

Informazione Regolamentata n. 1928-117-2023	Data/Ora Inizio Diffusione 12 Dicembre 2023 07:57:20	Euronext Milan
--	---	-----------------------

Societa' : BANCO BPM
Identificativo : 184346
Informazione
Regolamentata
Nome utilizzatore : BANCOBPMN03 - Marconi
Tipologia : 2.2
Data/Ora Ricezione : 12 Dicembre 2023 07:57:18
Data/Ora Inizio : 12 Dicembre 2023 07:57:20
Diffusione
Oggetto : STRATEGIC PLAN 2023 2026

<i>Testo del comunicato</i>

Vedi allegato.



PRESS RELEASE

STRATEGIC PLAN 2023-2026:

***A SOLID SUCCESS STORY
STRONGLY COMMITTED TEAM,
READY TO DELIVER SUPERIOR SHAREHOLDER VALUE
SUSTAINABLE BANKING,
PROUDLY SUPPORTING THE ITALIAN ECONOMY***

**PREVIOUS STRATEGIC PLAN TARGETS EXCEEDED
BY MORE THAN ONE YEAR IN ADVANCE**

**SOLID STARTING BASE THANKS TO DISTINCTIVE POINTS OF
STRENGTH AND AN EXCELLENT TRACK-RECORD:**

- Excellent positioning in the richest and most productive areas of the country and in Europe
- Strong and distinctive business model thanks to the continuation of the internalisation strategies of the “Life” product factory and the strengthening of the JVs
 - Important growth in profitability and capital strength

**SIGNIFICANT AND SUSTAINABLE VALUE CREATION ENABLING
SIGNIFICANT SHAREHOLDER REMUNERATION WHILE LEAVING THE
SOLID CAPITAL POSITION UNCHANGED:**

- Cumulative Net Income 2023-2026 of about €6bn
- €4bn of shareholder remuneration over the plan horizon:
 - 5 times the distribution of the past 4 years and
 - More than 50% of the current market capitalization

Total dividend distribution in 2024 expected to be reach about €1.3bn, of which about €0.75bn from FY2023 earnings

From 2024, the form of remuneration (dividends/share buyback) shall be determined year-by-year

- Solid capital position, with a CET1 Ratio at about 14% as of 2026

STRATEGIC PLAN BASED ON SEVEN PILLARS TO SUPPORT CUSTOMERS AND THE TERRITORY WITH HIGHER RETURNS FOR ALL STAKEHOLDERS AND WITH FULL INTEGRATION OF STRATEGIC SUSTAINABILITY AMBITIONS AND ESG-RELATED INITIATIVES AND TARGETS

MAIN FINANCIAL TARGETS FOR THE FINANCIAL YEAR 2026

- TOTAL REVENUES AT ABOUT €5.4BN
- PRE-PROVISION OPERATING INCOME AT ABOUT €2.75BN
 - COST/INCOME BELOW 50%
 - NET INCOME ABOVE €1.5BN
 - ROTE AT ABOUT 13.5%¹
 - GROSS NPE RATIO AT ABOUT 3.0%
 - COST OF RISK AT ABOUT 45BPS
- CORE NET LOANS TO CUSTOMERS AT ABOUT €102BN
- CURRENT ACCOUNTS AND DEPOSITS AT ABOUT 100BN
- INDIRECT CUSTOMER FUNDING AT MORE THAN €120BN²
- LIQUIDITY RATIOS – LIQUIDITY COVERAGE RATIO (LCR) AND NET STABLE FUNDING RATIO (NSFR) – WELL ABOVE REGULATORY REQUIREMENTS
- SOLID BUFFER AGAINST MREL REQUIREMENTS PRESERVED OVER THE PLAN HORIZON

¹ Calculated as Net Profit from the income statement of the period (year x) over period-end Tangible Shareholders' Equity (i.e. excluding intangible assets net of related deferred tax liabilities), excluding net profit of the period and AT1 instruments.

² Excluding capital-protected certificates.

MAIN ESG TARGETS

- **NEW GREEN AND LOW-RISK TRANSITION LOANS TO CORPORATES AND ENTERPRISES OF MORE THAN €10BN PER YEAR OVER 2024-2026³**
 - **CARBON NEUTRAL ON NET SCOPE 1&2 EMISSIONS⁴**
- **WOMEN IN MANAGERIAL POSITIONS +20% AT THE END OF 2026 VS. YEAR-END 2023**
- **NEW DISBURSEMENTS TO THE THIRD SECTOR OF ABOUT €200M IN 2026**
- **DONATIONS & GRANTS FOR ENVIRONMENTAL AND SOCIAL PROJECTS OF ABOUT €5M PER YEAR OVER THE PERIOD 2024-2026**
- **SHARE OF NEW PROFILES SPECIALIZING IN CYBERSECURITY ON TOTAL NEW HIRES IN IT & DIGITAL AT ABOUT 15%**
- **#200 THOUSAND HOURS OF ESG TRAINING DEDICATED TO EMPLOYEES IN 2026**
- **MORE THAN #3 THOUSAND HOURS OF ESG TRAINING FOR ENTERPRISES IN THE 2024-2026 PERIOD**

THE SEVEN PILLARS OF THE STRATEGIC PLAN 2023-2026

1. **BROADENING BANCO BPM'S LEADERSHIP IN SMEs AND CORPORATE INVESTMENT BANKING WHILE SUPPORTING GREEN TRANSITION**
NET FEES +5% CAGR 2023-26
2. **REINFORCING WEALTH MANAGEMENT AND LIFE INSURANCE**
ABOUT €215M (DELTA REVENUES 2023-2026)
3. **CAPTURING VALUE FROM RECENT DEALS IN P&C INSURANCE AND PAYMENTS BUSINESS**
ABOUT €95M (DELTA REVENUES 2023-2026)

³ New lending to corporate clients in green or low-risk sectors and green financing products to corporate clients.
⁴ Market-based net emissions. Achieving Carbon Neutrality on Scope 1&2 Market-based net emissions by the end of 2024.

4. BENEFITING FROM FURTHER OMNICHANNEL REINFORCEMENT

1.5 TIMES THE CUSTOMER ACQUISITION RATE

5. ENHANCING TECH INNOVATION, LEAN BANKING AND CYBERSECURITY

+20% IT INVESTMENTS OVER THE PLAN HORIZON (vs. 2021-2023)

6. FURTHER STRENGTHENING THE GROUP'S BALANCE SHEET

COST OF RISK AT ABOUT 45BPS IN 2026

7. EMPOWERING PEOPLE AND THE COMMUNITY IN LINE WITH THE GROUP'S SOCIAL VOCATION

**ABOUT 800 NEW HIRINGS, OF WHICH 200 TECH SPECIALISTS
(data scientists, cloud & cyber security specialists)**

STRATEGIC SUSTAINABILITY AMBITIONS

- Support our customers in their transition path through consultancy and commercial offerings, consistent with the adherence to the Net Zero Banking Alliance
- Strengthen climate and environmental risk management and monitoring
 - Continue to reduce our environmental impact
- Further improve our strategy for people, generational exchange and women empowerment
 - Strengthen our leadership position as a third-sector lending bank
- Confirm our position as a top "Community Bank" with a strong impact on our local communities (with a focus on schools and education)
- Continue to maintain the alignment of the short- and long-term incentive plans for managers and employees with ESG objectives
 - Supporting our digital transformation with robust privacy and cybersecurity management

- **Further improving the approach to the ESG risk measurement, consistent with external regulatory developments and with risk materiality**

Giuseppe Castagna, Chief Executive Officer of Banco BPM, has said:

"The efforts made by all our colleagues have allowed us to achieve, one year ahead of schedule, brilliant results and to exceed the targets of the 2021/2024 plan. The new Strategic Plan 2023-2026, built in a stand-alone logic, is based on solid pillars and intends to clearly define strategies, actions and tools that aim at sustainable growth in profitability, accompanied by the creation of value for all stakeholders and by a significant increase in our remuneration policies capable of rewarding our shareholders.

As from next year, we will start to benefit from the results of our product factories, particularly those just finalized, with a view to act positively on the leverage of revenues and commissions, in an economic environment that presumably, as early as 2024, could see a reduction in interest rates.

We shall work to be a leading bank, ever increasingly competitive, in the offer of digital and omnichannel services for our different customer segments, strengthening our proposal of solutions in favour of all customers, with a particular focus on Italian SMEs and Mid-Caps, the true backbone of our productive system, towards which we intend to consolidate our leadership position, establishing ourselves more and more as bank of reference, also within the sustainability transition.

We will maintain constant attention to our communities and continue with initiatives to enhance the value of our colleagues, implementing generational turnover programs to bring in new resources and skills.

These goals will enable us to add new milestones to Banco BPM's success story."

Milan, 12 December 2023 - At its meeting yesterday, 11th December 2023, the Board of Directors of Banco BPM, chaired by Mr. Massimo Tononi, approved the Group's Strategic Plan 2023-2026.

Main assumptions underlying Banco BPM's Strategic Plan 2023-2026: changing market environment, distinctive points of strength and significant sustainable value creation

The Plan was developed by incorporating the new macro-economic outlook and changes in the regulatory environment. Assumptions foresee a slowdown in inflationary dynamics, together with a substantial stabilization of economic growth. From a market perspective, rates are expected to normalize starting from 2025.

	2023	2024E	2025E	2026E
Domestic GDP real growth (y/y change) – Reference scenario	0.7%	0.6%	0.9%	0.9%

Consumer Price Index Italy	5.1%	2.2%	2.0%	2.1%
ECB Depo facility rate (annual average)	3.6%	3.8%	2.9%	2.4%
Euribor 3M (annual average)	3.5%	4.0%	3.5%	3.1%

The new Strategic Plan reflects the outcome of a path of growth and innovation that Banco BPM has embarked on in recent years that has strengthened its profitability, consolidated its capital position, improved its overall risk profile, transformed its business operations through a wider adoption of digital channels, enhanced its business model and finalized a growing integration of sustainability.

Banco BPM's Strategic Plan 2023-2026 was developed by leveraging:

- excellent geographical positioning with a presence concentrated in the richest regions of Italy: 78% of loans to customers concentrated in Northern Italy and Tuscany, with a market share in terms of retail branches of 9.3% in Northern Italy
- solid business model which, in addition to the full ownership of highly specialized banks (i.e. Akros and Aletti) capable of providing a full range of banking products and financial services, relies on the presence of significant holdings in leading product factories in asset management, consumer credit, Bancassurance and e-money. Particularly worth noting are:
 - by the end of 2023, the purchase of the 65% stake in the capital of Vera Vita and Vera Assicurazioni, with simultaneous resale of the latter stake – coupled with the stake of 65% in Banco BPM Assicurazioni S.p.A. (a company active in the non-life sector currently wholly owned by Banco BPM through Banco BPM Vita S.p.A.) – to Crédit Agricole Assurances; downstream of this transaction, Banco BPM will have internalised its entire Life Insurance business and activated a partnership in the non-life sector with a European leader in this business;
 - by the first quarter of 2024, the contribution of Banco BPM's e-money activities to the BCC Pay S.p.A. joint venture, with the payment of a mixed consideration in cash and in shares issued by the Pay Holding vehicle, which in turn controls the entire capital of BCC Pay S.p.A.; upon completion of the transaction, the joint venture will become the second Italian operator in the payments sector, of which Banco BPM will hold approximately 29%
- excellent track record over the past seven years, in terms of efficiency with a cost/income ratio at 48% in 9M 2023 (64% in 2017), derisking with a gross NPE ratio at 3.5% as of September 30, 2023 (24.1% as of December 31, 2016), profitability with a ROTE at ~12% expected at the end of 2023 (0.2% in 2017), and capital position with a CET1 ratio of 14.3% as of September 30, 2023 (11.4% as of December 31, 2016). The excellent results achieved have made it possible to exceed the targets for 2023 and 2024 of the previous Plan, one year ahead of schedule
- digital transformation with a new service model that has enabled increasing operations via APP, which has surpassed physical operations in the branch, and an integration of ESG aspects, also evidenced by important recognitions from ESG Rating Agencies

The ambition of the new Plan is to increase shareholder remuneration in a very significant way exploiting financial and industrial levers that will further boost growth in total revenues (~€5.4bn in 2026 vs. ~€5.25bn at the end of 2023) and overall profitability (net income >€1.5bn in 2026 vs. >€1.2bn in 2023 and ROTE at ~13.5% in 2026 vs. ~12% in 2023).

Regarding net interest income, the higher cost of funding will be partially offset by a "substitution effect" of new assets at higher rates compared to the maturing stock, volume dynamics - with the stock of loans to customers returning to 2022 levels over the Plan horizon – as well as by active balance sheet management (e.g. increase in hedges on sight deposits accounted for in hedge accounting, optimization of the securities portfolio).

Over the Plan horizon, the results shall also benefit from growth in commission income (+€0.3bn), thanks to greater commercial effectiveness achieved through the offer of value-added solutions for SME & Corporate customers, the acceleration in wealth management as well as the effects of the process of internalization/partnership with the main product factories in terms of higher contribution of revenues generated by life insurance (from approximately €0.05bn in 2023 to c. €0.15bn in 2026) and from equity participations (from more than €0.12bn in 2023 to c. €0.18bn in 2026).

As far as cost dynamics are concerned, the continuation of the path of rationalization of the distribution network (phase-out of more than 400 cash desks and reduction in the number of branches to about 1,250 in 2026) and the simplification of the operating model will make it possible to offset the inflationary effect and enable the increase in investments to support growth; the workforce will be affected by 1,600 exits, including through a redundancy incentive plan to be activated in 2024, with new entrants of 800 high-potential young people. In addition, the Plan also includes deleverage and derisking activities that will allow to achieve a gross NPE ratio of ~3.0% at the end of the Plan, from 3.5% in 2023, and a cost of risk of 45bps, thanks to a further strengthening of lending strategies and workout capacity, the consolidation of the default prevention safeguards, as well as an improved recovery performance, to which State guarantees covering a major share of exposures in the portfolio to date are set to contribute in a positive way.

PILLAR 1 – BROADENING OF BANCO BPM'S LEADERSHIP IN SMES & CORPORATE INVESTMENT BANKING WHILE SUPPORTING GREEN TRANSITION

Banco BPM's territorial footprint is characterized by a privileged positioning in the Italian regions with the greatest entrepreneurial propensity and that contribute significantly to the country's economic and industrial development. Banco BPM is recognized today by Italian companies as a partner of reference in their paths of business development.

Enhancing this strong starting point, as part of the Strategic Plan 2023-2026, the Group aims to further consolidate its leadership in this customer segment, which is divided commercially into Corporate & Investment Banking (including larger-sized companies) and SMEs⁵.

Over the time horizon of the Plan, revenues on the segment are expected to grow by approximately €270m (CAGR +2.4%) through a few key directions:

- On the Corporate and Investment Banking segment
 - "Core" revenue growth at a CAGR 2023-2026 of +2.6%, of which:
 - o Net interest income: CAGR 2023-2026 of +2.0%
 - o Net fees and commissions: CAGR 2023-2026 of +5.0%
- On the SME segment
 - "Core" revenue growth at a CAGR 2023-2026 of +2.1%, of which:
 - o Net interest income: CAGR 2023-2026 of +0.5%
 - o Net fee and commission income: CAGR 2023-2026 of +5.0%

Operationally, a series of initiatives will be undertaken on:

1. Corporate and Investment Banking segment

⁵ Includes small business customers and enterprises with a turnover up to €75m.

- Evolution of the service model for a better coverage of customers through dedicated key account managers, adoption of a segmentation based on potential and revision of the coverage model from an industrial perspective (e.g. focus on PNRR, PowerGen and Private Equity)
- Scale up of high-potential offering areas with focus on full potential of Banca Akros (synergies in origination on BBPM client base and expansion of the offering) and in supply chain finance
- Expansion of leadership on existing customer base through Originate to Share solutions as growth enablers and digitization initiatives in Global Transaction Banking to achieve economies of scale and gain market share on high value-added business areas
- Specific focus on growth in the Large segment, particularly in capital market and bond issuance services, leveraging also the investment grade status achieved by Banco BPM

2. SME segment

- On small-business customers, acceleration of the digitalization and simplification path as enablers for the release of commercial time in the network and growth of value-added services: evolution of app and business site enabling a best-in-class experience in transactional services, activation of smart and digital lending through "fully remote" processes on selected credit product offerings during 2024, development of the digital branch dedicated to small and medium-sized businesses
- On SME customers, further exploitation of synergies with the Corporate & Investment Banking structure such as Structured Finance and Global Transaction Banking as well as with Banca Akros and Banca Aletti for solutions geared to meet the full range of financial needs at 360°; strengthening of specialized offering and model for agrobusiness and continuation of the territorial footprint optimization path with new openings of SME Business Centers on areas with higher growth potential

Transversely to the two segments CIBs and SMEs, Banco BPM's role as a partner for businesses in their development plans in support of a sustainable transition is expected to be accelerated and strengthened, with a set of solutions that will accompany them in the different stages in their development through the creation of an ESG factory focused on:

- ESG training: solutions and initiatives for the development of new skills, in synergy with BBPM Academy, carrying out more than 3,000 hours of ESG training for businesses in the three-year period 2024-2026
- ESG advisory: identification of ESG development priorities, creation of a partnership ecosystem with leading ESG solution providers, and completion of the roll-out of a diagnostic ESG tool to be integrated as part of lending processes.
- ESG offering: suite of products and solutions aligned with the EU Taxonomy in order to finance specific initiatives to support a concrete sustainable transition; the new green financings to businesses and the new financings in support of green or low-risk transition sectors will average more than €10bn per year (vs. c. €8bn annualized in the nine-month period 2023); development of the decarbonization strategy of asset portfolio under the Net Zero Banking Alliance, with target setting on priority sectors by Q3 2024, roll-out to the totality of identified sectors by 2026 and adherence to the SBTi by Q1 2024.

PILLAR 2 – REINFORCING WEALTH MANAGEMENT AND LIFE INSURANCE

The Plan intends to continue and strengthen the path already undertaken to increase the market share on the segment of indirect customer funds (now at 4.1% from 3.8% at the beginning of 2021) and the share of asset management on total customer funding (now at 30%, with a 3-5-point gap compared to other comparable institutions). A total of €215m in additional revenues is expected, of which about €110m to come principally from non-life

indirect customer funding and €105m from Life, thanks also to the redefinition of the products and services offered to customers for this segment. The main industrial actions behind this growth are: (i) net inflows in assets under management of €7.5bn, boosted by an expected context of decreasing interest rates and, within such dynamic, (ii) extra-growth in the Life business, thanks to internalization and refocusing in the segment, bringing total life insurance premia to a CAGR 2024-2026 of 10% (compared to a CAGR 2024-2026 of 6% for total assets under management).

Operationally, a series of initiatives shall be activated to enable the achievement of the following results:

- Affluent segment (CAGR 2023E-2026E of assets under management +5%): introduction of a differentiated approach by target customers based on a new dynamic and behavioural segmentation – with the goal to assign about 180k customers with high-growth potential to expert Relationship Managers – enabling tools for Off-Branch Offering and completion of tools for Remote Offering to better serve all customer segments
- Private Segment (CAGR 2023E-2026E of Banca Aletti revenues +6%): development of an offering dedicated to entrepreneurial families and HNWIs; revenue internalization program through SICAVs and remunerated advisory on assets under administration

Cross-segment initiatives, enabling and qualifying the actions in the Plan will be: development of a new evolved dispositive and advisory platform of the group, integration of the same also with the insurance offer (protection), integration with the group CRM and with AI solutions to enable the offer of solutions to meet customers' needs; strengthening of the ESG offer both in the advisory component and as generation of products to implement the offer catalogue.

PILLAR 3 – CAPTURING VALUE FROM RECENT DEALS IN P&C INSURANCE AND PAYMENTS BUSINESS

The Plan envisages maximizing the value generated by strategic partnerships with an expected contribution of around €95m of additional revenues in 2026 (about €70m of distribution fees and about €25m of income from the JVs).

Growth in commissions from the payments business (€30m) is largely driven by expected growth at the market level and to a minor extent, c. 15%, by managerial initiatives enhancing the capacity of the new Partner "Payco/BCC Pay". This new agreement shall come into full effect following the closing expected in Q1 2024 and shall support further cross-selling and up-selling developments through joint marketing actions (also dedicated to specific customer clusters – e.g. Corporate/customers with high transaction levels).

Growth in distribution fees of €40m in the Bancassurance P&C business – which will leverage synergies from the activation of the new partnership with Crédit Agricole Assurance, Europe's first Bancassurer, expected by the end of 2023 – derives from an expected recovery in "Credit Protection", in line with new credit disbursement targets, and in the "Non-Credit protection" P&C market. Managerial initiatives will be undertaken with a view to close the product penetration gap with respect to the benchmark on the customer base, including: the development of tools for customer insurance "check-up" and insurance gap assessment; the integration of the insurance offer into commercial routines and the new Wealth Management platform; and the development of new evolved products thanks to the skills of the new Partner. Finally, distribution capacity will be maximized thanks to the recently reinforced network of Bancassurance Specialists with a dedicated Sales Branch (130 FTEs, of which 120 FTEs deployed throughout the territory).

PILLAR 4 – BENEFITING FROM FURTHER OMNICHANNEL REINFORCEMENT

As part of the omnichannel initiatives, the Bank, building on the solid initiatives already undertaken in recent years, intends to pursue:

- a program to accelerate digital sales and customer activation, which will rely on the completion of the new marketing automation platform, enhanced digital marketing activities, and further development of the product catalogue that can be purchased online. Key targets aim to take the a share of "fully remote" sales to 30% by 2026, from the current 17%, and to reach a percentage of customers who purchase at least one product per year of 35 percent by 2026, from the current 28 percent, with growth to be driven by a significant increase in product purchases by customers with operations almost entirely based on digital
- the further evolution of advisory in an omnichannel logic by expanding the possibilities of offering advisory services also 'out-of-office', integrating the Wealth Management platform into the advanced CRM tool and upgrading the branch front-end. The goal pursued is to increase financial advice delivered remotely or off-branch to 35-40% by 2026, from the current 23%
- the transformation of Network, which includes a further reduction in branches (from 1,350 to 1,250 by 2026) and Cash Counter locations (from 1,900 to 1,500 as of 2026), also thanks to the acquisition of 500 new evolved ATMs, the launch of a program to digitalize the customer experience in the branch and the dimensional growth of the Digital Branch, born from the evolution of the Customer Center which, thanks to the optimization/digitization of customer service activities, will be increasingly focused on the development of commercial activities integrated in marketing activities and will be able to count at full capacity on approximately 300 FTEs (from 130 today) dedicated to commercial proposition, of which about 50% with specific reference to SB/SME customers.

Further support for digital/omnichannel transformation initiatives will be ensured by the implementation of AI/Gen AI solutions with specific "use cases" including the personalization and optimization of the marketing content funnel, the elaboration of co-piloting solutions in the Financial Advisory area, and the development of an in/outbound flow optimizer for the Digital Branch.

A new signature initiative of the 2023-2026 Plan is the activation of a programme aimed at the acquisition of new Retail customers, which will be based on both a refocusing of the commercial network and a re-boost of WeBank as the prevailing acquisition engine for digital customers. The Bank's goal is, therefore, to increase the Group's acquisition rate from 4 percent to 6 percent by 2026, including by increasing the percentage of customers acquired online from 19 percent to 35 percent, through dedicated initiatives (e.g. revision of onboarding architecture). The relaunch of Webank will also be linked to the introduction of remote financial advice through the Digital Branch and the reactivation of selective deposit remuneration offers. The economic impact of these initiatives is also reflected at the level of deposits from customers acquired in a year, which are expected to grow from c. €1.2bn in the current year to c. €2.5bn in 2026.

PILLAR 5 – ENHANCING TECH INNOVATION, LEAN BANKING AND CYBERSECURITY

The new Plan aims to accelerate the innovation process through €600m of IT investments over the next three years, or +20% compared to the previous three-year period, with a focus on high value-added initiatives aimed at ensuring full digitization of the offering to our customers, improved service quality and high operational efficiency by promoting a cost-excellence culture internally. The goal also is to free up resources previously allocated to support the Bank's ordinary operations in favour of investments aimed at fostering its transformation (e.g. increase of 5 p.p. in IT investments used for a "change the bank" approach).

Through the realisation of these investments, the Plan will implement a major evolution of our IT infrastructure through several transformation initiatives in the following areas:

- Technology: relying on an already digital, state-of-the-art front-end customer interface, we aim to make the "back-end" more agile, performant, and scalable, also through the migration of significant workloads of our information system to the cloud, and accelerate innovation in our processes, with the aim of using the cloud for at least 60% of the banking transactions performed on digital channels by the end of the plan
- Security: over the next three years (2024-2026), significant investments will be made in cybersecurity, up by 20 percent from the previous three years in order to further strengthen all our security and business continuity safeguards and to ensure the bank's resilience
- Artificial Intelligence: we aim to transform the way we do banking by boosting innovation through Advance Analytics, Machine Learning & Generative AI solutions supporting new revenue generation (e.g. AI data-driven advisory), cost containment (digitization of Operations, simplification of knowledge management) and credit and risk management (e.g. smart/fast lending): over the next three years, for this purpose around 30 use cases of Artificial Intelligence (of which 30% with generative AI) will be realised to support business objectives and operational machine efficiency
- Key competence strengthening: the digital transformation and strengthening of our delivery machine will be accompanied by the reinforcement and internalization of distinctive competencies, thanks to the inclusion of more than 200 highly specialized profiles on key areas such as solution architects, data scientists, cyber-security specialists, cloud specialists, etc.

In terms of costs and operations, the aim of the Plan is to generate about €90m of savings on the "operating machine" over the period 2023-2026, acting on:

- optimization of ICT spending (e.g. vendor/contract optimization, architecture and hardware upgrades) amounting to 15% of total cash spent in 2023
- streamlining of Operations through automation, review and simplification of processes that will allow an increase in productivity of more than 20% in this area
- disposal of about 50% of the current non-instrumental Real Estate assets, with consequent release of c. €230m of RWA
- further spending optimization actions on the remaining cost categories (introduction of zero-based budgeting processes, organizational de-layering initiatives and other cost containment actions)

A further step towards reducing the environmental impacts of the BBPM Group's operating model is also planned. Specifically, a 20% decrease in consumption is planned from 2022 to 2026, confirming a share of 100% of the supply of electricity from renewable sources and the achievement of Carbon Neutrality (scope 1 & 2) by 2024.

PILLAR 6 - FURTHER STRENGTHENING THE GROUP'S BALANCE SHEET

- Credit and Asset Quality

Banco BPM has completed an important derisking path in recent years (December 2016 - September 2023) with a reduction in the stock of gross NPE from €30bn to €3.9bn and a consequent reduction in NPE ratio and cost of risk from 24.1% to 3.5% and from 268bps to 47bps, respectively. Also looking at the path of the last four years, Banco BPM's loan portfolio has better characteristics and quality than in the past: from 2019 to date (September 2023), loans with public guarantee have grown from 6% to 30% out of total corporate exposures, and the incidence of loans to low- or medium-risk counterparties has increased from 67% to 77%.

In addition, the credit "management machine" has been further strengthened over the past three years through a series of initiatives including the evolution of the credit

strategy definition process, the upgrade of the early warning system, the improvement of the management of high-risk positions through the implementation of strategies based on analytical "workflows," and the introduction of more standardized management approaches for UTPs, resulting in an increase in the speed and effectiveness of the workout.

In the horizon of the new plan Banco BPM aims to continue the path of alignment with the main market peers with a reduction of the NPE ratio to approx. 3.0% in 2026 and a cost of risk of approx. 45 bp at the end of the plan. A series of initiatives will be triggered to enable the achievement of these results and ensure an increasing focus on preventing new flows to default, including: an increasing specialisation of credit policies with a growing focus on transition issues towards a green economy, activation of smart and digital lending processes for lower-complexity customers, with the aim of freeing up internal management capacity to be dedicated to higher-complexity customers; further specialization of the team and strategies for managing high-risk positions; evolution of the operational credit management platform; and completion of the active NPE management process.

- Liquidity and funding strategy

Banco BPM's strategy will evolve over the three-year period 2023-2026 in line with the renewed reference context both in terms of funding strategies and optimization of the securities portfolio.

The funding strategy envisages new securities issues, net of maturities, amounting to €8.3bn over the Plan horizon by leveraging a diversified funding mix, a positive net position towards the European Central Bank that will be confirmed in plan arc and enhancing investment grade status, from which Banco BPM will benefit in terms of lower cost of upcoming bond issues.

Banco BPM will also consolidate its leadership role as an issuer of green, social and sustainable bonds with issuance volumes of €5bn in the period 2024-2026 (up from €4.25bn issued in the period 2022-2024⁶) through a new ESG issuance framework fully aligned with the EU taxonomy.

The securities portfolio will see a growth in nominal value of the banking book from €38.7bn to approximately €41bn in 2026 with a weight of Italian government bonds below 50% and aligned with the previous plan. Banco BPM will also benefit from a "replacement effect" with average rates maturing over the three-year plan period of ca. 2.7% and assumptions of new investments at an average yield of c. 3.34%. The share of ESG exposure in the non-government securities portfolio will grow from approximately 27% at the end of September 2023 to approximately 40% at the end of 2026.

- Capital

Capital will be maintained at very solid levels and with ample buffers against regulatory capital requirements, thanks to strong organic capital generation from expected economic results and the implementation of capital management actions, where the confirmation of the use of the synthetic securitisation tool, combined with the adoption of a business approach attentive to Risk Weighted Assets absorption, is particularly noteworthy; this will make it possible to meet commitments to increase

⁶ Issuance activities within the Green, Social & Sustainable bonds framework.

shareholder remuneration, support business growth and cope with the effects of regulatory headwinds, including a prudential estimate of Basel 3.

In particular, the bank expects to reach and maintain a CET1 ratio of around 14% at the end of 2023, which, considering the announced increase in shareholder remuneration, is substantially better than the 14.3% reported as at 30 September 2023; this evolution also takes into account (i) the impact of the full transposition of the EBA guidelines (estimated at about -160bps already starting from Q4 2023, upon completion of the process started with the application submitted to the ECB in 2021) and (ii) the possibility, in application of the so-called "Danish Compromise" (as per the authorisation issued by the ECB on 3 November 2023), not to deduct insurance participations from capital, which - based on the overall structure that will be assumed from the end of 2023 by the insurance compartment within the Banco BPM financial conglomerate - will result in a positive overall effect of approximately +140bps.

PILLAR 7 – EMPOWERING PEOPLE AND THE COMMUNITY IN LINE WITH THE GROUP'S SOCIAL VOCATION

The new Plan will focus on change management initiatives, women empowerment and customized professional development paths, fostering inter-generational exchange and generational turnover through sustainable and inclusive styles leveraging various initiatives:

- Hiring approximately 800 young people to ensure generational turnover, of which about 200 Tech and IT specialists (e.g. data scientists, cloud and cybersecurity specialists)
- Creation of an Academy to generate value in professional growth paths and to implement reskilling initiatives
- Customized growth programs, with a focus on managerial development
- Introduction of smart working for Network sales figures
- Implementation of new internal communication tools to increase their effectiveness
- Development of initiatives to foster the spread of a culture of respect and inclusion

In this context, the Group's personnel costs at the end of 2024 will be almost in line with 2023 levels, effectively neutralising the impact of the increases envisaged by the recent renewal of the National Collective Labour Agreement.

As part of the initiatives to support the community, the Horizon project will continue to develop on:

- Schools Project: renewal of the project launched by BBPM in 2018 to address the need for concrete means for public schools. In the three-year period 2024-2026, more than 100 social initiatives will be launched on average per year to concretely help local communities, schools and students;
- Financial education and ESG awareness: Banco BPM, also in collaboration with institutional partners, will carry out a series of initiatives to promote an economic and financial culture. Over the three-year period 2024-2026, more than 4,000 hours of training will be provided on financial education and ESG awareness;
- Corporate volunteering: the goal is to carry out more than 2,000 hours on average per year of corporate volunteering over the next three years;
- Sponsorships and donations: dedicated support to social issues for local community projects, voluntary associations and non-profit organizations. A response to the real needs of the territory, confirming the Bank's role as a value creator. At national level, from 2019, Banco BPM is an Institutional Partner of AIRC to support research against cancer. An average of about €5 million per year will be made available to the community through donations and sponsorships of social and environmental initiatives;
- Disbursements to third-sector enterprises of about €200 million in 2026.

Main financial targets of the Strategic Plan 2023-2026

	2023G	2026E
Operating income	~€5.25bn	~€5.4bn
• of which: Net interest income	~€3.25bn	~€3.05bn
• of which: "Core" not deriving from Net Interest Income ⁷	~€2.0bn	~€2.4bn
Operating expenses	~€2.6bn	~€2.7bn
Pre-provision operating income	~€2.65bn	~€2.75bn
Net income	>€1.2bn	>€1.5bn
ROTE ⁸	~12%	~13.5%
Cost/Income ratio	<50%	<50%
CET 1 ratio	~14%	~14%
	30/09/2023	31/12/2026E
Net loans to customers	~€108.0bn	~€111bn
Direct customer funding from banking business	€124.5bn	>€133bn
Indirect customer funding	€100.0bn	>€120bn
Cost of Risk	47bps	~45bps
Gross NPE ratio	3.5%	~ 3.0%
Net NPE ratio	1.8%	~1.5%

⁷ Sum of Net Commissions, Income from Associates and Income from Insurance Business.

⁸ Calculated as Net Profit from the income statement of the period (year x) over period-end Tangible Shareholders' Equity (i.e. excluding intangible assets net of related deferred tax liabilities), excluding net profit of the period and AT1 instruments.

Main ESG targets of the Strategic Plan 2023-2026

	BUSINESS
New green and low transition risk loans to Corporates and Enterprises	>€10bn Average per year over the period 2024-2026
New social loans (to the third sector)	~€200m In 2026
Green, social and sustainable bond issues	€5bn (2024-2026)
Share of ESG bonds held in the corporate proprietary portfolio	40% (at year-end 2026)
	OWN ENVIRONMENTAL IMPACT
Scope 1&2 consumption (Gigajoules)	<480K In 2026 (-20% vs. 2022)
Net Scope 1&2 market-based emissions	Carbon Neutral by year-end 2024
Scope 3 emissions from commuting (T-CO ₂ equivalent)	~10K in 2026 (-9% vs. 2022; -40% vs. 2019)
Confirmation of the already achieved level of 100% of electricity from renewable sources to be maintained over the plan horizon	
	PEOPLE & COMMUNITY
Women in managerial positions	+20% (at year-end 2026 vs. year-end 2023)
New hires under 30 years of age	#800 (2024-2026)
Hours of ESG training for employees	#200K in 2026
Grants for environmental and social projects	~€5m Average per year over the period 2024-2026

DISCLAIMER

This press release has been prepared by Banco BPM ("Banco BPM") and includes certain forward-looking statements, projections, objectives and estimates reflecting the current views of the management of the Bank with respect to future events.

Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates" and similar expressions. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These forward-looking statements and information were developed from scenarios based on a number of economic assumptions for a given competitive and regulatory environment.

Banco BPM does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law. You should not

place undue reliance on forward-looking statements, which speak only as of the date of this press release. All subsequent written and oral forward-looking statements attributable to Banco BPM or persons acting on its behalf are expressly qualified in their entirety by this disclaimer.

The information contained herein has not been independently verified. No representation or warranty, express or implied, is or will be given by Banco BPM, its subsidiaries or any of their respective representative, directors, officers, employees or advisers or any other person as to the accuracy, completeness or fairness of the information contained in this press release and no responsibility or liability whatsoever is accepted by the same for the accuracy or sufficiency thereof or for any errors, omissions or misstatements negligent or otherwise relating there to.

The distribution of this press release in other jurisdictions may be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of, and observe, these restrictions. To the fullest extent permitted by applicable law, Banco BPM and its subsidiaries disclaim any responsibility or liability for the violation of such restrictions by any person.

This press release does not constitute a public offer under any applicable legislation or an offer or invitation to subscribe for, underwrite or otherwise acquire, any securities of Banco BPM or an advice or recommendation with respect to such securities. This press release and the information contained herein does not constitute an offer of securities in the United States or to any U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933 (the "Securities Act"), as amended), Canada, Australia, Japan or any other jurisdiction where such offer is unlawful.

For information:

Investor Relations

Roberto Peronaglio

+39 02.94.77.2108

investor.relations@bancobpm.it

Communication

Matteo Cidda

+39 02.77.00.7438

matteo.cidda@bancobpm.it

Media Relations

Marco Grassi

+39 045.867.5048

marco.grassi@bancobpm.it

Fine Comunicato n.1928-117

Numero di Pagine: 18