



**ILLUSTRATIVE NOTE TO THE EXPLANATORY REPORT
OF THE BOARD OF DIRECTORS OF BANCO BPM S.P.A.
ON ITEM 1) ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING**

Ordinary Shareholders' Meeting of February 28th, 2025

**Information requested by CONSOB pursuant to art. 114, par. 5, of Legislative Decree No. 58
of February 24, 1998**



Illustrative Note to the Explanatory Report of the Board of Directors of Banco BPM S.p.A. on item 1) on the agenda of the ordinary Shareholders' Meeting convened on February 28th, 2025, in a single call, to resolve upon "Authorizations, pursuant to Article 104, paragraph 1, of Legislative Decree 58/1998, as subsequently amended and/or supplemented, to the Board of Directors of the Company to ensure that, in the context of the voluntary tender offer launched by the subsidiary Banco BPM Vita (the "Offer") on all the ordinary shares of Anima Holding, Banco BPM Vita may: (i) increase from Euro 6.20 (*cum dividendo*) to Euro 7.00 (*cum dividendo*) the consideration offered; (ii) exercise the right, if deemed appropriate, to waive in whole or in part one or more of the conditions of effectiveness of the Offer. Related and/or consequential Resolutions"

Dear Members,

Reference is made to the explanatory report prepared by the Board of Directors pursuant to art. 125-ter of the Legislative Decree n. 58 of 1998 ("**TUF**") and pursuant to art. 84-ter of the regulations adopted by Consob with Resolution No. 11971 of May 14, 1999 (the "**Issuer's Regulations**") made available to all shareholders on February, 13th 2025 in preparation of the ordinary shareholders' meeting called on February 28th, 2025 (the "**Explanatory Report**").

Terms not otherwise defined herein shall have the same meaning given to them in the Explanatory Report.

On February 26th, 2025 Consob sent a notice to the Bank, pursuant to art. 114, par. 5 of the TUF, requesting the publication of an illustrative note to the Explanatory Report including certain information.

Therefore, the following information are provided in the best interest of the shareholders, also with the aim of addressing in advance possible questions that may arise during the shareholders' meeting and in order to facilitate the finding of, or better clarify to the extent necessary, information, most of which were already published by the Bank following the announcement of the Offer or in the context of the update of the Business Plan.

1. Business Plan update

On February 11th, 2025, the Board of Directors of Banco BPM approved the Group's results as of December 31st, 2024, and updated the business plan (the "**Business Plan**"). The Business Plan reaffirms the initiatives previously announced for the 2023-2026 period, while introducing a new strategic development area focused on the integration of Anima. The Business Plan sets forth significant profitability targets, including the achievement of a 2027 net profit of Euro 2.15 billion and the distribution of Euro 6 billion to shareholders, with an additional Euro 1 billion contingent upon the European Central Bank's ("**ECB**") positive feedback regarding the application of the Danish Compromise.

These targets, more ambitious compared to the previous plan which aimed for a 2026 net profit not lower than Euro 1.5 billion, will be achieved leveraging two key enabling factors: the consolidation of Anima a highly complementary product factory with Banco BPM's distribution capabilities –contributing for additional approximately Euro 200 million to net , and the further consolidation of the already accrued advantage over the targets relative to the 2023-2026 plan. The prior plan was targeting a 2024 net profit of approximately Euro 1.36 billion (source: 2024 guidance contained in the strategic plan presentation published on December 12th, 2023, i.e., net earnings per share of Euro 0.90), exceeded by the actual 2024 result of Euro 1.92 billion (Euro 1.69 billion on an adjusted basis). All key growth drivers of the previous plan — volumes, revenues, costs — remain unchanged and consistent with the actual values observed in 2024.

For further information on the Bank's prospective performance, please refer to the updated Business Plan presented to the market on February 12th, 2025, available on the website <https://gruppo.bancobpm.it>.

2. Expectation regarding the evolution of capital ratios

Assuming the acquisition of Anima is completed by 30 June 2025, Banco BPM CET1 ratio estimated at that date would be higher than 15%, assuming the Danish Compromise¹ is obtained. Conversely, assuming negative feedback from the ECB concerning the application of the Danish Compromise, Banco BPM CET1 ratio is estimated in the 13-13.5% area. In both scenarios, the actual value will depend, among other things, on the final percentage of ownership of Anima's share capital at the end of the Offer.

As described in the Business Plan, even if the Danish Compromise is not obtained, the Bank will be able to distribute as dividends 80% of the net profit for a cumulated total of over Euro 6 billion over the period 2024-2027, while maintaining a CET1 ratio above 13% (corresponding to a buffer over Banco BPM current SREP requirements of 3.8%, and therefore well above the regulatory minimums) at the reference dates of the Business Plan.

In this regard, it should be noted that the above-mentioned buffer is in line with the median of a relevant sample of European banks, standing at 3.7% (compared to a median CET1 ratio of 13%)².

The buffer over the SREP resulting from the financial projections prepared by the Bank is also in line with that expected by the main Italian banks. In particular, among these: (i) the two largest Italian banks, in the context of their Q4 24 results, have indicated future CET1 ratio targets between 12% and 13%, reflecting a buffer over the respective SREP requirements below 3%; (ii) the two Italian banks more comparable to Banco BPM in terms of size, indicated in their business plans CET1 ratio targets between 14.0% and 14.5%, i.e. reflecting a buffer above 5%. It should also be noted that the latter are currently engaged in extraordinary transactions of significant size.

In order to maintain an adequate level of capital over time, the main capital management actions envisaged by the Bank over the course of the Business Plan are:

- Synthetic securitization transactions contributing for approximately 48bps;
- Equity investments optimization actions contributing for approximately 10bps;

In the event the Danish Compromise is not obtained, the following mitigating actions, already envisaged in the Business Plan announced on 12 February 2025, will be considered:

- No additional Euro 1 billion distribution, for a contribution of 159bps;
- further optimization at market and credit RWA level, for a potential contribution of 15-20bps.

These forward-looking data are based on the assumptions of the Business Plan, formulated by adopting prudent assumptions based on the confirmation of the most recent growth trends, also leveraging the Group's positive track-record in terms of ability to reach its targets. As with any business plan, these assumptions are based on scenarios,

¹ Transitional CET1 ratios data estimated on the basis of the rules defined in the Implementing Technical Standards on Supervisory Reporting (EBA/ITS/2024/06 as of July 2024).

² CET1 ratio data communicated to the market by each bank included in the sample, normalized for the impact related to the regulatory headwinds expected as per each bank's guidance.

expectations and projections regarding future events subject to uncertainty, as they also depend on factors that are beyond the control of Banco BPM; if any adverse scenarios occur, it cannot be excluded that certain plan targets will not be achieved, including the levels of profitability and capitalization, without prejudice to the maintenance of adequate buffers with respect to the minimum capital requirements.

Finally, as reported in the Explanatory Report, the Bank – in its capacity as sole shareholder of Banco BPM Vita – has irrevocably undertaken to make, before the starting date of the Offer, in favour of Banco BPM Vita, a payment equal to the maximum overall disbursement envisaged by the Offer (including the funds needed for the acquisition of the stake in Anima currently held by the Bank), assuming the increase of the Consideration to Euro 7.00 (cum dividend); therefore it will not be necessary to provide Banco BPM Vita with additional funds in addition to this amount in order to preserve its solvency ratios.

3. Anima's role in the context of the Business Plan

The successful acquisition of Anima holds substantial industrial and strategic relevance, along with a high potential for value creation for both current and future shareholders of Banco BPM, delivering a high return on invested capital even if the Danish Compromise is not confirmed.

The projected contribution from Anima, as outlined in the Business Plan (equivalent to Euro 200 million in additional net profit by 2027 from the consolidation of the 78% stake currently not owned by Banco BPM), includes the following quantification of gross synergies:

- a) Removal of the amortization of intangible assets at the consolidated level (approximately Euro 30 million p.a.) as per IFRS3 and accounting for business combinations, with a pro-rata temporis effect in 2025 and fully effective starting from 2026;
- b) additional synergies expected with a gradual phasing starting from the second half of 2025 and fully achieved by 2027:
 - i. cost synergies amounting to approximately Euro 25 million p.a., mainly related to a reduction in operating expenses and governance costs;
 - ii. revenue synergies amounting to approximately Euro 5 million p.a., derived from an increased penetration of Anima products in Banco BPM's distribution network.

Given the nature of these synergies, their achievement is not dependent upon reaching 100% ownership or legal control of Anima by the Banco BPM.

As reported in the Bank's press release dated February 18th, 2025, the return on invested capital for the acquisition of Anima exceeds 13% even under the assumption that the Danish Compromise is not confirmed. This return takes into account the consolidation of incremental earnings from Anima (Euro 0.18 billion in 2024 net of Banco BPM's share), the synergies (approximately Euro 0.04 billion net of taxes), and capital absorption of Euro 1.65 billion³. In the event of a confirmation of the Danish Compromise, the capital absorption would be significantly lower, resulting in a substantially higher return on invested capital.

4. Offer's conditions precedent: level of acceptance and obtainment of the Danish Compromise

³ The capital absorption in case of denial of Danish Compromise is computed by multiplying Banco BPM's RWAs as of 31.12.2024 by the 268bps impact.



With regard to the Threshold Condition, in light of the undertakings received and announced to the market by virtue of which the Offeror will be able to reach 44.8% of the share capital of Anima and Banco BPM Vita's future plans for Anima, it is believed that such plans could be implemented also if the shares tendered to the Offer represent a stake enabling the Offeror to hold, taking into account the Bank's existing shareholding in Anima, shares representing at least 45% plus one share of the share capital of Anima.

With reference to the status of the authorization process regarding the Danish Compromise, the Authority's positive feedback regarding the ability of the Bank to continue applying the Danish Compromise to the shareholdings held in the Anima Group following the Offer is not part of a regulated authorization process. Therefore, it is not possible to assess the timeline and the status, which depends on the ECB's evaluations, still ongoing as of the date hereof.

On December 20th, 2024 the ECB, *inter alia*, informed the Bank that it contacted the European Banking Authority ("**EBA**") in order to verify the applicability of the Q&A 2021/6211 to the Bank's case. In the same context, the ECB specified that the timeline for the adoption by the competent ECB's bodies of a formal resolution on the matter would depend on the EBA's feedback.

As of the date hereof, the timeframe within which the ECB's will provide its feedback is unknown and it is possible that such feedback is provided following the end of the Offer's acceptance period. Meanwhile, on February 19th, 2025 the Bank submitted its own question to the EBA regarding the prudential treatment to be applied to the acquisition of Anima.

Any decision regarding the possible waiver of the Threshold Condition or of the condition relating to obtaining the ECB's positive feedback on the application of the Danish Compromise will be taken, if appropriate, by the competent corporate bodies within the timing provided under the 102 Notice, subject to the approval by the Shareholders' Meeting called on February 28th, 2025 of the item on the agenda.

Milan, February 27th, 2025