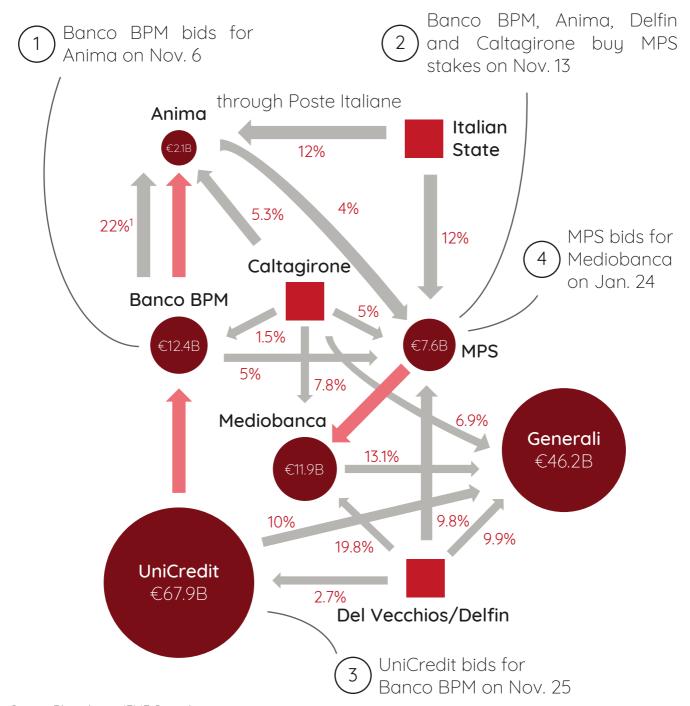




Italian Banking Risiko

ITALIAN BANKING RISIKO MAP





Source: Bloomberg, JEME Capital

 $^{^{1}}$ The Banco BPM stake in Anima shown refers to its original holding (22%) prior to the acquisition of an additional 67.97% finalized on April $^{4\text{th}}$.



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INTRODUCTION

A wave of acquisitions, tender offers, and hostile bids is reshaping the Italian (and European) banking sector, with **20%** of Italy's **total market capitalization** involved.

Following the ECB's interest rate hikes in 2022, banks experienced **record-high** interest margins and **profitability** levels, unseen since the Great Financial Crisis, which massively increased cash reserves and opened **investment opportunities**. Moreover, now **strengthened** by EU regulations and eager to enter the big game and compete on a continental level, Italian banks are **redefining** the shape of the industry.

UNICREDIT IN ACTION

Commerzbank: On September 11th, 2024, UniCredit announced that it had reached a **9%** stake in Commerzbank – Germany's fourth-largest lender – after purchasing shares from the German Government, looking for an exit from the bail-out. The Milan-based bank, led by veteran banker Andrea Orcel, increased its position through **derivatives**, eventually reaching **29.9%**, a move formally approved by the ECB on March 14th, 2025.

A possible approval **from the Federal Cartel Office** could come on April 14th, following the merger control application submitted by UniCredit on February 26th. Nonetheless, even after elections that saw CDU's Merz emerge victorious, Germany remains **hostile** to the takeover.

UniCredit's key strategy is to further strengthen its **pan-European** presence, the cornerstone of its "UniCredit Unlocked" plan. The firm is currently one of the leading lenders in countries such as Italy, Romania, Bulgaria, Austria, and others, and operates in Germany through HypoVereinsbank – the country's fifth-largest lender by total assets.



UniCredit CEO Andrea Orcel, former UBS banker and architect of UniCredit's creation in the 90s

Banco BPM: On November 25th, 2024, UniCredit launched a public tender offer on Banco BPM worth approximately €10B, offering virtually no takeover premium. The absence of a premium was attributed to concerns over limited cost synergies, especially given Banco BPM's ongoing integration efforts and recent acquisitions. As Italy's third-largest commercial lender, Banco BPM had recently acquired a 5% stake in Monte dei Paschi and is at the centre of the Italian Government's plan to create a "Third Italian Banking Champion".

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Despite clear **opposition** from several Italian Ministers, who continue to threaten the use of the **Golden Power** rule, and concerns over antitrust regulations, **Consob approved** the deal on April 2nd. However, UniCredit remains **cautious**, as the denial of applying the Danish Compromise Principle to Banco BPM, following the Anima SGR acquisition, will **cost** the institution around **€1 billion** – this could trigger a withdrawal from the bid by UniCredit.



Generali Tower, designed by Zaha Hadid, is the iconic twisted skyscraper in Milan's CityLife district

Generali: In addition to full acquisition offers, UniCredit also announced that it has built a **10% stake** in Generali, Europe's third-largest insurer and Italy's leading asset manager.

The Company will face a crucial **BoD renewal** on **April 24**th and UniCredit could act as a **tiebreaker**. In fact, the bank may be aiming to build an enormous **Bancassurance** group through acquisitions or partnerships (on April 2nd, rumours emerged about a potential deal with Crédit Agricole).

A **potential strategy** for the **bank** could be the following:

- Act as a supporter of the Sironi-Donnet renewal, led by Mediobanca, leveraging Orcel's reputation to attract other investors to their side:
- Influence the government's decision and use this opportunity as a bargaining chip for the acquisition of Banco BPM - in fact, by climbing Mediobanca, MPS is essentially climbing Generali;
- Ultimately, attempt to gain control over Generali
 by offering an alternative to Natixis, a French
 player seeking a merger between the companies.

GENERALI AND NATIXIS

On January 21st, the two companies signed a **non-binding agreement** to each acquire a **50% stake** in the other, creating a **joint venture** that would become the **second-largest asset manager** in Europe, with a combined **AUM** of **€1.9T**. Synergies are expected, as the two companies have complementary geographical presences in Italy, France, and the United States.

Francesco Gaetano Caltagirone, a key stakeholder who owns **6.9%** of the Italian company and also holds a relevant stake in its **main shareholder**, Mediobanca, **opposed** the deal. The Italian Government **implicitly supports** his position, with several remarks made about not leaving "Italians' savings" in the hands of **foreign** institutions.



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- HOW DID UNICREDIT'S MOVE WITH DERIVATIVES WORK?

For the **Commerzbank** deal, the Italian institute built a **21% stake without notice**. However, regulation requires **ECB approval** for stakes **above 10%** and **disclosure** of all positions held by a bank. UniCredit used **financial engineering** to circumvent this:

- The 10% rule applies to voting rights, not economic exposure. So, UniCredit entered total return swap contracts with BofA and Barclays. These investment banks committed to replicating the positive performance of Commerzbank's stock, while UniCredit would pay the difference in case of losses;
- The two banks also **committed** to **delivering** the **shares** at the end of the contract
- Furthermore, UniCredit employed a **collar-hedging** strategy against share price declines, using **opposing puts and calls**

Thus, **counter-bidding** has become **very difficult**, as most of the capitalization is **tied up**.

BANCA IFIS AND ILLIMITY: A MOVE TO STRENGTHEN MARKET LEADERSHIP?

After a year of weak stock performance, illimity became the target of a takeover bid by Banca Ifis on January 8th, 2025. The offer, valued at nearly €300M and structured as a cashand-stock deal with a modest 5% premium, aimed to acquire full control of the tech-driven challenger bank. The stated objective was to create a stronger, more diversified player in Italy's specialty finance sector.

Though unsolicited, illimity's Board **did not characterize** the **offer as hostile**. Banca Ifis presented the operation as a **natural industrial convergence**, aiming to capitalize on **complementary strengths** in SME lending, servicing, and financial innovation.

The proposal aligns with Ifis' long-term vision, backed by its reference shareholder **La Scogliera**, and aims to unlock revenue and cost synergies, along with scale advantages. However, the market remains cautious: **cultural differences**, **governance uncertainties**, and potential pressure on Ifis' **traditionally high dividend policy** raise concerns.



Banca Ifis' Milan headquarters; a symbol of its evolution from Venetian roots to modern financial innovation



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BPM CHOOSES ANIMA OVER DIVIDENDS

On November 6th, Banco BPM launched a voluntary **all-cash tender offer** of €6.20 **per share** to acquire full control of **Anima Holding**, Italy's largest listed asset manager with over €200B in assets under management. At the time of the offer, Banco BPM already held a **22% stake** in Anima, the result of a long-standing industrial partnership.

The move aimed to consolidate BPM's Bancassurance model and create a vertically integrated financial group by internalizing its asset management arm. The offer represented an **8% premium** over Anima's last closing price of €5.75, following a **45% year-to-date stock rally** that reflected strong performance and profitability.

However, amid heightened market interest and speculation about the bank's role in the broader Italian Risiko, Anima's share price continued to rise - reaching €6.90 by early February 2025. Facing a growing risk of rejection from minority shareholders, and aiming to secure alignment with keu institutional stakeholders - such as Poste Italiane and Fondo Strategico Italiano (FSI) who together hold over 20% of Anima - Banco BPM raised its offer to €7.00 per share on February 12th, bringing it in line with the market price. The move followed UniCredit's unsolicited takeover bid for Banco BPM in late November 2024 and was widely seen as part of a broader defensive strategy. By accelerating the Anima deal and sweetening the offer, BPM aimed to boost its strategic profile and make a potential acquisition more difficult and costly. The revised offer also helped ease opposition to the delisting and reinforced BPM's internal control.



Banco BPM CEO Giuseppe Castagna, retail banking veteran, and top executive since the Group's creation in 2017

During the process, Banco BPM sought approval to apply the **Danish Compromise**, a regulatory mechanism that would have allowed it to avoid deducting Anima-related goodwill from its CET1 capital. However, in **March 2025**, the **European Central Bank rejected the request**, resulting in an estimated €1B reduction in BPM's distributable capital. Despite the setback, the bank **proceeded** with the **acquisition**, prioritizing long-term control and strategic independence over short-term shareholder returns.

The outcome of the tender offer **confirmed that commitment**. Through the bid, Banco BPM acquired an **additional 67.97%** of Anima, bringing its total stake to **89.95%** as of April 4th, 2025 – a level that enables full strategic integration and paves the way for a **potential delisting**.

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The acquisition was not only industrially significant but also **tactically decisive**. By incorporating Anima, Banco BPM consolidated its exposure to **Monte dei Paschi di Siena**, now controlling a **combined 9% stake** – 5% held directly and 4% through Anima. This position could prove pivotal in influencing the outcome of **MPS's ongoing bid for Mediobanca**.

Meanwhile, in a parallel development, the **ECB authorized Crédit Agricole** to increase its stake in Banco BPM to **19.9%**. The French banking group, already BPM's **largest shareholder**, remains a strategic **obstacle to Andrea Orcel's UniCredit**, further complicating the latter's path to domestic consolidation.

MONTE DEI PASCHI: THE "UNTHINKABLE" MOVE

On January 24th, Banca Monte dei Paschi announced an unsolicited €13.3B offer for its larger rival, Mediobanca, offering a nearly 5% premium over the share price. MPS likely made the move to protect itself from unwanted ownership, whether by foreign investors or UniCredit, which could attempt to gain control of the bank through BPM if that deal were finalized.

Nonetheless, MPS secured the **backing** of the **Italian Government**, which still holds a **12%** stake, as well as the support of the **Caltagirone** and **Del Vecchio** families, who together own a combined **15%** of the company.

Mediobanca firmly **rejected** the offer, labeling it as **hostile** and emphasizing that the banks' very **different business models** – commercial banking for MPS and primarily investment banking and wealth management for Mediobanca – would result in more **costs** than synergies.



Banca Monte Paschi di Siena's historic headquarters; founded in 1472, it is the world's oldest bank

BPER AND BANCA POPOLARE DI SONDRIO: UNIPOL'S PLAY?

On February 6th, BPER launched a **tender offer** for Banca Popolare di Sondrio, valuing the Northern Italian lender at €4.3B – a 6.6% premium. The bid was described as a "defensive" move to position itself amid the ongoing wave of consolidation, though rumours suggested Unipol's orchestration. In fact, Unipol holds **majority stakes** in both lenders and may be aiming to create a major banking **player** in the **Modena-Bologna** region.

Banca Popolare di Sondrio, which **rejected** the offer, is preparing to **defend** itself. On March 11th, the bank announced plans to **double** its **dividend payout** over the next three years.



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CONCLUSION

As we can see, multiple players are involved in what could become the **most significant transformation** of the **European banking industry** since the **1990s**.

Actors like UniCredit are playing on **multiple fronts**, advancing their bids, while others such as BPER and MPS are using offers as **tactical moves**. The month of **April** will probably be **crucial** for the Risiko, as several Board of Directors are set to meet and the **Italian Government** is expected to make a decision regarding the use of its **Golden Power**.

Moreover, with last week's tariffs announcement, banks now face a new challenge. On **Friday**, **April 4**th, major players in the industry **lost between 10% and 12%** of their market capitalization, effectively **erasing** the positive performance achieved in 2025. However, this is likely a **profit-taking move** by investors amid a **highly uncertain environment**, rather than a sign of **diminished confidence**, as major institutional investors still see value in the sector.

The losses on Friday 4th also put to rest discussions about the "too thin premiums". While not certain, this could **accelerate** the **wave of deals** rather than halt it, as potential **targets have now become cheaper**.



Bank of Italy Governor Fabio Panetta and Italian Prime Minister Giorgia Meloni

