
Ordinary Shareholders' Meeting of 17 April 2019

Report on point 5.b) of the agenda

**Change in the limit to the ratio between the fixed and variable components
for the benefit of all Material Risk Takers not belonging
to Corporate Control Functions.**

BPER Banca S.p.A.

**Ordinary Shareholders' Meeting
of 17 April 2019**

***Report pursuant to art.125-ter TUF
Point 5.b) of the agenda
change in the limit to the ratio between the fixed and variable components
for the benefit of all Material Risk Takers not belonging
to Corporate Control Functions.***

Shareholders,

with reference to point 5.b) of the agenda of the Ordinary Shareholders' Meeting, the Board of Directors has called upon you to resolve, pursuant to art. 11, paragraph 2, of the Articles of Association and in compliance with the Supervisory Provisions on remuneration, on the proposal to extend the increase in the cap on the variable to fixed remuneration to personnel who are Material Risk Takers not belonging to corporate control functions and similar functions.

Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 (so-called CRD IV), with reference to the ratio between the variable and fixed component of individual remuneration, provides as a general criteria the limit of 1:1 for the Material Risk Takers. This ratio can be increased up to a maximum of 2:1, in accordance with certain conditions, subject to binding approval by a qualified majority of the Shareholders' Meeting of Parent Company and the Shareholders' Meetings of the subsidiary banks, where the personnel involved in the present proposal work.

This directive, implemented into the "Supervisory Provisions on remuneration of Bank of Italy", requires the Board of Directors to forward the related motion to the European Central Bank, at least 60 days before the date scheduled for Shareholders' approval of the resolution. Subsequently within 30 days of the resulting resolution, the decision of the Shareholders' Meeting has to be transmitted to the same Supervisory Authority with indication of the approved ratio/s for each personnel category.

In accordance with the Supervisory Provisions on remuneration (Title IV – Chapter 2, Circular 285 of 17 December 2013), the Bank of Italy also clarified that, in the event of approval of this limit, it is not necessary to submit a new resolution to the Shareholders' Meeting in the following years. Except if the assumptions have been changed: the reasons of the increase, the personnel involved or the cap to the ratio. The remuneration policy needs to give adequate information on the increase of this limit previously approved and on the reasons why it is not subject to a new shareholders' resolution.

The functions in which the persons parties belong

In the light of the above, BPER Banca submits to your attention the proposal to determine the ratio of the variable to fixed component of remuneration by up to a maximum of 200% (ratio 2:1) for the Material Risk Takers of the Group, identified and periodically updated by BPER Banca pursuant to the Delegated Regulation (EU) 604/2014¹, excluding personnel belonging to the control and assimilated functions.

Reasons underlying the motion

The reasons underlying the resolution that it intends to adopt aim to ensure that:

- the Group has the necessary capacity to be able to make payments in sight or upon the early termination of the relationship or charge, within the maximum limits already defined in the 2017 and 2018 Remuneration Policies (up to 2 years of annual fixed remuneration);
- the Group has all the management levers to be able to attract external resources functional to the achievement of business objectives.

With reference to variable remuneration, the BPER Group has been adopting a prudential approach, envisaging until the end of 2018 a ratio between the variable and the fixed component of the individual remuneration of all personnel not exceeding 100% (ratio of 1:1).

The current proposal, potentially concerning all Group Material Risk Takers (with the exception of the aforementioned functions), arises from the need to act on the competitiveness of remuneration packages of the professional skills considered strategic, allowing the Group to have greater leverage and to guarantee above all a greater attraction of the external resources necessary to achieve the business objectives.

Approval of the motion would allow to avoid an increase of the fixed remuneration component, that otherwise would risk of losing flexibility in the management of managers' remuneration packages, would incur higher costs and would attenuate the coherent link between remuneration of the Material Risk Takers and the short and long-term corporate performances.

Assessment on the Bank's ability to continue to comply with prudential rules

The request for the definition of the ratio up to 2:1 for all Material Risk Takers of the Group guarantees, in any case, compliance with the prudential regulations considering that:

- ▶ the correlation between the amounts disbursed and the respect of prudential requirements in terms of capital, liquidity and profitability is guaranteed:

¹ For details on the number of the Material Risk Takers at Group level for each function/category, please refer to the description in the Group Remuneration and Incentive Policies document for the related year, including those operating in the subsidiary Banks.

- ex ante, during the planning and definition of the capital plan, through the inclusion each time of the actual estimated costs related to the proposal in question; if the impacts deriving from the overall application of the remuneration described are considered, the Group will continue to comply with the minimum requisites required by the supervisory authorities, since the capital buffer currently available to the Group largely covers the potential maximum impacts;
- ex post, from the link to the Incentive Systems Gates ("CET1", "LCR" and "RORWA") in line with the Group Risk Appetite Framework;
- ▶ although potentially it concerns, at the time of the proposal, a total number of about 70 resources for the year 2019 (0,6% of the company population), the actual use of a ratio between variable and fixed remuneration greater than 1:1, it may concern a limited number of resources. This would be in line with the remuneration policies in force; the evidence will be disclosed in the next Report on Remuneration. The maximum possible impacts (much higher than those actually expected) for the higher costs deriving from the variable remuneration described for all the personnel involved can be estimated at -4 basis points.

In the light of the above, the Board of Directors of BPER Banca invites the Shareholders' Meeting to approve with binding resolution the proposal to raise the ratio of the variable to fixed component of remuneration to 2:1 for the Group Material Risk Takers, excluding Personnel belonging to the control and assimilated functions.

In compliance with the provisions of Directive CRD IV and with Supervisory Provisions, the proposal will be considered approved when:

- (i) the Shareholders' Meeting is duly constituted by at least half the share capital and the resolution is taken with the favourable vote of at least 2/3 of the share capital represented in the Shareholders' Meeting (66%); or
- (ii) the resolution is taken with the favourable vote of at least ¾ of the share capital represented in the Shareholders' Meeting (75%), whatever the share capital with which the Shareholders' Meeting is duly constituted

Pursuant to the provisions of art. 53, paragraph 4, of the TUB, the Personnel who is a shareholder of the Bank must abstain in any case from the Shareholders' Meeting resolution approving an increase in the limit that regards their own remuneration.

Shareholders,

in relation to the above, the Board of Directors therefore proposes that the ordinary Shareholders' Meeting take the following resolution:

"The Shareholders' Meeting of BPER Banca S.p.A.:

- *having regard to the Bank of Italy's Circular No. 285/2013, concerning "Remuneration and Incentive Policies and practices";*
- *having regard to the text of the motion raised by the Board of Directors with regard to increasing, with reference to all Material Risk Takers of the Group, exception of Material Risk Takers belonging to the control and assimilated functions, to 2:1 the ratio of the variable to fixed component of remuneration;*
- *having determined that the motion itself does not compromise compliance with prudential rules, and in particular, regulations pertaining own funds requirements;*

resolves

to establish the maximum extent of the ratio of the variable to fixed component of remuneration at 2:1 for all Material Risk Takers identified at Group level, with the exception of the Material Risk Takers belonging to the Control Functions and similar, giving a mandate to the Board of Directors to bring to the attention of this Shareholders' Meeting, in the Report on Remuneration of each year, a precise and detailed report on the effective use of this option.

Modena, 7 February 2019

BPER Banca S.p.A.
The Chairman
Pietro Ferrari