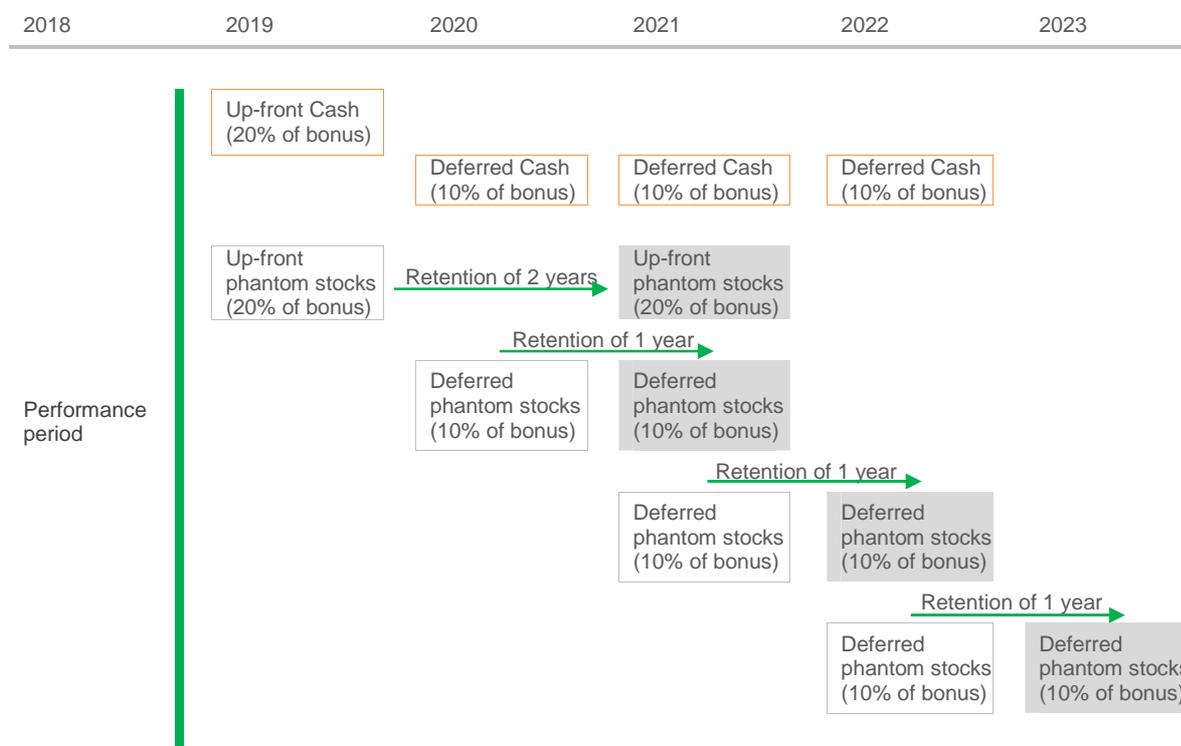
<sup>23</sup> Deferral of 5 years in the case of bonuses in excess of € 150,000, 4 years for bonuses of between € 120,000 and € 150,000, three years if less than € 120,000.

it cannot be disposed of) for the immediate portion and of 1 year for the deferred portion.



## Method of payment of the CEO's bonus

(Example of a 3 year deferral)



The variable components are subjected to *ex-post* correction mechanisms (malus and claw-back) in order to reflect the performance levels net of the risks actually undertaken or achieved in terms of capital, taking into account individual behaviour.

The deferred instalments are subject to malus rules that can reduce the instalment to zero in the event of failure to achieve the access thresholds ("entry gates") for the financial year preceding the year of payment of each deferred instalment.

The above mentioned malus mechanism, which can block payment of the deferred portions of the bonus, also acts on activation of the clawback clauses (see the paragraphs below). Change of control clauses are not currently foreseen for the CEO.

### Claw-back clauses

All bonuses paid are subject to claw-back clauses, though their effective application depends on predetermined circumstance taking place:

- Malicious or grossly negligent behaviour on the part of the employee, which results in a significant loss for the Bank which was not envisaged at the time the bonuses were paid out.
- The results of the Bank and/or of the employee, on the basis of which the bonus was paid, are to be reviewed *ex-post* following circumstances that were not known at the time the bonus was paid. In such circumstances, the clause applies in the event that the review of the results involves adjustments exceeding 1 million euro or if it was made unforeseeable or difficult/impossible because of the deed or fault of the employee.

- Employee behaviour characterised by malicious intent or gross negligence, even not related to the field mentioned in the previous point, but meeting the requisites of gravity as per art. 2119 of the Italian Civil Code.
- A breach on the part of the employee of the obligations imposed pursuant to art. 26 or, when the person is an interested party, of art. 53, paragraphs 4 et seq. of the Consolidated Banking Act or obligations in the field of incentives and remuneration<sup>24</sup>. Special circumstances expressly provided for in Circular no. 285.

Activation of the claw-back clause against a member of staff differs according to the position held by the person concerned at the time of activation of the clause or on termination from the last position held within the BPER Group.

The situations and circumstances underlying activation of the claw-back clauses are relevant if they took place or could take place within five years from payment/disbursement of the performance-related benefits.

In the case of the CEO, activation of the clause would be on the initiative of the Chairman with the approval of the Board. The resolution would be drawn up by the Remuneration Committee and the Board of Statutory Auditors, who can work and make pronouncements together or separately and, if necessary, make their own proposal to the Board.

## 7.2. Remuneration of key personnel

The remuneration of key personnel consists of a fixed element and a variable element. The variable component of the bonus is governed by very strict rules, as required by the Bank of Italy's rules<sup>25</sup> on the remuneration of key personnel.

The assignment of special duties, in addition to the individual's normal responsibilities, may give rise to remuneration that supplements the fixed component.

Note that a variable component of the remuneration may be foreseen on the basis of qualitative objectives and not connected in any way to the financial results for those in control functions and those in charge of preparing the company's financial reports (subject to any agreements with the Trade Unions, valid for all employees and applicable also to these professional positions).

The variable component is kept below the regulatory limit of 100% of the fixed component and set at a maximum rate of 60% of the latter, apart from specific situations in which this percentage can be increased to 100%<sup>26</sup>.

The bonuses determined with reference to 2017 account for a percentage ranging from 0% to 16.6% of the fixed remuneration.

Key personnel are beneficiaries of the MBO variable incentive scheme explained in paragraph 7.1. Depending on the individual results achieved and after fulfilling the entry gate conditions, which is essential to open the gates leading to the determination of the target bonus, and consequently of the bonus pool, the plan provides incentive opportunities which for the CEO of the Parent Company has a maximum limit of 60% of the fixed remuneration, 50% for other key personnel except for control functions as specified below.

Determination of the target bonus and of the bonus pool for key personnel follows the same criteria explained in section 7.1 (linked to changes in the reference indicator). In particular, for key personnel belonging to the parent

<sup>24</sup> Bank of Italy Circular 285.

<sup>25</sup> Bank of Italy Circular 285.

<sup>26</sup> for example, the granting of entry bonuses or incentive packages designed to facilitate the acquisition of resources that the company deems necessary for the achievement of important objectives.

company, with the exception of those belonging to the branch network, the target bonus is determined entirely on the basis of the Group's Gross Profit, as applied to the CEO.<sup>27</sup> For key personnel belonging to Group companies and key personnel of the parent company belonging to the network, the target bonus is determined on the basis of both the Group's Gross Profit and the Gross Profit of the company to which they belong, with the former having a higher relative weighting than the latter.<sup>28</sup> For those belonging to consortium companies, the same rules apply as for the key personnel of the parent company.

The individual scorecard for key personnel is linked to results according to the position that they fill<sup>29</sup> and the related responsibilities and is suitably balanced between quantitative and qualitative targets with a relative weighting of 80% and 20%. The qualitative assessment is derived from the annual performance management scorecard and refers in particular to the assessment of the behaviour and methods adopted in order to achieve the objectives and an assessment of the context in which they were developed. For some of the figures for which it is not feasible to identify quantitative indicators representative of the function held individually, the parameters of the broader structure to which the person belongs are used and the actual contribution to achieving these results is assessed from a qualitative point of view.

Payment of the accrued bonuses takes place in line with the provisions of the pertinent banking law<sup>30</sup>, though with less stringent criteria than those applied to the CEO. The MBO plan provides for the payment of accrued bonuses that differ according on the amount of the bonus, in particular:

### **Bonus > 100.000 €**

- 60% is attributed on the date the bonus is granted ("up-front portion"); the other 40% is attributed in equal instalments over the next three years. For bonus amounting to between 120 and 150 thousand euro, the deferral period is increased to four years, and to five years for bonuses of more than 150 thousand euro.
- The allocation of 50% of the up-front and deferred portions takes place through phantom stock, the other 50% in cash.

### **Bonus ≥ 60.000 € and ≤ 100.000 €**

- 50% of the bonus is paid immediately in cash with the other 50% being paid in phantom stock, assigned in equal instalments over the next three years from that of the grant.

### **Bonus ≥ 30.000 € and <60.000 €**

- The part of the bonus in excess of 30 thousand<sup>31</sup> euro (or 30% of the gross annual salary (GAS), if less) is paid in Phantom stocks, assigned in equal instalments over the next three years from that of the grant. The first 30 thousand euro are awarded up-front in cash.

### **Bonus < 30.000 € (or <30% GAS, if lower)**

- Assignment entirely in cash and up-front.

<sup>27</sup> Including the so-called "semi-central" structure.

<sup>28</sup> i.e. 30% and 70% respectively.

<sup>29</sup> Measured using KPIs and corrections that are derived from the Strategic Framework linked to the card shown in paragraph 7.1 with reference to the CEO. The parameters take on different weightings according to the activities that the person concerned performs, the responsibilities that they have been assigned and the operating levers that they manage.

<sup>30</sup> Bank of Italy Circular 285.

<sup>31</sup> In exceptional and unlikely circumstances where the bonus is more than 60% of the fixed remuneration, but less than Euro 60 thousand, 50% of the bonus is paid in cash up-front and 50% in phantom stocks deferred over three years.

The ex-post correction mechanisms are similar to those explained for the CEO. The deferred instalments are subject to malus rules that can reduce the instalment to zero in the event of failure to achieve the access thresholds ("entry gates") for the financial year preceding the year of payment of each deferred instalment.

The malus mechanism, which can block payment of the deferred portions of the bonus, also acts on activation of the clawback clauses. The bonuses paid are subject to the application of claw-back clauses in the same manner and circumstances as were defined in paragraph 7.1 above.

Change of control clauses are not currently foreseen for any key personnel.

### 7.3. Remuneration of control functions

The remuneration of those in charge of control functions is composed of a fixed component supplemented by a specific function indemnity and a variable component which can be up to a maximum of 20% of the fixed component. The latter does not depend on meeting financial targets, but is related to the specific objectives of the function, in order to safeguard the independence that is required of these functions.

Unlike what applies for key personnel, the payment of bonuses for the control functions is subject only to the entry gates based on capital (CET1) and liquidity (LCR) ratios.

Once the entry gates have been assessed, the amount of the annual bonus is linked to role-related objectives, both quantitative and qualitative.

People in this category have applied to them the rules for deferment of the variable portion, use of financial instruments, the malus and clawback clauses defined for the other key personnel and described in the paragraph 7.2 above.

### 7.4. Remuneration of managers

The remuneration of managers consists of a fixed element and a variable element. Net of any component resulting from the application of agreements with the Trade Unions, the variable part is of limited amount and in any case remains within a maximum of 50% of the fixed component<sup>32</sup>, and in any case within the limit set by the law and the articles of association.

The managers are beneficiaries of the MBO plan explained in paragraph 7.1<sup>33</sup>. In the event that the minimum levels associated with the entry gate parameters applied to key personnel are not reached, the Board of Directors of the Parent Company has to assess whether to grant a bonus of a limited amount, within a buffer significantly lower than the original bonus pool.

The individual scorecard for managers is linked to results consistent with the role<sup>34</sup> and related responsibilities and is properly balanced between quantitative and qualitative targets with a relative weighting of 80% and 20%, respectively. The qualitative assessment is derived from the annual performance management scorecard and refers in particular to the assessment of the behaviour and methods adopted in order to achieve the objectives and an assessment of the context in which they were developed.

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<sup>32</sup> Except for specific situations in which it is possible to raise this percentage, but generally not beyond 100% (for example the payment of entry bonuses or incentives packages designed to facilitate the acquisition of resources that the company deems necessary for the achievement of important objectives).

<sup>33</sup> The operating rules (e.g. entry gates, multipliers, KPI, qualitative assessment and corrective action) foreseen for the specific perimeter are applied to MBO recipients subject to specific perimeters (network, private bankers, BCM managers).

<sup>34</sup> Measured using KPIs that are derived from the Strategic Framework linked to the card shown in paragraph 7.1 with reference to the CEO. The parameters take on different weightings according to the activities that the person concerned performs, the responsibilities that they have been assigned and the operating levers that they manage. A small number of managers in facilities run by middle managers follow the bonus system laid down for the structure to which they belong.

For some of the figures for which it is not feasible to identify quantitative indicators representative of the function held individually, the parameters of the broader structure to which the person belongs are used and the actual contribution to achieving these results is assessed from a qualitative point of view.

In the event of a bonus that is 30,000 euro or 30% higher than the fixed remuneration (and, in any case, below the maximum limit established), a part of the bonus will be deferred for at least one year, subject to malus conditions (where not otherwise specified, the same malus conditions provided for key personnel shall apply).

As required by the regulations<sup>35</sup>, the bonuses paid are subject to claw-back clauses in the same manner and circumstances as were defined in paragraph 7.1 above.

In the case of personnel with important responsibilities in control functions (other than those in charge of such functions), who is not included among key personnel, except as required by collective agreements with the Trade Unions, the variable element is related to specific objectives of the function in question and not to the achievement of financial targets.

## 7.5. Remuneration of other personnel

The remuneration of middle managers and professional areas consists of a fixed element and a variable element. Net of any component resulting from the application of agreements with the Trade Unions, the variable part is of limited amount and in any case remains within a maximum of 50% of the fixed component<sup>36</sup>, and in any case within the limit set by the law and by the articles of association.

In the event of a bonus that is 30,000 euro or 30% higher than the fixed remuneration (and, in any case, below the maximum limit established), a part of the bonus will be deferred for at least one year, subject to malus conditions (where not otherwise specified, the same malus conditions provided for key personnel shall apply).

A significant portion of these categories of staff benefit from specific MBO<sup>37</sup> plans based on quantitative parameters. The most important relate to the network, to private bankers and NPE managers.

As required by the regulations<sup>38</sup>, the bonuses paid are subject to claw-back clauses in the same manner and circumstances as were defined in paragraph 7.1 above.

In the case of personnel with important responsibilities in control functions (other than those in charge of such functions), who is not included among key personnel, except as required by collective agreements with the Trade Unions, the variable element is related to specific objectives of the function in question and not to the achievement of financial targets.

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<sup>35</sup> Bank of Italy Circular 285.

<sup>36</sup> Except for specific situations in which it is possible to raise this percentage, but generally not beyond 100% (for example the payment of entry bonuses or incentives packages designed to facilitate the acquisition of resources that the company deems necessary for the achievement of important objectives).

<sup>37</sup> They do not exclude the assignment of bonuses linked to performance assessment or exceptional situations, to integrate what is foreseen by the MBOs.

<sup>38</sup> Bank of Italy Circular 285.

## Incentive scheme (MBO) for the Network, Private Bankers and NPE managers

These categories of staff have been included within the scope of the beneficiaries of the Group MBO plan, obviously with certain differences relating to the specific nature of their functions and activities, reaching a coverage by the MBO plan of more than 60% of the Group's population. In order to ensure greater consistency with the role, an additional performance indicator has been introduced only for these categories of staff, linked to the ability of their structures to generate revenue to complement the MBO's existing entry gates.

The MBO system means passing the entry gates. The amount of the target bonus and bonus pool is not linked to an indicator of company income measured with respect to budget objectives. The individual bonus is linked to the extent to which the person has achieved their individual objectives. Each scorecard is made up of both quantitative and qualitative KPI, with a relative weighting of 70% and 30% respectively, and a correction factor linked to compliance parameters which is then applied to the results.

The personnel involved in NPE recovery activities benefit from incentives linked to indicators at individual and Group level, aimed at achieving the objectives contained in the Strategic Plan on NPEs. In order to ensure ongoing consistency with the objectives set out in the Plan, individual and Group targets are reviewed during the year.

### 7.6. Remuneration of external collaborators

Group companies benefit from the contribution of a very limited number of freelancers who do not have a fulltime employment contract with the company. They are normally people who have specific skills that are required for a limited period of time, or as part of specific projects, which are complementary and/or of support to the activities performed by employees.

As a rule, the remuneration of external collaborators only consists of a fixed element. However, there is the possibility for variable remuneration to be awarded, still within the limits of 50% of the fixed component<sup>39</sup> and in any case within the limit set by law and articles of association. The amount of the variable component will be determined each time based on specific indicators for the activity carried on.

There are financial agents in the Group whose remuneration is mainly recurring<sup>40</sup>.

Any costs involved in performing their duties are incurred directly by the Bank or Company, or reimbursed to the collaborator.

### 7.7. Long-term incentive systems (LTI)

For 2018, LTIs are expected to be activated on a limited number of resources not belonging to the category of key personnel. The possibility of extending it to senior managers is assessed when defining the new Business Plan. In this case, the LTI system will be submitted to the Shareholders' Meeting before it is activated.

### 7.8. Benefits

The total remuneration package for the various positions can be supplemented by fringe benefits for all employees or for particular positions,

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<sup>39</sup> Except for specific situations in which it is possible to raise this percentage, once verified limits set by the current articles of association (for example the payment of entry bonuses or incentives packages designed to facilitate the acquisition of resources that the company deems necessary for the achievement of important objectives).

<sup>40</sup> See circular 285 Bank of Italy Part I IV.2.IV.

depending on the functions that they perform, the level in the organisation or specific limited attributions. The allocation of such remuneration components is regularly compared with the best market practices in order to assess the competitiveness of the treatment accorded to Group employees.

### **7.9. Termination of the employment relationship**

In the case of early termination of the employment relationship, the Group may enter into agreements providing for the payment of indemnities to the employees<sup>41</sup>. With reference to key personnel, the Group's policy is not to pay remuneration of more than two years' fixed remuneration, net of what is provided for in collective agreements.

Similar arrangements for Managers who are not part of key personnel are limited to the provisions of the National Labour Contract for specific arbitration proceedings.

### **7.10. Discretionary pension benefits**

There is no provision for discretionary pension benefits for anyone in the company.

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<sup>41</sup> Excluding non-executive directors.



## 8. Information on implementation of the 2017 remuneration policies

In accordance with the Bank of Italy's Guidelines and the remuneration policies introduced by the BPER Group for 2017<sup>42</sup>, the following information is provided on implementation of the remuneration policies and remuneration plans that have been put in place:

- a. aggregate quantitative information on remuneration, broken down by business area;
- b. aggregate quantitative information on remuneration, broken down among the various categories of "key personnel", indicating the following components:
  - I. the amounts of remuneration for the year, split into fixed and variable elements and the number of beneficiaries;
  - II. the amounts and forms of variable remuneration, split into cash, shares, instruments linked to share and other types;
  - III. the amounts of outstanding deferred remuneration, split between the vested and unvested portions;
  - IV. the amounts of deferred Remuneration recognised during the year, paid and reduced through mechanisms for correcting the results;
  - V. any "golden hellos" and "golden handshakes" paid during the year and the number of beneficiaries;
  - VI. the amounts of severance indemnities paid during the year, the number of beneficiaries and the highest amount paid to a single person.
- c. Information on the total remuneration of the chairman of the strategic supervisory body and of each member of the management body, the general manager, assistant general managers and deputy general managers. This information as regards BPER Banca and Banco di Sardegna is shown in table 1 "Remuneration paid to members of the boards of directors and statutory auditors, the general managers and other managers with strategic responsibilities" published in the respective section II of the 2018 Remuneration Report. The remuneration of members of the Board of Directors shown here is the amount actually received for the position held in the specific bank. For the remuneration of the general managers and deputy general managers of the Italian Banks, taxable income for social security purposes earned in 2017 has been taken into account, while for the foreign Bank the corresponding amount has been considered. Variable remuneration for 2017 has been used for key personnel. With reference to 2017, one person receives remuneration in excess of 1 million euro.

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<sup>42</sup> The following tables also provide the information on 2016 remuneration policies.

	Business areas							
BPER GROUP	Members of the strategic supervisory body	Members of the management body	Investment banking	Retail banking	Asset management	Business functions	Control functions	Other
Staff (number of persons)	59	26						
Staff (FTE)			155	8,740	47	2,254	260	164
Fixed remuneration (mn €)	3.0	5.8	8.3	375.8	1.8	98.2	12.5	5.6
Variable remuneration (mn €)	-	0.4	0.4	18.8	0.1	5.0	0.8	0.2
BPER BANCA	Members of the strategic supervisory body	Members of the management body	Investment banking	Retail banking	Asset management	Business functions	Control functions	Other
Staff (number of persons)	10	11						
Staff (FTE)			120	6,306	24	1,467	222	41
Fixed remuneration (mn €)	1.3	3.1	6.5	269.9	1.1	65.4	10.5	1.7
Variable remuneration (mn €)	-	0.3	0.3	14.0	0.1	3.4	0.7	0.1
BANCO DI SARDEGNA	Members of the strategic supervisory body	Members of the management body	Investment banking	Retail banking	Asset management	Business functions	Control functions	Other
Staff (number of persons)	10	6						
Staff (FTE)			28	1,871	0	490	33	20
Fixed remuneration (mn €)	0.5	0.7	1.4	80.3	0	21.6	1.8	0.5
Variable remuneration (mn €)	-	0.0	0.1	4.3	0	1.2	0.1	0.0

**Note 1:** the above figures relate to the amounts of taxable income (for social security purposes) for employees of Italian companies and the corresponding amounts for foreign companies at 31 December 2017. With regard to the members of the administrative and control bodies, only the persons in office at 31 December 2017 are counted and the remuneration shown here corresponds to the total paid to directors actually in office during the financial year. The members of the management body are made up of the Chief Executive Officer, the members of the Executive Committee, the General Manager and the personnel with similar functions in other Group banks/companies

**Note 2:** The figures for staff on secondment have been charged to the company where they were hired (seconding

company).

**Table 2. Aggregate quantitative information on remuneration, divided between the various categories of “key personnel” (GROUP FIGURES)**

Code of the Banking Group	Banca popolare dell'Emilia Romagna Banking Group								Banca popolare dell'Emilia Romagna Banking Group							
Reference period	2016								2017							
Business areas	Members of the strategic supervisory body	Members of the management body	Investment banking	Retail banking	Asset management	Business functions	Control functions	Other	Members of the strategic supervisory body	Members of the management body	Investment banking	Retail banking	Asset management	Business functions	Control functions	Other
Key personnel (number of persons)	39	22							44	24						
Key personnel (number of persons)			3	28		8	9				5	31		10	13	
Key personnel in top management			1	8		5	7				1	3		4	6	
Total fixed remuneration (mn €)	2.28	4.76	0.53	4.85		1.87	1.41		2.54	5.44	0.68	5.14		2.08	1.71	
Total variable remuneration (mn €)		0.02		0.07		0.01	0.18			0.40	0.05	0.78*		0.21	0.26	
of which: cash		0.02		0.07		0.01	0.18			0.28	0.05	0.77		0.18	0.26	
of which: in equity and equity related instruments										0.12		0.01		0.03		
of which: in other financial instruments																
Total deferred variable remuneration (mn €)										0.13		0.02		0.03		
of which: cash (mn €)										0.04						
of which: in equity and equity related instruments (mn €)										0.09		0.02		0.03		
of which: in other financial instruments																
Deferred remuneration recognised in previous years and not in the reference year - share allocated (mn €)		0.02							0.01**	0.11		0.02		0.05		
Deferred remuneration recognised in previous years and not in the reference year - share not allocated (mn €)		0.41	0.01	0.07		0.15				0.28		0.04		0.09		
Amount of ex-post correction applied during the period to the variable remuneration for previous years (mn €)																
Number of beneficiaries of guaranteed variable remuneration																
Total amount of guaranteed variable remuneration (mn €)																
Number of beneficiaries receiving signing bonuses ("golden hellos")																
Total amount of payments for signing bonuses (mn €)																
Number of beneficiaries receiving payments for early termination of employment ("golden handshakes")		1		3		1	1				1	4			2	
Total amount of payments for early termination of employment (mn €)		0.10		0.20		0.09	0.10				0.06	0.32			0.33	
Number of beneficiaries receiving payments for termination of employment				3			1				1	4			2	
Total amount of payments for termination of employment (mn €)				0.33			0.13				0.15	0.29			0.45	
Number of beneficiaries of discretionary pension benefits																
Total amount of discretionary pension benefits (mn)																

With regard to severance indemnities and the amounts paid or payable on termination of employment, the highest amount paid to a single person is Euro 228 thousand. This figure derives from the application of the trade union agreement dated 14/8/2015, letter b) art. 13

\* including the company bonus and, in the case of a new recruit, also the entry bonus

\*\* bonus portion referring to the Chairman of BPER when he held the role of Chief Executive Officer

**Table 3.** Information on the total remuneration of the chairman of the strategic supervisory body and of each member of the management body, the general manager, assistant general managers and deputy general managers (figures in thousands of euro)

Banca di Sassari					
Name	Office	Period in which the position was held	Fixed remuneration	Variable remuneration	Total remuneration
Ivano Spallanzani	Chairman	1/1-31/12	86		86
Michele Ladu	Deputy Chairman	1/1-31/12	37		37
Daniele Bianchini	Director	1/1-19/01	1		1
Giuseppe Cuccurese	Director	1/04-31/12	16		16
Eugenio Garavini	Director	1/1-31/12	21		21
Gianpiero Lecis	Director	1/1-31/12	22		22
Paola Piras	Director	1/1-31/12	22		22
Giovanni Righi	Director	1/1-31/12	22		22
Diego Rossi	Director	1/04-31/12	16		16
Fabrizio Togni	Director	1/1-31/12	25		25
Giorgio Lippi	General Manager	1/1-31/12	182		182 *

\* considered taxable income for social security purposes earned in 2017

Cassa di Risparmio di Bra					
Name	Office	Period in which the position was held	Fixed remuneration	Variable remuneration	Total remuneration
Francesco Guida	Chairman	1/1-31/12	134		134
Alberto Di Caro*	Deputy Chairman	1/1-31/12	35		35
Fabio Alfieri	Director	1/1-31/12	22		22
Roberto Maria Renato Costamagna	Director	1/1-31/12	34		34
Gianluca Formenton	Director	1/1-31/12	19		19
Alberto Gallinari*	Director	1/1-31/12	21		21
Paolo Mazza*	Director	1/1-31/12	25		25
Carlo Maria Porro	Director	1/1-31/12	22		22
Corrado Savigni*	Director	1/1-31/12	25		25
Paolo Cerruti	General Manager	1/1-31/12	184	18	202 **

\* members of the Executive Committee

\*\* considered taxable income for social security purposes earned in 2017

Cassa di Risparmio di Saluzzo					
Name	Office	Period in which the position was held	Fixed remuneration	Variable remuneration	Total remuneration
Roberto Civalleri	Chairman	1/1-31/12	86		86
Mariella Acchiardo	Deputy Chairman	1/1-31/12	36		36
Claudio Battistella*	Director	1/1-31/12	30		30
Marco Bonfatti	Director	1/1-13/04	9		9
Giancarlo Ferraris	Director	1/1-31/12	33		33
Giovampaolo Lucifero*	Director	28/4-31/12	21		21
Gianluca Poluzzi	Director	1/1-31/12	30		30
Davide Vellani**	Director	1/1-31/12	31		31
Giorgio Barbolini	General Manager	1/1-31/12	286	32	318 **
Franco Gavosto	Deputy General Manager	1/1-31/12	143		143 **

\* members of the Executive Committee

\*\* considered taxable income for social security purposes earned in 2017



**SECTION II – ANNUAL  
REMUNERATION  
REPORT 2017**

# PART I

## 1.1. Items that make up remuneration

The 2017 remuneration policy, approved by the Shareholders' Meeting of 8 April 2017, was defined with the aim of ensuring consistency with the principles and purposes that inspire the Group. It is divided into various remuneration components, differing from each other according to the objective for which they have been established. The main components foreseen in the BPER Group's remuneration policy for 2017 are:

### Fixed remuneration

- Envisaged for all levels of responsibility and calibrated according to specific factors such as the complexity of the role, measured by adopting appropriate valuation methodologies, individual responsibilities, professionalism and experience.
- The fixed remuneration, which is constantly monitored for internal and external equity, is determined with reference to the members of the Board of Directors, also in relation to the particular positions held in the various Group companies and participation in Board Subcommittees.
- The definition of remuneration levels is conducted in compliance with the principle of sound and prudent management of the Bank, with a view to sustainability.
- The fixed remuneration may be complemented by fringe benefits that, depending on the type, may be applied to all employees or, on the other hand, be aimed at specific positions or roles.
- No discretionary pension benefits are envisaged.

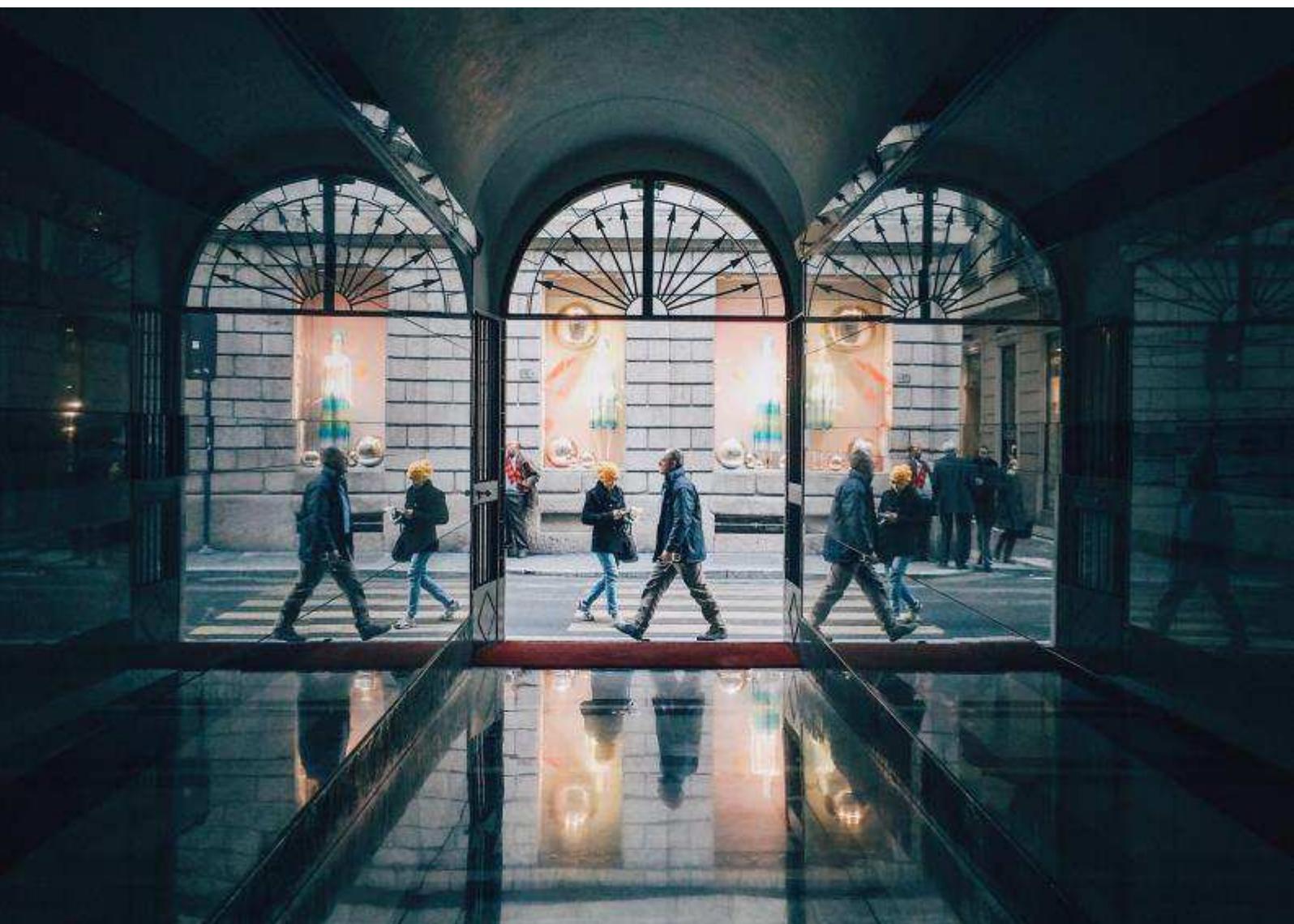
### Variable remuneration

- The definition of incentive schemes is crucial to ensure consistent and effective alignment with the strategic objectives and, hence, with the creation of shareholders' value, with a view to medium/long-term sustainability.
- The incentive schemes are designed to be consistent with the remuneration levels offered by the market for similar functions and in similar structures and are differentiated depending on the population of beneficiaries to allow greater efficiency, reflected in the ability to link bonuses to the specific activity carried out by the resources to whom they are intended.
- Particular attention is paid to the definition of performance targets that are objective and measurable, also with reference to so-called "qualitative" parameters for which assessments are made on the basis of metrics that are in turn based as much as possible on clear and defined indicators.
- The variable incentive schemes, particularly with reference to key personnel, are structured so as to ensure maximum consistency with the Bank's medium/long-term strategic objectives in accordance with the regulations. In particular, depending on the amount of the accrued bonuses, the MBO system provides different methods of payment and deferral. The portion to be paid in the form of financial instruments is payable in phantom stock, i.e. virtual shares whose value is paid in cash once the deferment and/or retention period has elapsed.

## Early termination of the employment relationship

- Incentive systems are also envisaged for the control functions and those in charge of drafting the accounting and corporate documents. For these resources, the incentive schemes are linked to the objectives of the role and, in any case, they are not related to economic performance, except for any agreements provided for under collective contracts, which apply to all employees and are applicable also to these professional roles.
- All incentives are subject to malus and clawback clauses.
- The remuneration policy offers the possibility to grant indemnities linked to early termination of the employment relationship (in addition to what is foreseen in collective contracts) or of the office. The policy relative to such remuneration also provides for maximum payments and constraints, in line with current regulations, on the manner and timing of payment (retention, types of instruments, etc.).

In this regard, it is worth pointing out that an Executive with strategic responsibility resigned in 2017, following voluntary adhesion on the basis of art. 5 of the BPER Group's 2015-2017 Business Plan Agreement to whom the Company paid a termination indemnity calculated according to the rules applied to all personnel who joined the same plan (trade union agreement of 14/8/2015).



## 1.2. Main 2017 results and Pay-for-Performance

Remuneration policies are designed with the aim of ensuring a strong alignment between the results actually achieved and the remuneration paid. In this sense, the BPER Group policy envisages variable incentive schemes based on measurable performance indicators that are clear and directly related to Group and individual objectives, with different methods and weightings depending on the role, responsibilities and professional level.

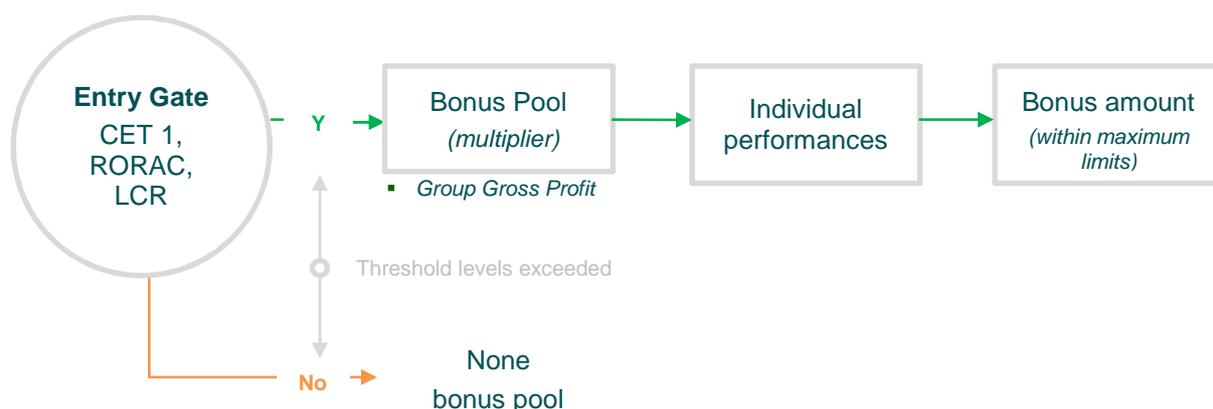
One of the key events in 2017 was Nuova Carife's entry into the Group and its subsequent absorption by BPER Banca.

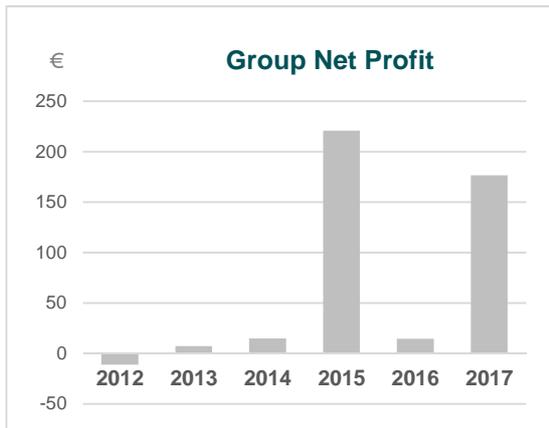
Net profit for the year recovered significantly compared with 2016. The high capital strength and surplus capital with respect to the 2018 SREP requirement are confirmed. The significant improvement in asset quality is continuing, measured both using the main ratios (gross NPE ratio, default rate, danger rate, coverage ratio, Texas ratio2) and flow analysis.

Positive growth in commercial activity in terms of loans to customers and total deposits, even net of the volumes contributed by Nuova Carife. Profitability for the year just ended was influenced by the change in the Group's scope of consolidation and by significant non-recurring elements, including important contributions to the Resolution and the Deposit Guarantee Funds, substantially offset by the badwill recorded after the merger.

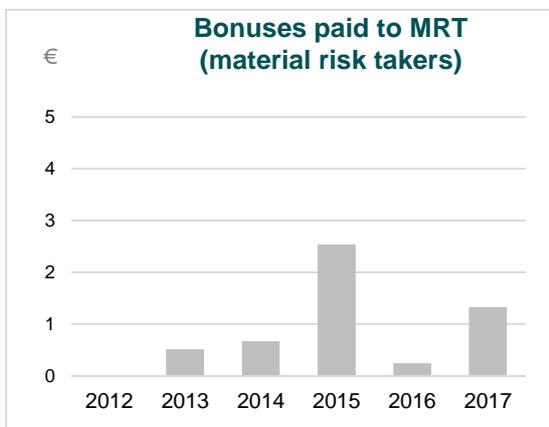
The implementation of the remuneration policy in 2017 made it possible to ensure alignment between accrued incentives and the results achieved. The MBO system is based on a process of definition of the bonus pool and individual bonuses that are strongly oriented to ensure a direct link, on the one hand, with the financial results of the Group and, on the other, with the liquidity, capital and risk-adjusted return ratios, which are fundamental to ensure that the Group has a satisfactory overall solidity in terms of medium to long-term sustainability.

This process, with particular reference to key personnel, is structured as shown in the following tables:





Implementation of the Group's remuneration policies, with particular reference to the variable incentive component, during the course of 2017 as well as in previous years, made it possible to put into practice the aims of the policies to act as a direct link between the bonuses paid and the results achieved. The chart shows the trend in Group Net Profit and the bonuses paid to key personnel from 2012 to 2017.



The interest of the Group, and especially of all corporate functions and corporate bodies involved in the definition of remuneration policies, is to further strengthen the link between results and bonuses, in order to create greater coherence and effectiveness, especially for variable incentive schemes.

In the context of financial statements deeply influenced by changes in the scope of consolidation and, above all, by the presence of significant non-recurring items, both positive and negative, during 2017 it was necessary to revise the corporate objectives and the MBO incentive schemes. The prudential approach that was adopted produced a substantial reduction in the bonus pool available to key personnel.

The process of definition of the bonus foreseen in the MBO system is reflected in the following tables, with specific reference to the CEO:

## Determination of the CEO's bonus

Group performance	Entry gates	Common Equity Tier 1 Ratio (CET1) – pillar 1	✓			
		Return On Risk-Weighted Assets (RORWA)	✓			
		Liquidity Coverage Ratio (LCR)	✓			
	Bonus pool (Multiplier)	No Bonus Pool	Minimum	Target	Maximum	
Group Ordinary Gross Profit *						

\*net of extraordinary items

Once the entry gates have been exceeded, the MBO system checks that the total amount of bonuses awarded to key personnel does not exceed their specific bonus pool. As shown in the previous table, this check led to a significant reduction in the bonus allocated to the CEO, despite the positive results achieved overall at the level of individual performance:

## The CEO's scorecard

		Not achieved	Minimum	Target	Maximum	
Individual performance	Quantitative assessment (Weighting %)	Group gross doubtful loans	30%			
		Group 1st Margin	20%			
		Group banking product	20%			
		Group operating costs	20%			
		Net growth personal perf. and Group CQS	10%			
		<b>Qualitative assessment</b> (Weighting %)				

Correction factors	Common Equity Tier 1 Ratio (CET1) – pillar 2	✓
	Gross doubtful loans ratio	✓
	Liquidity Coverage Ratio (LCR)	✓

		Not achieved	Minimum	Target	Maximum
Overall assessment of individual performance					

The CEO's individual scorecard was positive overall; in other words, it was in line with the target performance level. As mentioned previously, the bonus actually awarded for 2017 will be less than 50% of the amount calculated, after seeing that it was incompatible with the bonus pool allocated to key personnel.

# PART II

Remuneration paid during 2017, for any reason and in any form by the company and its subsidiaries and associates, to members of the boards of directors and statutory auditors, general managers and other managers with strategic responsibilities

**Table 1.** Remuneration paid to members of the boards of directors and statutory auditors, general managers and other managers with strategic responsibilities. (remuneration figures in thousands of Euro)

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name	Office	Period in which the position was held	End of term of office	Fixed remuneration	Remuneration for participating in committee meetings	Variable non equity-based compensation		Non-monetary benefits	Other remuneration	Total	Fair value of equity-based compensation	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Participation in profits					
LUIGI ODORICI	Chairman	01/01-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				445	-	3***	-	-	-	448		
(II) Remuneration from subsidiaries				4	-	-	-	-	-	4		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>449</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>452</b>		
GIOSUE' BOLDRINI	Deputy Chairman*	01/01-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				115	49	-	-	-	-	164		
(II) Remuneration from subsidiaries				93	-	-	-	-	-	93		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>208</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>257</b>		
ALBERTO MARRI	Deputy Chairman*	01/01-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				115	79	-	-	-	-	194		
(II) Remuneration from subsidiaries				52	10	-	-	2	-	64		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>167</b>	<b>89</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>258</b>		

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name	Office	Period in which the position was held	End of term of office	Fixed remuneration	Remuneration for participating in committee meetings	Variable non equity-based compensation		Non-monetary benefits	Other remuneration	Total	Fair value of equity-based compensation	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Participation in profits					
ALESSANDRO VANDELLI**	Chief Executive Officer*	01/01-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				910	30	43	-	4	-	987	64	
(II) Remuneration from subsidiaries				15	-	-	-	-	-	15		
(II) Remuneration from associates				32	-	-	-	-	-	32		
<b>(III) Total</b>				<b>957</b>	<b>30</b>	<b>43</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>1,034</b>		
MARA BERNARDINI	Director	01/01-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				60	48	-	-	-	-	108		
(II) Remuneration from subsidiaries				-	-	-	-	-	-	-		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>60</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>108</b>		
ETTORE CASELLI	Director*	01/01-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				61	63	-	-	-	-	124		
(II) Remuneration from subsidiaries				112	-	-	-	-	-	112		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>173</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>236</b>		
PIETRO CASSANI	Director	01/01-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				59	-	-	-	-	-	59		
(II) Remuneration from subsidiaries				-	-	-	-	-	-	-		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>59</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59</b>		

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name	Office	Period in which the position was held	End of term of office	Fixed remuneration	Remuneration for participating in committee meetings	Variable non equity-based compensation		Non-monetary benefits	Other remuneration	Total	Fair value of equity-based compensation	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Participation in profits					
CRISTINA CROTTI	Director	01/01-08/04	2017 AGM									
(I) Remuneration in the company preparing the financial statements				16	1	-	-	-	-	17		
(II) Remuneration from subsidiaries				-	-	-	-	-	-	-		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>16</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>		
PIETRO FERRARI	Director*	01/01-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				60	30	-	-	-	-	90		
(II) Remuneration from subsidiaries				-	-	-	-	-	-	-		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>60</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90</b>		
ALFONSO ROBERTO GALANTE	Director	08/04/31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				43	-	-	-	-	-	43		
(II) Remuneration from subsidiaries				-	-	-	-	-	-	-		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>43</b>						<b>43</b>		
ELISABETTA GUALANDRI	Director	01/01-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				60	83	-	-	-	-	143		
(II) Remuneration from subsidiaries				-	-	-	-	-	-	-		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>60</b>	<b>83</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143</b>		
COSTANZO JANNOTTI PECCI	Director	01/1-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				60	30	-	-	-	-	90		
(II) Remuneration from subsidiaries				-	-	-	-	-	-	-		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>60</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90</b>		

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name	Office	Period in which the position was held	End of term of office	Fixed remuneration	Remuneration for participating in committee meetings	Variable non equity-based compensation		Non-monetary benefits	Other remuneration	Total	Fair value of equity-based compensation	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Participation in profits					
GIOVAMPAOLO LUCIFERO	Director	01/01-08/04	2017 AGM									
(I) Remuneration in the company preparing the financial statements				15	4	-	-	-	-	19		
(II) Remuneration from subsidiaries				-	-	-	-	-	-	-		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>15</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>		
GIUSEPPE LUSIGNANI	Director	01/01-08/04	2017 AGM									
(I) Remuneration in the company preparing the financial statements				16	17	-	-	-	-	33		
(II) Remuneration from subsidiaries				5	-	-	-	-	-	5		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>21</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38</b>		
ROBERTO MAROTTA	Director	01/01-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				60	26	-	-	-	-	86		
(II) Remuneration from subsidiaries				-	-	-	-	-	-	-		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>60</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86</b>		
ROBERTA MARRACINO	Director	08/04-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				45	18	-	-	-	-	63		
(II) Remuneration from subsidiaries				-	-	-	-	-	-	-		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>45</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63</b>		
VALERIANA MARIA MASPERI	Director	01/01-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				60	63	-	-	-	-	123		
(II) Remuneration from subsidiaries				10	-	-	-	-	-	10		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>70</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>133</b>		
MARGHERITA PERRETTI	Director	01/01-08/04	2017 AGM									
(I) Remuneration in the company preparing the financial statements				15	-	-	-	-	-	15		

(II) Remuneration from subsidiaries				-	-	-	-	-	-	-	-	
(II) Remuneration from associates				-	-	-	-	-	-	-	-	
<b>(III) Total</b>				<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>		
(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name	Office	Period in which the position was held	End of term of office	Fixed remuneration	Remuneration for participating in committee meetings	Variable non equity-based compensation		Non-monetary benefits	Other remuneration	Total	Fair value of equity-based compensation	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Participation in profits					
VALERIA VENTURELLI	Director	01/01-31/12	2018 AGM									
(I) Remuneration in the company preparing the financial statements				60	40	-	-	-	-	100		
(II) Remuneration from subsidiaries				-	-	-	-	-	-	-		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>60</b>	<b>40</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>		

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name	Office	Period in which the position was held	End of term of office	Fixed remuneration	Remuneration for participating in committee meetings	Variable non equity-based compensation		Non-monetary benefits	Other remuneration	Total	Fair value of equity-based compensation	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Participation in profits					
ANTONIO MELE	Chairman of the Board of Statutory Auditors	01/01-31/12	2018 AGM									
				(I) Remuneration in the company preparing the financial statements	142	-	-	-	-	-	142	
				(II) Remuneration from subsidiaries	-	-	-	-	-	-	-	
				(II) Remuneration from associates	-	-	-	-	-	-	-	
				<b>(III) Total</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142</b>	
CARLO BALDI	Serving Auditor	01/01-31/12	2018 AGM									
				(I) Remuneration in the company preparing the financial statements	95	-	-	-	-	-	95	
				(II) Remuneration from subsidiaries	4	-	-	-	-	-	4	
				(II) Remuneration from associates	-	-	-	-	-	-	-	
				<b>(III) Total</b>	<b>99</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99</b>	
DIANA RIZZO	Serving Auditor	01/01-31/12	2018 AGM									
				(I) Remuneration in the company preparing the financial statements	95	-	-	-	-	-	95	
				(II) Remuneration from subsidiaries	-	-	-	-	-	-	-	
				(II) Remuneration from associates	-	-	-	-	-	-	-	
				<b>(III) Total</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95</b>	
FRANCESCA SANDROLINI	Serving Auditor	01/01-31/12	2018 AGM									
				(I) Remuneration in the company preparing the financial statements	95	-	-	-	-	-	95	
				(II) Remuneration from subsidiaries	8	-	-	-	-	-	8	
				(II) Remuneration from associates	-	-	-	-	-	-	-	
				<b>(III) Total</b>	<b>103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103</b>	
VINCENZO TARDINI	Serving Auditor	01/01-31/12	2018 AGM									
				(I) Remuneration in the company preparing the financial statements	95	-	-	-	-	-	95	
				(II) Remuneration from subsidiaries	-	-	-	-	-	-	-	
				(II) Remuneration from associates	-	-	-	-	-	-	-	
				<b>(III) Total</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95</b>	

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name	Office	Period in which the position was held	End of term of office	Fixed remuneration	Remuneration for participating in committee meetings	Variable non equity-based compensation		Non-monetary benefits	Other remuneration	Total	Fair value of equity-based compensation	Compensation for loss of office or termination of employment
						Bonuses and other incentives	Participation in profits					
FABRIZIO TOGNI	General Manager	01/01-31/12										
(I) Remuneration in the company preparing the financial statements				500	-	37	-	6	-	543	38	
(II) Remuneration from subsidiaries				123	10	-	-	2	-	135		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>623</b>	<b>10</b>	<b>37</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>678</b>		
<b>4 DEPUTY GENERAL MANAGERS</b>												
(I) Remuneration in the company preparing the financial statements				1,436	-	120	-	27	-	1,583	47	
(II) Remuneration from subsidiaries				170	-	-	-	-	-	170		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>1,606</b>	<b>-</b>	<b>120</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>1,753</b>		
<b>5 MANAGERS WITH STRATEGIC RESPONSIBILITIES</b>												
(I) Remuneration in the company preparing the financial statements				644	-	85	-	13	-	742		98
(II) Remuneration from subsidiaries				40	-	-	-	-	-	40		
(II) Remuneration from associates				-	-	-	-	-	-	-		
<b>(III) Total</b>				<b>684</b>	<b>-</b>	<b>85</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>782</b>		

\* Members of the Executive Committee

\*\* In addition to the bonus indicated in the table, the person receives € 38 thousand in cash, deferred over the subsequent 4 years

\*\*\* deferred portion in cash of the bonus linked to the position of Chief Executive Officer held in previous years

The dates shown here refer to: a) office of director for members of the Board of Directors, regardless of their role; b) office of statutory auditor for members of the Board of Statutory Auditors, regardless of their role; c) the General Manager's employment relationship, regardless of his role.

**Table 2.** Equity-based remuneration plans, other than stock options, for members of the board of directors, general managers and managers with strategic responsibilities

(remuneration figures in thousands of Euro)

(A)	(B)	(1)	Financial instruments granted in prior years not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not attributed	Financial instruments vested during the year and attributable		Financial instruments for the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at grant date	Vesting period	Grant date	Market price at time of grant	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair Value
LUIGI ODORICI	Chairman												
(I) Remuneration in the company preparing the financial statements		2017 remuneration policies (08/04/2017)	-	-	-	-	-	-	-	-	-	-	-
		2016 remuneration policies (16/04/2016)	-	-	-	-	-	-	-	-	-	-	-
		2015 remuneration policies (18/04/2015)			-	-	-	-	-	-	-	-	-
		2014 remuneration policies (12/04/2014)	-	-	-	-	-	-	-	-	-	-	-
		2013 remuneration policies (20/04/2013)	-	-	-	-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates		Not applicable	-	-	-	-	-	-	-	-	-	-	-
(III) Total						-							-

(A)	(B)	(1)	Financial instruments granted in prior years not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not attributed	Financial instruments vested during the year and attributable		Financial instruments for the year
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at grant date	Vesting period	Grant date	Market price at time of grant	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair Value
ALESSANDRO VANDELLI	Chief Executive Officer												
(I) Remuneration in the company preparing the financial statements		2017 remuneration policies (08/04/2017)			13,954 phantom stock*	64	Bonus attributed in equal annual tranches over the four years after the one in which it was granted	08/03/2018	4.59	-	5,582	26	64
		2016 remuneration policies (16/04/2016)	-	-	-	-	-	-	-	-	-	-	-
		2015 remuneration policies (18/04/2015)	7,640 phantom stock	Bonus attributed in equal annual tranches over the subsequent three years	-	-	-	-	-	-	2,546 phantom stock	12	-
		2014 remuneration policies (12/04/2014)	-	-	-	-	-	-	-	-	631 phantom stock	3	-
		2013 remuneration policies (20/04/2013)	-	-	-	-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates		Not applicable	-	-	-	-	-	-	-	-	-	-	-
(III) Total						64						41	64

\*Bonus for 2017, granted in 2018 on the 2017 results

(A)	(B)	(1)	Financial instruments granted in prior years not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not attributed	Financial instruments vested during the year and attributable		Financial instruments for the year	
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Name	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at grant date	Vesting period	Grant date	Market price at time of grant	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair Value	
FABRIZIO TOGNI	General Manager													
(I) Remuneration in the company preparing the financial statements		2017 remuneration policies (08/04/2017)			8208 phantom stock *	38	Bonus attributed in equal annual tranches over the three years after the one in which it was granted	08/03/2018	4.59				38	
		2016 remuneration policies (16/04/2016)	-	-	-	-	-	-	-	-	-	-	-	
		2015 remuneration policies (18/04/2015)	6,076 phantom stock	Bonus attributed in equal annual tranches over the subsequent two years	-	-	-	-	-	-	-	3,038 phantom stock	14	-
		2014 remuneration policies (12/04/2014)	-	-	-	-	-	-	-	-	-	-	-	-
		2013 remuneration policies (20/04/2013)	-	-	-	-	-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates		Not applicable	-	-	-	-	-	-	-	-	-	-	-	
(III) Total						38						14	38	

\*Bonus for 2017, granted in 2018 on the 2017 results

(A)	(B)	(1)	Financial instruments granted in prior years not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not attributed	Financial instruments vested during the year and attributable		Financial instruments for the year	
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Name	Office	Plan	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at grant date	Vesting period	Grant date	Market price at time of grant	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair Value	
6 MANAGERS WITH STRATEGIC RESPONSIBILITIES														
(I) Remuneration in the company preparing the financial statements		2017 remuneration policies (08/04/2017)			10,212 phantom stock *	47	Bonus attributed in equal annual tranches over the three years after the one in which it was granted	08/03/2018	4.59				47	
		2016 remuneration policies (16/04/2016)	-	-	-	-	-	-	-	-	-	-	-	
		2015 remuneration policies (18/04/2015)	10,823 phantom stock	Bonus attributed the subsequent year	-	-	-	-	-	-	-	10,823 phantom stock	51	-
		2014 remuneration policies (12/04/2014)	-	-	-	-	-	-	-	-	-	-	-	-
		2013 remuneration policies (20/04/2013)	-	-	-	-	-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates		Not applicable	-	-	-	-	-	-	-	-	-	-	-	
(III) Total						47						51	47	

\*Bonus for 2017, granted in 2018 on the 2017 results

**Table 3.** Monetary remuneration plans for members of the board of directors, general managers and other managers with strategic responsibilities (remuneration figures in thousands of Euro)

(A)	(B)	(1)	(2)			(3)			(4)
Name	Office	Plan	Bonus for the year			Bonus of previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferral period	No longer payable	Payable/Paid	Still deferred	
LUIGI ODORICI	Chairman								
(I) Remuneration in the company preparing the financial statements		2016 remuneration policies	-	-	-	-	-	-	-
		16/04/2016							
		2015 remuneration policies	-	-	-	-	-	-	-
		18/04/2015							
		2014 remuneration policies	-	-	-	-	-	-	-
		12/04/2014							
(II) Remuneration from subsidiaries and associates	Not applicable	2013 remuneration policies	-	-	-	-	3	-	-
		20/04/2013							
<b>(III) Total</b>			<b>0</b>	<b>0</b>		<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>
ALESSANDRO VANDELLI	Chief Executive Officer								
(I) Remuneration in the company preparing the financial statements		2017 remuneration policies	26	38	Bonus attributed in equal annual tranches over the subsequent four years				
		08/04/2017							
		2016 remuneration policies	-	-	-	-	-	-	-
		16/04/2016							
		2015 remuneration policies	-	-	-	-	13	53	-
		18/04/2015							
		2014 remuneration policies	-	-	-	-	4	4	-
		12/04/2014							
(II) Remuneration from subsidiaries and associates	Not applicable	2013 remuneration policies	-	-	-	-	-	-	-
		20/04/2013							
<b>(III) Total</b>			<b>26</b>	<b>38</b>		<b>0</b>	<b>17</b>	<b>57</b>	<b>0</b>

(A)	(B)	(1)	(2)			(3)			(4)	
Name	Office	Plan	Bonus for the year			Bonus of previous years			Other bonuses	
			(A)	(B)	(C)	(A)	(B)	(C)		
			Payable/Paid	Deferred	Deferral period	No longer payable	Payable/Paid	Still deferred		
FABRIZIO TOGNI	General Manager									
(I) Remuneration in the company preparing the financial statements		2017 remuneration policies 08/04/2017	37	-	-	-	-	-	-	
		2016 remuneration policies 16/04/2016	-	-	-	-	-	-	-	
		2015 remuneration policies 18/04/2015	-	-	-	-	-	-	-	
		2014 remuneration policies 12/04/2014	-	-	-	-	-	-	-	
		2013 remuneration policies 20/04/2013	-	-	-	-	-	-	-	
		(II) Remuneration from subsidiaries and associates	Not applicable	-	-	-	-	-	-	-
		<b>(III) Total</b>		<b>37</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>9 MANAGERS WITH STRATEGIC RESPONSIBILITIES*</b>										
(I) Remuneration in the company preparing the financial statements		2017 remuneration policies 08/04/2017	205	-	-	-	-	-	-	
		2016 remuneration policies 16/04/2016	-	-	-	-	-	-	-	
		2015 remuneration policies 18/04/2015	-	-	-	-	-	-	-	
		2014 remuneration policies 12/04/2014	-	-	-	-	-	-	-	
		2013 remuneration policies 20/04/2013	-	-	-	-	-	-	-	
		(II) Remuneration from subsidiaries and associates	Not applicable	-	-	-	-	-	-	-
		<b>(III) Total</b>		<b>205</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Including 1 recipient of just the company bonus (estimated figure)

# PART III

Shares held in the company and subsidiaries by members of the boards of directors and statutory auditors, general managers and other managers with strategic responsibilities, as well as their spouses, if not legally separated, and minor children, directly or through subsidiaries, trustees or nominees.

The tables that follow contain information on the shares held by members of the boards of directors and statutory auditors, general managers and other managers with strategic responsibilities, as well as their spouses, if not legally separated, and minor children, directly or through subsidiaries, trustees or nominees.

**Table 1. Shares held by members of the boards of directors and statutory auditors and general managers.**

Name	Investee company	No. of shares owned at 31/12/2016 (*)	No. of shares purchased	No. of shares sold	No. of shares owned at 31/12/2017 (*)
<b>Board of Directors</b>					
MARA BERNARDINI	BPER Banca	11,075			11,075
GIOSUE' BOLDRINI	BPER Banca	70,000	1,969		71,969
ETTORE CASELLI	BPER Banca	21,975			21,975
Spouse	BPER Banca	2,211			2,211
PIETRO CASSANI	BPER Banca	300			300
Bper shares deposited at other banks	BPER Banca	42,500			42,500
CRISTINA CROTTI	BPER Banca	268			268
Bper shares deposited at other banks	BPER Banca	7,325			7,325
PIETRO FERRARI	BPER Banca	53,396	5,000		58,396
Spouse	BPER Banca	26,966			26,966
Indirect investment	BPER Banca	-	50,000		50,000
ALFONSO ROBERTO GALANTE	BPER Banca	-			-
ELISABETTA GUALANDRI	BPER Banca	5,159	2,000		7,159
COSTANZO JANNOTTI PECCI	BPER Banca	724			724
Indirect investment (**)	BPER Banca	500			500
GIOVAMPAOLO LUCIFERO	BPER Banca	46,191			46,191
Spouse	BPER Banca	100			100

(\*) or start/end date of period of office, if different from the reference period indicated;

(\*\*) change included this year based on corrective information received

Name	Investee company	No. of shares owned at 31/12/2016 (*)	No. of shares purchased	No. of shares sold	No. of shares owned at 31/12/2017 (*)
<b>Board of Directors</b>					
GIUSEPPE LUSIGNANI	BPER Banca	20,004			20,004
ROBERTO MAROTTA	BPER Banca	584			584
ROBERTA MARRACINO	BPER Banca	-			-
ALBERTO MARRI (**)	BPER Banca	93,000			93,000
Spouse	BPER Banca	40,000			40,000
VALERIANA MARIA MASPERI	BPER Banca	1,577			1,577
Spouse	BPER Banca	143			143
LUIGI ODORICI	BPER Banca	25,000	5,000		30,000
Spouse	BPER Banca	55,000	5,000		60,000
MARGHERITA PERRETTI	BPER Banca	400			400
ALESSANDRO VANDELLI	BPER Banca	50,000	25,000		75,000
Spouse	BPER Banca	5,000			5,000
Minor children	BPER Banca	2,000			2,000
VALERIA VENTURELLI	BPER Banca	-			-

(\*) or start/end date of period of office, if different from the reference period indicated;

(\*\*) change included this year based on corrective information received

(\*\*\*) administrator of a trust that owns 3,300,500 BPER Banca shares.

Name	Investee company	No. of shares	No. of shares	No. of shares	No. of shares
		owned at 31/12/2016 (*)	purchased	sold	owned at 31/12/2017 (*)
<b>Board of statutory auditors</b>					
ANTONIO MELE	BPER Banca	200			200
Bper shares deposited at other banks	BPER Banca	150			150
CARLO BALDI	BPER Banca	95,442			95,442
Spouse	BPER Banca	12,548			12,548
DIANA RIZZO	BPER Banca	-			-
FRANCESCA SANDROLINI	BPER Banca	-			-
VINCENZO TARDINI	BPER Banca	18,000			18,000
Shares of other BPER Group banks	Banco di Sardegna sav.	500			500
Spouse	BPER Banca	1,511			1,511
Indirect investment	BPER Banca	30,000			30,000
<b>General Manager</b>					
FABRIZIO TOGNI	BPER Banca	6,605			6,605
Spouse	BPER Banca	1,155			1,155

(\*) or start/end date of period of office, if different from the reference period indicated;

**Table 2. Shares held by other managers with strategic responsibilities.**

Name	Investee company	No. of shares owned at 31/12/2016 (*)	No. of shares purchased	No. of shares sold	No. of shares owned at 31/12/2017 (*)
Other managers with strategic responsibilities (9)					
Managers with strategic responsibilities	BPER Banca	43,088	150		43,238
Spouses of Managers with strategic responsibilities	BPER Banca	18,398		150	18,248
Minor children of Managers with strategic responsibilities	BPER Banca	606			606
Bper shares deposited at other banks	BPER Banca	16,288		10,000	6,288
	<b>TOTAL</b>	<b>78,380</b>	<b>150</b>	<b>10,150</b>	<b>68,380</b>

(\*) or start/end date of period of office, if different from the reference period indicated;

# **Certification of the Manager responsible for preparing the Company's financial reports**

The Manager responsible for preparing the Company's financial reports, Marco Bonfatti, declares in accordance with art. 154-bis, para. 2, of Legislative Decree 58/1998 (Consolidated Finance Act) that the accounting information contained in this Report agrees with the books of account, accounting entries and supporting documentation.

Modena, 7 March 2018

**Manager responsible for preparing the company's financial reports**

**Marco Bonfatti**





