



**EXPLANATORY REPORT  
OF THE BOARD OF DIRECTORS OF BANCO BPM S.P.A.  
ON ITEM 2) ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING**

(Drawn up pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998, as amended, and pursuant to Article 84-ter of the Regulation adopted by Consob Resolution No. 11971 of 14 May 1999, as amended)

**Ordinary Shareholders' Meeting of 18 April 2024**

**Explanatory report of the Board of Directors of Banco BPM S.p.A. on item 2 ) on the agenda of the Ordinary Shareholders' Meeting convened for 18 April 2024, in a single call, on "Resolutions on the allocation and distribution of profits".**

Members,

With reference to item 2) on the agenda, you have been called to the Shareholders' Meeting to resolve on the allocation and distribution of the profit resulting from the financial statements for t h e year as provided for in Article 2433 of the Italian Civil Code.

The financial statements of Banco BPM for the year ended 31 December 2023 show a net profit for the year of Euro 1,447,274,488.31.

In relation to this year's result, the Board of Directors proposes:

1. in lieu of making the payment by 30 June 2024 of the extraordinary tax on the amount of the interest margin relating to the financial year 2023 (so-called tax on the banks' extra profits), provided for by Article 26 of Decree-Law no. 104 ("Urgent provisions for the protection of users with regard to economic and financial activities and strategic investments") converted with amendments by Law No. 136 of 9 October 2023, the preliminary allocation to a specific reserve to be established *pursuant to* Article 26, paragraph 5-*bis*, of the aforesaid legislation, of an amount equal to Euro 378,333,590.00, equal to two and a half times the extraordinary tax introduced by the aforesaid provision;
2. the allocation, as provided for by Article 39, paragraph 1, of the Bylaws, of an amount equal to €83,885,854.91 to the unavailable reserve *pursuant to* Article 6 of Legislative Decree No. 38/2005 relative to capital gains resulting from the application of *fair value*;
3. the distribution of a *cash* dividend per share of €0.56 before withholding taxes. More precisely, the proposal provides for the overall distribution of Euro 848,501,990.56 resulting from the product of the unit amount of Euro 0.56 for each of the 1,515,182,126 ordinary shares (no distribution will be made to any treasury shares that the Bank may hold on the *record date* indicated below). This distribution, if approved by the Shareholders' Meeting, will take place on the day  
24 April 2024 (*payment date*) with ex-dividend date on 22 April 2024 (*ex date*) and *record date* on 23 April 2024. The allotment will be subject to the ordinary dividend distribution tax regime;
4. the allocation of an amount of Euro 4,000,000 for purposes of assistance, charity and public interest pursuant to Article 5.2 of the Articles of Association, under the terms and on the basis of the quotas laid down in Article 5.3 of the Statute;

5. the allocation of the remaining profit to the available extraordinary reserve in the amount of €132,553,052.84.

It should be noted that the provisions of Article 2430 of the Italian Civil Code concerning the obligation to set aside an amount equal to at least 5% of the profit to the legal reserve do not apply, since this reserve is already set aside for the maximum amount provided for by the Civil Code itself (20% of the share capital), amounting to €1,420,000,000 against a share capital of €7,100,000,000.

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It should also be noted that Article 26, paragraph 1, of Decree-Law No. 104 of 10 August 2023 ("Urgent provisions for the protection of users with regard to economic and financial activities and strategic investments") - converted with amendments by Law No. 136 of 9 October 2023 - introduced, for the financial year 2023, an extraordinary tax to be borne by banks pursuant to Article 1 of Legislative Decree No. 385 of 1 September 1993.

This tax, pursuant to Paragraph 2, is to be determined by applying a rate of 40% to the amount of the interest margin included in item 30 of the profit and loss account, prepared in accordance with the formats approved by the Bank of Italy, relating to the financial year 2023, which exceeds the same margin relating to the financial year 2021 by at least 10%.

It is further provided, pursuant to paragraph 3, that the amount of the extraordinary tax may, in any event, not exceed a portion equal to 0.26% of the total amount of risk exposure on an individual basis, determined pursuant to paragraphs 3 and 4 of Article 92 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013, referring to the closing date of the financial year 2022.

Paragraph 4 of Decree-Law No. 104 of 10 August 2023 (converted with amendments by Law No. 136 of 9 October 2023) provides that the aforementioned tax shall be paid by 30 June 2024. Upon conversion of the Decree-Law, paragraph 5-bis was introduced which provides that banks, in lieu of paying the tax, may allocate, at the time of approval of the financial statements for the financial year 2023, to the establishment of a non-distributable reserve identified for this purpose, an amount not less than two and a half times the amount of the tax. If the reserve thus constituted should subsequently be used for the distribution of profits, the tax shall be paid in full, increased from the expiration of the time limit for payment referred to in paragraph 4, by an amount equal, on a yearly basis, to the interest rate on deposits with the European Central Bank, within thirty days from the approval of the relevant resolution.

Based on these regulatory provisions, the amount of the extraordinary tax payable by Banco BPM amounts to 151,333,536 euro. This amount corresponds to the maximum level of the extraordinary tax established by the aforementioned regulation, equal to 0.26% of the total amount of risk exposure on an individual basis, determined in accordance with paragraphs 3 and 4 of Article 92 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, referring to the closing date of the financial year <sup>2022</sup><sup>1</sup>.

In light of the examination of the final text of Article 26 of Decree-Law No. 104 of 10 August 2023, as converted with amendments by Law No. 136 of 9 October 2023, the Board of Directors considered, as of November 2023, to propose to the 2024 Annual General Meeting of Shareholders to allocate a portion of the 2023 financial year profit, equal to two and a half times the amount of the extraordinary tax and thus to €378,333,590, to the establishment of a specific reserve.

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It is also recalled that Article 6 of Legislative Decree No. 38/2005 provides that unrealised capital gains arising from the valuation of assets and liabilities at *fair value* and those arising from the application of the equity method to the valuation of equity investments must be recognised in a special unavailable reserve. In this regard, it should be noted that, as of 31 December 2022, this unavailable reserve had been determined in the amount of €689,474,267.45.

We therefore inform you that, taking into account the overall movements recorded during the year of the assets and liabilities measured at *fair value* and the equity investments measured at equity, it is necessary to allocate a portion of the 2023 profit for the year, equal to €83,885,854.91, to increase the unavailable profit reserve pursuant to Article 6 of Legislative Decree No. 38/2005, raising it to a total of €762,940,383.46. For further details, please refer to the Annual Financial Report as at 31 December 2023, which will be published within the legal terms.

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In light of the above, we invite you to approve the following proposed resolution:

*"The Ordinary Shareholders' Meeting of Banco BPM S.p.A., having examined the Explanatory Report made available to the public in the form and manner prescribed by the applicable provisions,*

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<sup>1</sup> The extraordinary tax calculated by applying the rate of 40% on the amount of the interest margin referred to in item 30 of the profit and loss account, prepared in accordance with the formats approved by the Bank of Italy, relating to the financial year 2023, which exceeds the same margin relating to the financial year 2021 by at least 10%, would have exceeded the maximum limit established by the regulations and more precisely, amounted to €414,074,094.

as well as on the basis of the financial statements for the year ended 31 December 2023, which closed with a net profit of EUR 1,447,274,488.31 and the specific proposals made therein, resolution

1. the allocation, to the constitution of a specific non-distributable reserve pursuant to Article 26 of Legislative Decree No. 104 of 10 August 2023 (converted with amendments by Law No. 136 of 9 October 2023), of an amount equal to €378,333,590.00, equal to two and a half times the extraordinary tax introduced by the aforementioned provision;
2. the allocation, as provided for by Article 39, paragraph 1, of the Bylaws, of an amount equal to €83,885,854.91 to the unavailable reserve pursuant to Article 6 of Legislative Decree No. 38/2005 relative to capital gains resulting from the application of fair value;
3. the distribution of a cash dividend per share of Euro 0.56, gross of withholding taxes. More precisely, the proposal provides for the overall distribution of Euro 848,501,990.56, the result of the product of the unit amount of Euro 0.56 for each of the 1,515,182,126 ordinary shares (no distribution will be made to any treasury shares that the Bank may hold on the record date indicated below). This distribution, if approved by the Shareholders' Meeting, will take place on the day  
24 April 2024 (payment date) with ex-dividend date on 22 April 2024 (ex date) and record date on 23 April 2024. The allotment will be subject to the ordinary dividend distribution tax regime;
4. the allocation of an amount equal to Euro 4,000,000 for purposes of assistance, charity and public interest pursuant to Article 5.2 of the Articles of Association, under the terms and on the basis of the quotas established by Article 5.3 of the Articles of Association;
5. the allocation of the remaining profit to the available extraordinary reserve in the amount of €132,553,052.84.

Verona, 12 March 2024

The Board of Directors