

JOINT NEWS RELEASE

BANCO BPM AND CATTOLICA ASSICURAZIONI PARTNERSHIP REACHED NEW AGREEMENT ON EXIT RIGHTS AND COMMERCIAL PARTNERSHIP

Milan – Verona, March 5th 2021 – Banco BPM and Cattolica Assicurazioni herewith announce that they have reached an agreement, with which the differences of opinion were resolved and the conditions and procedures for the amendment and continuation of the bancassurance partnership and related exit rights were defined, combining their respective interests and taking the changed economic environment into account.

Under the agreement reached by Banco BPM and Cattolica, in exchange for the waiver by Banco BPM of the already exercised call, Banco BPM is recognized an early exit right from the partnership, whose original term was fixed to expire in 2033, exercisable between 1.1.23 and 30.6.23, which may be postponed by six months at a time, for three times until 31.12.24.

In particular, the parties have agreed to grant Banco BPM an unconditional call option on the 65% stake held by Cattolica in the share capital of the JVs Vera Vita and Vera Assicurazioni; the exercise price of the call option has been set at own funds – excluding subordinated liabilities and including any net income generated up until the date of the shareholding transfer – to be calculated over the six months prior to the call option exercise. In addition, (i) a fixed component of Euro 60 million, of which Euro 26 million in case Cattolica should waive its right to extend the distribution agreement to the Branches currently served by another insurance partner, and (ii) a potential component of Euro 50 million through a deferred payment will be added to the aforementioned amount, exclusively if for a period of 4 years no events take place that may have affection the control over Cattolica by the current majority shareholder or by other parties, even in concert with each other. The agreement provides for protection mechanisms in favor of both parties tied to the call option exercise price (cap and floor of own funds as calculated on the reference date) and price adjustments due to retained profits, distribution of reserves / extraordinary dividends or any capital increases or capital contributions to the joint ventures.

In the event that Banco BPM decides not to exercise the call option within the above-mentioned term, the Bank will pay Cattolica the above Euro 26 million euro in exchange for Cattolica waiving its right to extend the distribution agreement to the Branches currently served by another insurance partner, and the partnership between Banco BPM and Cattolica will continue until 31.12.30 (except for subsequent annual renewals). Upon expiry Banco BPM may still exercise the call option on the 65% share in the joint ventures, or - should the Bank not to exercise the call option - Cattolica may exercise a put option on the above share. In this event, the call and put option exercise prices will still be tied to own funds (as defined above) as at 31.12.30 without additional components and without the adoption of protection mechanisms.

The agreement between Banco BPM and Cattolica also provides for a revision of the new business production targets which are tied to under-performance penalties and over-performance rewards charged to/in favor of Banco BPM, in its capacity as distributor. Moreover, Cattolica has been granted improvement adjustments in the servicing contracts to the joint ventures and greater safeguards as regards the product mix. In the coming weeks, the understandings reached by the parties in the agreement will be reflected in a revision of the various contracts currently in force that govern the partnership.



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