

## THIRD SUPPLEMENT DATED 19 DECEMBER 2023

TO THE PROSPECTUS DATED 8 JUNE 2023, AS SUPPLEMENTED ON 5 SEPTEMBER 2023 AND  
ON 10 NOVEMBER 2023



**BANCO BPM S.P.A.**

*(incorporated as a joint stock company (società per azioni) in the Republic of Italy)*

**€10,000,000,000 Covered Bond Programme**

**unconditionally and irrevocably guaranteed as to payments of interest and principal by**

**BPM Covered Bond 2 S.r.l.**

*(incorporated as a limited liability company in the Republic of Italy)*

This supplement (the **Supplement**) to the base prospectus dated 8 June 2023, as supplemented on 5 September 2023 and on 10 November 2023 (the **Prospectus**) constitutes a prospectus supplement for the purposes of Article 23(1) of Regulation EU 2017/1129 of 14 June 2017 as subsequently amended (the **Prospectus Regulation**), and is prepared in connection with the Euro 10,000,000,000 Covered Bond Programme (the **Programme**) established by Banco BPM S.p.A. (**Banco BPM** or the **Issuer**) and guaranteed by BPM Covered Bond 2 S.r.l.. Capitalised terms used in this Supplement, and not otherwise defined herein, shall have the same meaning ascribed to them in the Prospectus.

This Supplement constitutes a supplement to, and should be read in conjunction with, the Prospectus.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and contains no omission likely to affect its import.

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purposes of the Prospectus Regulation for the purposes of updating the sections of the Prospectus headed “*Risk Factors*”, “*Documents incorporated by reference*”, “*Selected Consolidated Financial Data*”, “*Business Description of the Issuer and the Group*” and “*Regulatory*”.

Save as disclosed in this Supplement (and in the documents incorporated by reference as described below), there has been no other significant new factor and there are no material mistakes or inaccuracies relating to information included in the Prospectus which is capable of affecting the assessment of Covered Bonds issued under the Programme since the publication of the Prospectus.

To the extent that there is any inconsistency between (i) any statement in this Supplement and (ii) any statement in or incorporated by reference into the Prospectus, the statements in this Supplement will prevail.

Copies of this Supplement and the documents incorporated by reference in this Supplement can be obtained from the registered office of the Issuer and are available on the Luxembourg Stock Exchange website ([www.luxse.com](http://www.luxse.com)). The above documents will also be available on the Issuer’s website (<https://gruppo.bancobpm.it/en/investor-relations/debt-instruments/international-issues/>).

The information of the websites does not form part of the Supplement and has not been scrutinized or approved by the competent authority.

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## RISK FACTORS

On pages 37-38 of the Prospectus, the risk factor entitled “*Risks related to the Strategic Plan*” shall be deleted in its entirety and replaced as follows:

### **“*Risks related to the Strategic Plan***

On 11 December 2023 the Board of Directors of Banco BPM approved a new strategic plan for the Group for the period 2023-2026 (the **2023-2026 Strategic Plan**), which supersedes the previous strategic plan of the Group for the period 2021-2024 (the **2021-2024 Strategic Plan**).

The 2023-2026 Strategic Plan sets out, in qualitative and quantitative terms, the strategies of the Group and contains a set of hypotheses, estimates, projections and forecasts regarding (i) the current macro-economic outlook, including a slowdown in inflationary dynamics, coupled with a substantial stabilisation of economic growth and a normalisation of interest rates, and expected changes in the regulatory environment up to 2026; and (ii) the development of the patrimonial, economic and financial figures based on the occurrence of future events and actions to be adopted by the management and the Board of Directors of Banco BPM, in the period of 2023-2026.

Such hypotheses, estimates and forecasts are based on various hypothetical assumptions, and are subject (among others) to the risks and uncertainties, including those of a geopolitical nature relating to the current and future conflicts (including conflicts between Russia and Ukraine and in the Middle East), that characterise both the evolution of the macroeconomic scenario and the evolution of the legal and regulatory framework, and that relate to future events and actions which the Board of Directors and the management cannot, in whole or in part, influence, in relation to the performance of the principal financial and economic figures or other factors affecting such performance.

Strictly connected to the strategic risk is the commercial risk understood as the actual and prospective risk associated with the failure to achieve the objectives of assets’ volume and economic results due to the ineffectiveness of the actions taken by the Issuer’s management and Board of Directors and/or as a result of adverse market conditions.

It should be noted that the Banco BPM Group regularly monitors exposure to strategic risk and commercial risk, including through the calculation of an economic capital using an internally developed model, the results of which are accounted for in the integrated risk report that is presented to the Risk Committee on a monthly basis and to the corporate bodies on a quarterly basis.

Therefore, the Group is exposed to the risk that it may be unable to implement part or all of its 2023-2026 Strategic Plan or that it may be unable to implement part or all of such its 2023-2026 Strategic Plan within the timeframe expected, that the assumptions on which the Group based its forecasts and strategy may be incorrect or that the strategy may not achieve the results expected; this may, in turn, have negative effects on the business, financial conditions and/or results of operations of the Issuer and/or the Banco BPM Group.

For further information, please refer to the section entitled “*Description of the Issuer and the Group – Strategy.*”

\* \* \*

On pages 49-51 of the Prospectus, the third paragraph under the risk factor entitled “*Risks related to regulatory changes in the banking and financial sectors and to the changes of the other laws applicable to the Banco BPM Group*” shall be deleted in its entirety and replaced as follows:

“In particular, the Banco BPM Group is subject to an extensive set of rules governing capital adequacy, liquidity levels and leverage, which derive from the requirements approved by the Basel Committee on Banking Supervision following the 2008 financial crisis, as implemented by EU and Italian legislation. In this respect, on 8 December 2023, Banco BPM announced that it had received from the ECB the notification of the prudential decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis, based on the outcome of the annual Supervisory Review and Evaluation Process (**SREP**). Taking into account this additional capital requirement, the ECB determined that the Banco BPM Group is required to meet, for

the year 2024, a CET1 ratio of 9.07% on a consolidated basis. Furthermore, the additional requirements that Banco BPM must meet are as follows: (i) Tier 1 capital ratio of 11.00%; and (ii) Total Capital ratio of 13.56%. The Banco BPM Group satisfied these prudential capital ratios on a stated basis as at 30 September 2023, with a CET1 ratio of 14.33%, a Tier 1 ratio of 16.70% and a Total Capital ratio of 19.68%. However, there can be no assurance that the total capital requirements imposed on the Issuer or the Group from time to time may not be higher than the levels of capital available at such time. There can also be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further own funds requirements on the Issuer or the Group. For additional information on the capital requirements applicable to the Group, see “*Selected Consolidated Financial Data – Capital Requirements of the Group*” and “*Regulatory.*”

## DOCUMENTS INCORPORATED BY REFERENCE

The information set out below supplements the section of the Prospectus entitled “*Documents Incorporated by Reference*” on pages 88-91 of the Prospectus.

### **“Closing of bancassurance deal**

The press release dated 15 December 2023 entitled “Closing of bancassurance deal”, which has been published and filed with the CSSF and is available at: [https://gruppo.bancobpm.it/media/dlm\\_uploads/2023\\_12\\_15-Banco-BPM-Closing-of-Bancassurance-deal.pdf](https://gruppo.bancobpm.it/media/dlm_uploads/2023_12_15-Banco-BPM-Closing-of-Bancassurance-deal.pdf), is incorporated by reference in its entirety into this Supplement, and shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus.

### **Banco BPM far exceeds the capital requirements set by the ECB for 2024**

The press release dated 8 December 2023 entitled “*Banco BPM far exceeds the capital requirements set by the ECB for 2024*”, which has been published and filed with the CSSF and is available at: [https://gruppo.bancobpm.it/media/dlm\\_uploads/2023\\_11\\_08-Banco-BPM-Far-exceeding-the-capital-requirements-set-by-ECB-for-2024.pdf](https://gruppo.bancobpm.it/media/dlm_uploads/2023_11_08-Banco-BPM-Far-exceeding-the-capital-requirements-set-by-ECB-for-2024.pdf), is incorporated by reference in its entirety into this Supplement, and shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus.

### **Banco BPM concludes the buyback of one series of its perpetual notes and the issue of new euro-denominated additional tier 1 notes**

The press release dated 27 November 2023 entitled “*Banco BPM concludes the buyback of one series of its perpetual notes and the issue of new euro-denominated additional tier 1 notes*”, which has been published and filed with the CSSF and is available at: [https://gruppo.bancobpm.it/media/dlm\\_uploads/Project-Botticelli-Final-results-press-release\\_ENG.pdf](https://gruppo.bancobpm.it/media/dlm_uploads/Project-Botticelli-Final-results-press-release_ENG.pdf), is incorporated by reference in its entirety into this Supplement, and shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus.

### **Banco BPM has successfully launched a social senior preferred bond for euro 500 million to institutional investors only**

The press release dated 22 November 2023 entitled “*Banco BPM has successfully launched a social senior preferred bond for euro 500 million to institutional investors only*”, which has been published and filed with the CSSF and is available at: [https://gruppo.bancobpm.it/media/dlm\\_uploads/2023\\_11\\_22-%E2%82%AC500m-Social-Senior-Preferred-bond-launched-successfully.pdf](https://gruppo.bancobpm.it/media/dlm_uploads/2023_11_22-%E2%82%AC500m-Social-Senior-Preferred-bond-launched-successfully.pdf), is incorporated by reference in its entirety into this Supplement, and shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus.”

## SELECTED CONSOLIDATED FINANCIAL DATA

On pages 208-209 of the Prospectus, the section entitled “*Capital Requirements for the Group*” shall be deleted in its entirety and replaced as follows:

### “**Capital Requirements for the Group**”

On 8 December 2023, Banco BPM announced that it had received from the European Central Bank (ECB) the notification of the prudential decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis for 2024. The decision is based on the supervisory review and evaluation process (SREP) conducted in compliance with Article 4(1)(f) of Regulation (EU) No. 1024/2013.

Therefore, in compliance with Article 16(2)(a) of the same Regulation (EU) No. 1024/2013, which confers on the ECB the power to require supervised banks to hold own funds in excess of the minimum capital requirements laid down by current regulations, the ECB determined a “Pillar 2 Requirement” of 2.52% for 2024.

Taking the above into account, the requirements set out for other systemically important institutions (equal to 0.50% for 2024, which reflects the EBA Guidelines and takes into account the European Central Bank’s new methodology for assessing the appropriateness of capital buffers for O-SIIs proposed by national authorities), the capital conservation buffer (equal to 2.50%) and the countercyclical capital buffer established by the competent national authorities for exposures to countries in which the Group operates (equal to 0.04%), the Banco BPM Group was required to comply with the following capital ratios at consolidated basis for 2024:

- CET1 ratio: 9.07%;
- Tier 1 Capital ratio: 11.00%; and
- Total Capital ratio: 13.56%.

The Banco BPM Group satisfied all the assigned prudential requirements, with capital ratios on a stated basis that were as follows as at 30 September 2023: (i) CET1 ratio of 14.33%, (ii) Tier 1 ratio of 16.70% and (iii) Total Capital ratio of 19.68%.”

\* \* \*

On page 209 of the Prospectus, the second paragraph of the section entitled “*Rating*” shall be deleted in its entirety and replaced as follows:

“As at the date of this Prospectus, the following ratings have been assigned by Moody’s to the Issuer: (i) Long and Short Term Deposit Ratings of Baa1/P-2, where the Long Term Deposit Ratings has a Stable Outlook; (ii) Long-Term Issuer Rating and Long-Term Senior Unsecured Debt Rating of Baa2, with Stable Outlook; and (iii) Baseline Credit Assessment (BCA) of baa3.”

## BUSINESS DESCRIPTION OF THE ISSUER AND THE GROUP

On pages 214-219 of the Prospectus, the section entitled “*Strategy*” shall be deleted in its entirety and replaced as follows:

### “**Strategy**”

On 11 December 2023 the Board of Directors of Banco BPM approved the 2023-2026 Strategic Plan setting out updated targets for the Group through 2026 and which supersedes the previous 2021-2024 Strategic Plan. The 2023-2026 Strategic Plan reflects the outcome of a growth and innovation path 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 finalised a growing integration of sustainability.

### ***Main Assumptions underlying the 2023-2026 Strategic Plan***

The 2023-2026 Strategic Plan was developed by incorporating the new macro-economic outlook and changes in the regulatory environment. Macro-economic assumptions include a slowdown in inflationary dynamics, together with a substantial stabilisation of economic growth and a normalisation of interest rates starting from 2025.

In addition, the development of the 2023-2026 Strategic Plan rests on the following key aspects of the Group:

- **excellent geographical position:** the Group operations are concentrated in the richest regions of Italy, with the majority of loans to customers concentrated in Northern Italy and Tuscany, with a significant market share in terms of retail branches in Northern Italy;
- **solid business model:** the Group’s business model entails the provision of a full range of banking products and financial services, which relies on the full ownership of highly specialised banks, such as Banca Akros and Banca Aletti, as well as significant holdings in leading product factories in asset management, consumer credit, bancassurance and e-money. In particular, the following transactions have been completed or are expected to be completed in the near future:
  - on 15 December 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 S.A.; as a result 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. For additional information, see “*Description of the Issuer and the Group – Recent Developments - Exercise of the call option versus Cattolica Assicurazioni on 65% of the capital of Vera Vita and Vera Assicurazioni*” and the press release dated 15 December 2023 entitled “*Closing of bancassurance deal*” which is incorporated by reference in this Supplement and, by virtue of this Supplement, is incorporated by reference in, and forms part of, the Prospectus;
  - by the end of 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 largest Italian operator in the payments sector, of which Banco BPM will hold approximately 29%. For additional information, see the press release dated 14 July 2023 entitled “*Banco BPM – BCC Iccrea Group – FSI: Italy’s second largest pole in the Payments business is born*” which is incorporated by reference in the First Supplement and, by virtue of the First Supplement, is incorporated by reference in, and forms part of, the Prospectus;
- **excellent track record:** over the past seven years, the Group achieved improvements in terms of efficiency, derisking, profitability and capital position. The excellent results achieved have made it

possible to exceed the targets for 2023 and 2024 of the 2021-2024 Strategic Plan, one year ahead of schedule;

- **digital transformation:** the Group adopted a new service model that has enabled increasing operations via applications, which has surpassed physical operations in the branch, and an integration of ESG aspects.

### ***2023-2026 Strategic Plan's objectives***

Through the implementation of the 2023-2026 Strategic Plan, the Group has the objective to significantly increase shareholder remuneration by exploiting financial and industrial levers.

In particular, the higher cost of funding is expected to be partially offset by a “substitution effect” of new assets generating higher returns compared to the maturing stock, volume dynamics - with the stock of loans to customers returning to 2022 levels over the 2023-2026 Strategic Plan horizon – as well as by active balance sheet management (such as the increase in hedging on sight deposits accounted for in hedge accounting and the optimisation of the securities portfolio).

Over the 2023-2026 Strategic Plan horizon, the results are also expected to benefit from growth in commission income based on a 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 internalisation/partnership with the main product factories in terms of higher contribution of revenues generated by life insurance.

As far as cost dynamics are concerned, the continuation of the path of rationalisation of the distribution network 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 entry of 800 high-potential young people.

In addition, the 2023-2026 Strategic Plan includes deleveraging and derisking activities which will benefit the NPE ratio and the cost of risk, based on 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.

### ***Pillars underpinning the 2023-2026 Strategic Plan***

As detailed below, the 2023-2026 Strategic Plan rests on seven main pillars which will allow the Group to achieve its targets.

#### ***Pillar 1 – Broadening of Banco BPM's leadership in SMEs & Corporate Investment Banking while supporting green transition***

Banco BPM's territorial footprint is characterised 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 recognised today by Italian companies as a partner of reference in their paths of business development.

Enhancing this strong starting point, as part of the 2023-2026 Strategic Plan, 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 SMEs.

Operationally, a series of initiatives will be undertaken on:

#### **Corporate and Investment Banking segment**

- 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 the Group’s 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 digitisation initiatives in global transaction banking to achieve economies of scale and gain market share on high value-added business areas; and
- 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.

#### SME segment

- On small-business customers, acceleration of the digitalisation 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; and
- On SME customers, further exploitation of synergies with the Corporate & Investment Banking structure (“**CIB**”) 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 specialised 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; and
- 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. approximately €8bn annualised in the nine-month period of 2023); development of the decarbonization strategy of asset portfolio under the Net Zero Banking Alliance, with target setting on priority sectors by the third quarter 2024, roll-out to the totality of identified sectors by 2026 and adherence to the Science Based Target initiative by the first quarter of 2024.

#### *Pillar 2 – Reinforcing wealth management and life insurance*

The 2023-2026 Strategic Plan envisages a continuation and strengthening of the path already undertaken to increase the market share on the segment of indirect customer funds and the share of asset management on total customer funding.

The main industrial actions behind the planned growth are: (i) net inflows in assets under management boosted by an expected context of decreasing interest rates and, within such dynamic, (ii) extra-growth in the life insurance business, due to internalization and refocusing in the segment.

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

- Affluent segment: introduction of a differentiated approach by target customers based on a new dynamic and behavioural segmentation – with the goal to assign about 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; and
- Private Segment: development of an offering dedicated to entrepreneurial families and high net worth individuals; revenue internalization programme 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 2023-2026 Strategic Plan envisages the maximization of the value generated by strategic partnerships.

The planned growth in commissions from the payments business is largely driven by expected growth at the market level and to a minor extent 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 the first quarter of 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 in the bancassurance P&C business – which will leverage synergies from the activation of the new partnership with Crédit Agricole Assurance, Europe's leading bancassurer, whose completion was announced on 15 December 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 due to the skills of the new partner. Finally, distribution capacity will be maximised due to the recently reinforced network of Bancassurance Specialists with a dedicated sales branch.

### *Pillar 4 – Benefiting from further omnichannel reinforcement*

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

- a programme 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;
- 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; and
- the transformation of the network, which includes a further reduction in branches and cash counter locations, also leveraging on the acquisition of new evolved ATMs, the launch of a programme to digitalise 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.

Further support for digital/omnichannel transformation initiatives are expected to be obtained by the implementation of AI/generative AI solutions with specific “use cases” including the personalization and

optimisation 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 Strategic 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 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.

#### *Pillar 5 – Enhancing tech innovation, lean banking and cybersecurity*

The 2023-2026 Strategic Plan aims to accelerate the innovation process through an increase in IT investments over the next three years with a focus on high value-added initiatives aimed at ensuring full digitalisation of the offering to 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 Banco BPM's ordinary operations in favour of investments aimed at fostering its transformation.

Through these investments, the 2023-2026 Strategic Plan will implement a major evolution of the Group's IT infrastructure through several transformative initiatives in the following areas:

- **Technology:** relying on an already digital, state-of-the-art front-end customer interface, the Group aims to make the “back-end” more agile, performant and scalable, also through the migration of significant workloads of the information system to the cloud, and accelerate innovation in our processes;
- **Security:** over the next three years (2024-2026), significant investments will be made in cybersecurity in order to further strengthen the Group's security and business continuity safeguards and to ensure its resilience;
- **Artificial Intelligence:** the Group aims to transform the way it does banking by boosting innovation through Advance Analytics, Machine Learning & Generative AI solutions supporting new revenue generation (e.g. AI data-driven advisory), cost containment (digitisation 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; and
- **Key competence strengthening:** the digital transformation and strengthening of the Group's delivery machine will be accompanied by the reinforcement and internalization of distinctive competencies.

In terms of costs and operations, the aim of the 2023-2026 Strategic Plan is to generate savings on operations acting on:

- optimization of ICT spending (e.g. vendor/contract optimization, architecture and hardware upgrades);
- streamlining of operations through automation, review and simplification of processes;
- disposal of the current non-instrumental real estate assets; and
- further spending optimisation actions on the remaining cost categories (introduction of zero-based budgeting processes, organisational de-layering initiatives and other cost containment actions).

A further step towards reducing the environmental impacts of the Group's operating model is also planned. Specifically, a decrease in consumption is planned from 2022 to 2026, confirming 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 de-risking path since 2016. In the horizon of the 2023-2026 Strategic Plan Banco BPM aims to continue the path of alignment with the main market peers in terms of NPE ratio and cost of risk. 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 specialisation 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 optimisation of the securities portfolio. The funding strategy envisages new securities issues through a diversified funding mix, a positive net position towards the European Central Bank and enhancing investment grade status, from which Banco BPM will benefit in terms of lower cost of funding. Banco BPM will also consolidate its leadership role as an issuer of green, social and sustainable bonds through a new ESG issuance framework fully aligned with the EU taxonomy.
- **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 shareholder remuneration, support business growth and cope with the effects of regulatory headwinds, including a prudential estimate of Basel III.

In particular, at the end of 2023 Banco BPM expects to reach and maintain a CET1 ratio substantially in line with the level recorded as of 30 September 2023; this evolution takes into account (i) the planned increase in shareholder's remuneration; (ii) the impact of the full transposition of the EBA guidelines (expected to account for approximately -160bps already starting from Q4 2023, following completion of the process started with the application submitted to the ECB in 2021 see "*Inspection activities and proceedings conducted by the ECB, Bank of Italy and CONSOB on Banco BPM S.p.A.*") and (iii) 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 - is expected to result in a positive overall effect of approximately +140bps as of the end of 2023.

#### *Pillar 7 – Empowering people and the community in line with the Group's social vocation*

The 2023-2026 Strategic Plan will focus on change management initiatives, women empowerment and customised 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);
- the creation of an academy to generate value in professional growth paths and to implement reskilling initiatives;
- customised growth programmes, with a focus on managerial development;
- introduction of smart working for network sales figures;
- implementation of new internal communication tools to increase their effectiveness; and
- development of initiatives to foster the spread of a culture of respect and inclusion.

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 the Group 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 Banco BPM's role as a value creator. At national level, from 2019, Banco BPM is an Institutional Partner of AIRC to support research against cancer; and
- Disbursements to third-sector enterprises.

### ***Strategic sustainability ambitions***

The 2023-2026 Strategic Plan includes also the following strategic sustainability ambitions:

- support the Group's 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 the Group's environmental impact;
- further improve the Group's strategy for people, generational change and women empowerment;
- strengthen the Group's leadership position as a third-sector lending bank;
- confirm the Group's position as a top "Community Bank" with a strong impact on 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; and
- support the Group's digital transformation with robust privacy and cybersecurity management."

\* \* \*

On pages 250-253 of the Prospectus, the section entitled "*Inspection activities and proceedings conducted by the ECB, Bank of Italy and CONSOB on Banco BPM S.p.A.*" shall be deleted in its entirety and replaced as follows:

### **"Inspection activities and proceedings conducted by the ECB, Bank of Italy and CONSOB on Banco BPM S.p.A.**

As regards targeted inspections and proceedings, Banco BPM was subject to a number of inspections and proceedings from 2018 to 2023. At the date of this Prospectus, as illustrated in detail below, several inspections are still underway or are pending receipt of the "Final follow up letters" or the "Final Decision".

In particular:

- in a letter dated 20 October 2023, the ECB announced the start of an inspection (OSI-2023-ITBPM-0241310) on climate and environmental risks. The on-site inspection, which started on 4 December 2023, is currently ongoing;

- in a letter dated 1 August 2023, the ECB announced the start of an inspection (IMI-2023-ITBPM-0221248) to assess the institution's application for the extension of the internal model for the calculation of credit risk for the purposes of prudential requirements to the exposure class Specialised Lending and the utilization of the approach "slotting criteria". The on-site inspection started on 25 September 2023 and ended on 17 November 2023;
- in a letter dated 29 June 2023, the ECB announced the start of an inspection (OSI-2023-ITBPM-0220762) to assess Internal Governance-Risk Management Function. The on-site inspection started on 25 September 2023 and ended on 6 December 2023;
- in a letter dated 17 May 2023, the Bank of Italy announced the start of an inspection to verify the compliance of the automatic cash recirculation devices at some branches in the Emilia Romagna region. The inspection started on 6 June 2023 and ended on 16 June 2023;
- in a letter dated 15 December 2022, the ECB announced the start of an inspection (OSI-2022-ITBPM-0220761) to assess cybersecurity risk management. The inspection (carried out both on-site and off-site) started on 30 January 2023 and ended on 14 April 2023. On 17 October 2023, Banco BPM received the inspection report;
- in a letter dated 3 October 2022, the Bank of Italy announced the start of an inspection to verify the compliance of the automatic cash recirculation devices at some branches in the Sicily region. The inspection started on 18 October 2022 and ended on 26 October 2022;
- in a communication dated 17 August 2022, the ECB announced an "IMI" on-site inspection to assess the material change to the IRC methodology model, for which Banco BPM (also for Banca Akros) submitted a request for a material change to the IRC (Incremental Risk Charge) market risk parameter calculation methodology model for the completion of the IMI\_2019\_ITBPM\_4145 inspection action plan. The inspection commenced on 5 September 2022 and was completed on 28 October 2022. On 11 January 2023, Banco BPM received the final IMI decision approving the requested change, allowing the removal of the add-on to the IRC and requiring two corrective actions of limited scope, which were concluded within the deadlines;
- in a letter dated 10 August 2022, the ECB announced the start of an on-site inspection (OSI-2022-ITBPM-0198569) on credit and counterparty risk, with the objective of assessing the compliance of the framework for the implementation of IFRS9 accounting principle and reviewing the overall credit risk management framework (policies, methodologies, procedures, and governance) with respect to specifically identified asset portfolios subject to a credit quality review. The inspection started on 17 October 2022 and ended on 17 February 2023. With a notice dated 13 November 2023, Banco BPM received the inspection report dated 7 November 2023;
- in a letter dated 8 June 2022, the ECB announced the start of an on-site capital adequacy inspection (OSI-2022-ITBPM-0197382) to assess the management of the ICAAP. The inspection started on 26 September 2022 and ended on 24 November 2022. On 28 March 2023, Banco BPM received the inspection report and on 11 December 2023 received the ECB's final decision;
- in a letter dated 7 February 2022, Bank of Italy announced the start of an on-site inspection on anti-money laundering in the private banking sector of the subsidiary Banca Aletti, with particular reference to the services offered to high-net-worth customers. The on-site phase started on 28 February 2022 and ended on 14 April 2022. Banca Aletti received the results of the inspection on 14 September 2022, which did not reveal any compliance issues. On 14 October 2022, Banca Aletti sent the corrective action plan which is in the implementation phase in compliance with the relevant deadline;
- in a letter dated 20 December 2021, ECB announced the start of a model investigation (IMI-2021-ITBPM-0180439) on the subject matter of credit risk with the purpose to assess the institution's application for an approval of material model change and extension for the following exposure classes: Corporate - Other; Corporate - SME; Retail - Other non-SME; Retail - Other SME; Retail - Qualifying revolving; Retail - Secured by real estate non-SME; Retail - Secured by real estate SME. The application for the approval of the extension request and the material model changes in connection

with the calculation of regulatory requirements to meet credit risks also includes those made necessary by the entry into force (1 January 2022) of new applicable regulatory requirements (EBA IRB Repair program) as well as those aimed at fulfilling obligations arising from previous internal model investigations. The investigation (conducted in off-site mode) started on 14 February 2022 and ended on 20 May 2022. On 15 December 2023, Banco BPM received ECB's final decision which authorised the application of the new internal model, which result in the implementation of the EBA guidelines, with an expected impact in terms of CET1 ratio of approximately -160 bps already starting from Q4 2023;

- in a letter dated 11 November 2021, Bank of Italy announced the beginning of an off-site inspection as regards transparency, with a view to assessing fulfilment of the obligations deriving from the implementing provisions of Directive 2014/92/EU, the "Payment Accounts Directive". The off-site inspection started on 11 November 2021, and from 22 November 2021 it continued as an on-site at several branches and it concluded on 21 January 2022. On 27 June 2022, Banco BPM received the results of the inspection, which revealed anomalies relating to issues important for the protection of customers and requiring corrective action, some of which is restorative in nature. On 21 October 2022, Banco BPM submitted its corrective action plan to the Bank of Italy, which was concluded within the deadlines;
- in a letter dated 1 October 2021, Bank of Italy announced the beginning of an on-site inspection regarding the prevention of money laundering, with a view to confirming compliance with the obligations envisaged by Legislative Decree no. 231/2007 with specific reference to the cash operations of cooperatives, also through an assessment of the legislative, procedural and control structure in a single branch (Verona): the inspection phase (initially on-site) which started on 4 October 2021, it completed off-site on 21 December 2021. On 18 August 2022, Banco BPM received the results of the inspection, which highlighted certain weaknesses in the area of due diligence and in the active cooperation process with regard to the management of relationships with the cooperative companies under investigation. On 29 December 2022, Banco BPM sent the corrective action plan, which is currently being implemented;
- in a letter dated 2 September 2021, ECB announced the beginning of an on-site inspection (OSI-2021-ITBPM-0177592) to assess the adequacy of the first pillar capital requirement calculation; the on-site phase started on 25 October 2021 and ended on 23 December 2021. On 4 August 2022, Banco BPM received the final follow-up letter and on 30 September 2022 submitted the corresponding corrective action plan, which was concluded within the deadlines;
- in a letter dated 23 March 2021, ECB announced the beginning of an inspection (OSI-2021-ITBPM-0180228) entitled "Credit and counterparty risk - Credit Quality Review of CRE portfolio and assess selected credit risk processes" with the objective of reviewing the asset quality of the Commercial Real Estate (CRE) portfolio and assessing the credit risk management processes and the control and governance systems. The off-site phase started on 26 April 2021 and ended on 5 November 2021. The analysis focused on how credit risk was managed in relation to the portfolio under review, in particular the criteria for granting new loans and forbearance measures for perimeter exposures, the identification of specialised loan categories, the quality of appraisals, the process for classifying and valuing real estate and foreclosed assets, and the rules in place in this regard. On 21 April 2023 Banco BPM received the final decision which contains "requirements" and "recommendations" of a qualitative nature, mostly related to organisational measures and concerning the commercial real estate lending and monitoring process, the framework for the valuation of commercial real estate collateral and the internal control and credit risk management system related to commercial real estate lending.

In particular, with regard to commercial real estate exposures, the ECB requested in the final decision that Banco BPM strengthen its decision-making process for the granting and monitoring of loans, ensure appropriate prudential treatment of specialised lending and speculative lending exposures, and update its procedures to provide a more complete and up-to-date information framework for valuers performing property valuations. In addition, Banco BPM was requested to revise the indicators of probable default for CRE counterparties, to strengthen the internal control framework for perimeter portfolios and to supplement the internal rules for the management and monitoring of these exposures.

Banco BPM sent the corrective action plan to the ECB on 29 May 2023; the corrective action plan includes 16 remedial actions which are currently being implemented and will be completed by 31 December 2024;

- in a letter dated 14 April 2019, CONSOB announced the beginning of an on-site inspection on product governance matters and procedures for the assessment of the adequacy of clients’ transactions. The on-site phase started on 14 April 2019 and ended on 3 December 2019; on 30 July 2020, Banco BPM received a technical note pursuant to which CONSOB, while not launching a sanctioning proceeding, has highlighted certain aspects. On October 16, 2020, Banco BPM submitted to the Authority the relevant corrective action plan, of which one intervention remains which is expected to be completed before the end of 2023.”

\* \* \*

On page 269-270 of the Prospectus, the section entitled “*Principal Shareholders*” shall be deleted in its entirety and replaced as follows:

**“Principal Shareholders**

Pursuant to Article 120 of Italian Legislative Decree No. 58 of 24 February 1998, as amended (the **Italian Finance Act**), shareholders who hold more than 3% of the share capital of a listed company are obliged to notify that company and the Italian regulator CONSOB of their holding.

As at 19 December 2023, the significant shareholders of Banco BPM are the following (source: CONSOB):

	<b>% of Ordinary Shares</b>
Crédit Agricole SA .....	9.178
Capital Research and Management Company.....	4.988
Fondazione Enasarco .....	3.010”

## REGULATORY

On pages 274-275 of the Prospectus, the last paragraph under the section entitled “*Capital and Liquidity Requirements*” shall be deleted in its entirety and replaced as follows:

“On 8 December 2023, Banco BPM announced that it had received from the ECB the notification of the prudential decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis, based on the outcome of the annual SREP, conducted in compliance with Article 4(1)(f) of Regulation (EU) No. 1024/2013. The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. Therefore, in compliance with Article 16(2)(a) of Regulation (EU) No. 1024/2013 which confers on the ECB the power to require supervised banks to hold own funds in excess of the minimum capital requirements laid down by current regulations, the ECB determined a “Pillar 2 Requirement” of 2.52% for 2024. Taking into account this additional capital requirement, the Banco BPM Group is required to meet, for the year 2024, a CET1 ratio of 9.07% on a consolidated basis. Furthermore, the additional requirements that Banco BPM must meet are as follows: (i) Tier 1 capital ratio of 11.00%; and (ii) Total Capital ratio of 13.56%. The Banco BPM Group satisfied these prudential capital ratios on a stated basis as at 30 September 2023, with a CET1 ratio of 14.33%, a Tier 1 ratio of 16.70% and a Total Capital ratio of 19.68%. However, there can be no assurance that the total capital requirements imposed on the Issuer or the Banco BPM Group from time to time may not be higher than the levels of capital available at such time. Also, there can be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further own funds requirements on the Issuer or the Banco BPM Group. For additional information on the capital requirements applicable to the Group, see “*Selected Consolidated Financial Data – Capital Requirements of the Group*.”