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Testo del comunicato

Vedi allegato.

NEWS RELEASE

RESULTS AS AT 31 DECEMBER 2019

NET PROFIT € 797 MILLION (€ -59 MILLION IN 2018)

RETURN TO DIVIDEND (€ 0.08 PER SHARE)

FURTHER STRENGTHENING OF CAPITAL ("FULLY-PHASED" CET1 RATIO AT 12.8%)

The results of the fourth quarter of 2019 were positive:

• growth in profit from operations (€ 532 million, +40.3% compared to the 3rd quarter of 2019)

• growth in total income (€ 1,188 million, +16.2% compared to the 3rd quarter of 2019)

Core performing loans[1] to customers increased (€ 91.1 billion, +2.9%) as did core direct funding[2] (€ 87.8 billion, +8.2%) compared to December 2018:

- **loans to customers € 105.8 billion (+1.8% compared to December 2018)**
- **performing loans € 97.8 billion (+2.0% compared to December 2018)**
- **NPE € 5.5 billion (- 17.6% compared to December 2018)**
- **direct funding[3] from customers € 108.9 billion (+7.3% compared to December 2018)**

The derisking actions are continuing: net NPE ratio down to 5.2% from 6.5% at the end of 2018

Further strengthening of the capital position:

CET1 ratio[4]: phased in at 14.6%; IFRS 9 fully phased in at 12.8% (after dividend payment)

Texas Ratio[5] significantly improved at 52.3% (74.9% in December 2018)

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[1] Mortgages, loans, current accounts and personal loans.
2 Current accounts and deposits.
[3] The aggregate includes deposits and current accounts and demand and term deposits, bonds issued, certificates of deposit and other securities, loans and other debts, and capital-protected certificates. Repos are not included.
[4] Ratios calculated also including the profit for 2019 net of the portion for which the Board of Directors resolved to submit to the Shareholders' Meeting the distribution of dividends and donations.
[5] The Texas Ratio measures the ratio between the net value of impaired loans and the Group's tangible equity.

The cost of risk has fallen significantly (73 bps vs 184 bps in 2018)[6]

Excellent liquidity position, with unencumbered eligible assets of approximately € 19.9 billion[7]

Banco BPM closed 2019 with consolidated net profit of € 797 million, compared with a loss of € 59 million in financial year 2018. This result is even more significant considering comprehensive income. In fact, also taking into account the income components that have passed directly through equity without being recognised directly in the Income Statement, the Group's Comprehensive Income amounted to € 1,324 million. This excellent result was achieved in parallel with the continuation of derisking activity, the latter reflected in the further decline in the net NPE ratio to 5.2% (it was 6.5% at the end of 2018) and consequently in the sharp reduction in the cost of credit (73 bps compared to 184 bps in December 2018). In addition to these trends, the phased-in CET1 Ratio and fully-loaded CET1 were significantly strengthened to 14.6% and 12.8% respectively (compared to 12.1% and 10.0% in 2018).

The Group's good performance is confirmed by the development of the commercial business, as shown by the trend in lending and direct funding. This result was achieved in a negative macroeconomic and interest-rate scenario that continues to be heavily penalizing for banks. The Group's constant efficiency improvement also continued through the decrease in operating expenses (-6.8% y/y), in addition to the aforementioned reduction in adjustments to loans (-59.9% compared to 31 December 2018).

The profitability expressed by the Group, together with the strong capital position achieved, allow, in full compliance with the guidelines issued by the ECB, the return to paying dividends, the distribution of which will be submitted to the approval of the Shareholders' Meeting for an amount equal to €0.08 per share, equal to a yield of 4.1%[8].

Key balance sheet items

- Loans to customers € 105.8 billion, of which "core" performing loans up 2.9% on a homogeneous basis and impaired loans down by 17.6% compared to 31 December 2018;
- Direct customer funding of € 108.9 billion[9] (€ 101.5 billion at the end of December 2018): during the period, the growth trend in the core funding from current accounts and deposits was confirmed (+€ 6.7 billion compared to the end of 2018);
- Indirect customer funding[10] € 89.7 billion (compared to € 87.0 billion at 31 December 2018), up 3.2%, of which:

[6] Cost of risk calculated as ratio between net adjustments on loans to customers and net receivables from customers including those classified in IFRS 5 for consistency with the related adjustments.
[7]Data updated at 31 December 2019.
[8] Dividend Yield calculated with reference to the stock market closing price on 5 February 2020.
[9] Direct Funding includes certificates with unconditional capital protection (€ 3.2 billion at 31 December 2019 compared to € 3.4 billion at the end of 2018), but excludes repurchase agreements.
[10] Operating figure net of certificates with unconditional capital protection included under "direct funding".

- asset management € 58.3 billion;
- asset administration € 31.4 billion.

Key income statement items

- Net interest income
  - € 1,998.0 million in 2019 (€ 2,292.6 million at 31 December 2018; -12.9%). This performance was mainly affected by the negative impact of the lower accounting effect (the so-called "reversal", amounting to € -193.8 million y/y), including that related to the PPA[11], mainly tied to bad loan disposals made last year, that, however, made a positive contribution towards driving the cost of risk down.
  - The figure related to "core" components at 31 December 2019 was € 1,986.8 million (€ 2,078.0 million in 2018; -4.4%)[12]
  - € 477.9 million in Q4 2019 (€ 500.0 million in Q3 2019; - 4.4%).

- Net fee and commission income
  - € 462.2 million in Q4 2019 (€ 444.1 million in Q3 2019; + 4.1%)
  - € 1,794.4 million at 31 December 2019 (€ 1,860.9 million in 2018; -3.6%). The decrease was mainly due to the lower contribution of fees on current account maintenance and management and the absence of fees relating to the custodian bank business sold in the second half of 2018 (€ -12.9 million).

- Total income
  - € 1,187.7 million in Q4 2019 (€ 1,021.7 million in Q3 2019; + 16.2%)
  - € 4,293.0 million at 31 December 2019 (€ 4.772,9 million in 2018; -10.1%, which, however, included non-recurring elements of € 285.7 million)

- Operating expenses
  - € 656.1 million in Q4 2019 (€ 642.8 million in Q3 2019[13]; + 2.1%)
  - € 2,604.0 million in 2019 (€ 2,792.8 million at 31 December 2018; -6.8%)

- Net profit
  - € 95.8 million in Q4 2019 (€ 98.2 million in Q3 2019, -2.5%)
  - € 797.0 million at 31 December 2019 (€-59.4 million in 2018, affected however by non-recurring loan loss provisions tied to de-risking actions that were implemented during the year)

[11] Reference here is made to the impacts of the "Purchase Price Allocation" which were recognised following the business combination between Banco Popolare and Banca Popolare di Milano.
[12] For more details, see the comment in the section "Economic performance of operations in 2019 compared to financial year 2018".
[13] The figure for the third quarter has been restated for consistency of comparison (see Explanatory Notes).

- Adjusted net profit[14]
    - € 246.6 million in Q4 2019 (€ 101.1 million in Q3 2019, +143.8%)
    - € 648.6 million at 31 December 2019 (€ 342.8 million in 2018; +89.2%)

Other comprehensive income

- The Group's comprehensive income[15]
    - € 1,323.7 million at 31 December 2019 (€ -578.2 million in 2019)

Capital position[16]:

- CET1 ratio "IFRS9 fully phased" 12.8% (10.0% as at 31/12/2018);
- CET1 ratio "IFRS9 phased-in" 14.6% (12.1% as at 31/12/2018).

Credit quality

- Net non-performing loan stock of € 5.5 billion with decrease of € 1.2 billion compared to the end of 2018 (-17.6%) and € 0.4 billion compared to 30 September 2019 (-7.0%)

  Coverage:
    - Unlikely to pay: 39.1% (37.0% at 30 September 2019);
    - Bad loans: 56.2% (55.8% at 30 September 2019); considering also write-offs the coverage was 62.5%;
    - Non-performing loans: 45.0% (42.8% at 30 September 2019); considering also write-offs the coverage was 48.1%.

Liquidity profile

- Unencumbered eligible assets of € 19.9 billion at 31 December 2019;
- LCR >165% and NSFR >100%[17].

Milan, 6 February 2020 – At today's meeting, the Board of Directors of Banco BPM, chaired by Mr. Carlo Fratta Pasini, approved the draft separate and consolidated financial statements for the year ended 31 December 2019 of the Banco BPM Group.

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[14] "Adjusted" figures are shown net of components detailed in the Notes.
[15] Comprehensive Income takes into account all income components which, in accordance with the applicable accounting standards, are directly recognized in the Group's Shareholders' Equity without passing through the Income Statement.
[16] Ratios calculated also including the profit for 2019 net of the portion for which the Board of Directors resolved to submit to the Shareholders' Meeting the distribution of dividends and donations.
[17] Monthly LCR at December 2019; NSFR related to the fourth quarter 2019 based on operating data.

Operations in 2019, while still involving continuation of derisking and reorganisation of Group assets in line with the business plan, as well as the execution of capital management transactions already announced to the market, saw a greater focus on developing commercial activity, as is shown both by the growth in performing loans, and in "core" funding, as well as the good performance of indirect funding, after the significant restructuring of the network and the closure of branches which occurred the previous year.
In this context, again characterised by significant efforts on reorganisation and derisking activities, the Group recorded gross profit before tax of € 1,019.7 million and net profit of € 797.0 million compared to a loss of € 59.4 million made in 2018. The "adjusted" net profit also grew, at € 648.6 million, compared to € 342.8 million made at 31 December 2018 (+89.2%).

As regards the reorganisation and derisking operations, more specifically, in the first quarter the "ACE" sale was completed (launched during the previous financial year) obtaining "GACS" guarantees on Senior Notes and placing 95% of the Mezzanine and Junior Notes. This allowed accounting derecognition of loans sold that were booked under "assets held for sale" at the end of 2018.
Again in relation to the "ACE" project, Banco BPM transferred to First Servicing S.p.A., a company that operates as a servicer for non-performing loans, the business unit consisting of a combination of assets, legal relationships and employees organised to carry out loan collection activities related to the said loans. In June, the partnership with Credito Fondiario was established to manage collections of impaired loans. Credito Fondiario became part of the shareholding structure of First Servicing (which changed its name to CF Liberty Servicing S.p.A.), with a stake equal to 70% of equity.

The Group's derisking activities continued with the signing of an agreement to dispose of a portfolio of bad leasing loans. After due diligence was complete, in April Banco BPM identified Illimity Bank as the counterparty for the sale of a portfolio of a nominal € 650 million on the cut-off date (the nominal value at 30 June 2019 was around € 600 million), mainly consisting of loans deriving from legal relationships receivable and payable associated with bad leasing contracts. The operation will involve various phases and is expected to be completed by mid-2020. At 31 December 2019, following the sales made in the year, the receivables still recognised in the accounts among "assets held for sale" were € 313 million gross(€ 93.7 million net of value adjustments).

As part of the reorganisation of the Group's activities, in June the restructuring of the consumer loan segment was completed through the sale to Agos Ducato of the business unit regarding activities carried out through the network of branches for the former Banca Popolare di Milano, for € 310 million.

With reference to transactions on the wholesale market, in April Banco BPM completed the first issue of Additional Tier 1 instruments for a value of € 300 million, destined for institutional investors. This represented an important operation for increasing the efficiency of the Group's capital structure. The securities issued are perpetual and may be recalled by the issuer from 18 June 2024.

Additionally, during the year the placements of three senior preferred unsecured bond loans reserved for institutional investors were completed successfully. The first occurred at the beginning of March, with 3-year maturity and an amount of € 750 million with 2% fixed coupon, while the second was in June with 5-year maturity for a total of € 500 million and a 2.50% fixed coupon; the third in October, of € 500 million, with maturity at 5 year and 3 months and 1.75% fixed coupon.
In addition, again in October, a new subordinated Tier 2 issue was completed for € 350 million, maturity ten years, also destined for institutional investors.

If we also consider the placement, at the beginning of January 2020, of an additional issue of € 400 million of Additional Tier 1 financial instruments, perpetual securities that may be recalled by the issuer as from 21 January 2025, the total amount of public issues launched by Banco BPM during the year reaches € 2.8 billion.

Economic performance of operations in financial year 2019 compared to financial year 2018

Net interest income stood at € 1,998.0 million, as compared to € 2,292.6 million in the previous year. The NII performance was affected by the negative impact of the more limited accounting effect of reversals, (amounting to € -193.8 million y/y), including the one deriving from PPA[18], mainly tied to bad loan disposals made last year, that, however, made a positive contribution towards driving the cost of risk down. At 31 December 2019, following the first-time adoption of the recognition rules under IFRS 16, a € 9.7 million interest expense was reported, arising from debts connected with lease contracts. Net of these effects, net interest income was € 1,986.8 million, compared with a figure calculated on a like-for-like basis of € 2,078.0 million in 2018 (-4.4%).

The **result for investees measured with the equity method** shows a profit of € 131.3 million, down with respect to the figure of € 159.5 million recorded in 2018. Within this aggregate, the main contribution was provided by consumer credit of € 103.1 million conveyed by the shareholding in Agos Ducato.

Net fee and commission income[19] totalled € 1,794.4 million, with a decline of 3.6% compared to the € 1,860.9 million of the previous year, mainly due to the lower contribution of fees on current account maintenance and management and the absence of commissions related to depositary bank activities, sold in the second half of 2018 (€ -12.9 million). During the year, net commissions rose from € 434.5 million in the first quarter to € 462.2 million in the fourth quarter, an increase of 6.4%, thanks to the contribution provided by consultancy and placement of investment, insurance and consumer credit products.

Other net operating income came to € 37.2 million compared to the figure of € 389.8 million in 2018, which included capital gains, of € 313.6 million, made following the sale of the depositary bank and fund administration activities and of mandates for the delegated management of insurance assets. Excluding these components from the figure of the previous year, the aggregate shows a decrease mainly due to the progressive decline in fast enquiry fees (-54.2% compared to 31 December 2018) also following the restitutions carried out during the year.

The **net financial result** was € 332.1 million, compared to € 70.2 million in the previous year. Contributions to this result were made by capital gains both on valuation and on the sale of the Nexi stake, the write-back on Sorgenia bonds and the sale of securities—mainly government bonds—in the HTC (Hold to Collect) portfolio. It is also necessary to consider that the economic results must be assessed together with the change recorded in the valuation reserves on exposures classified among assets measured at fair value through other comprehensive income (FVOCI), not managed according to the hedge accounting rules. At 31 December 2019, the balance of reserves on FVOCI debt securities, gross of taxes, was positive for € 71 million compared to € -197 million at 31 December 2018.

[18] Reference here is made to the impacts of the "Purchase Price Allocation" which were recognised following the business combination between Banco Popolare and Banca Popolare di Milano.

[19] As of 30 June 2019, upfront commissions related to certificates placement were also reclassified into this aggregate (previously classified in the Net Financial Result). The figures for the previous periods have been redetermined in a consistent manner.

Due to the trends described, **total income** therefore came to € 4,293.0 million, down by 10.1% compared to 2018. Excluding the non-recurring items as at 31 December 2018, the reduction would come to 4.4%, mainly as a result of the trend noted above for net interest income - to be read also in the light of the aforementioned reduction of the risk achieved thanks to the derisking carried out in 2018 - and fees and commissions.

Personnel expenses, of € 1,696.5 million showed a decrease of 2.1% compared to the € 1,732.8 million of the previous year. The total number of employees was 21,941 at 31 December 2019, compared to 22,247 at the end of 2018.

Other administrative expenses[20] amounted to € 638.6 million translating into a 21.8% drop compared to 2018. This reduction is in part attributable to the application of the IFRS 16 standard which, for contracts under this standard, provides for the inclusion of the amortisation of the right of use under "Net write-downs of tangible and intangible assets" in place of registration of rents and rents payable under "Other administrative expenses"; even when taking this effect into account, other administrative expenses still saw a significant reduction (-9.0% with respect to 2018).

Write-downs of property, plant and equipment and intangible assets amounted to € 268.9 million, compared to € 243.5 million at 31 December 2018, and include depreciation of intangible assets of € 4.4 million. The figure at 31 December 2019 is not fully comparable with that of the previous year because, as a result of the change in the accounting standard for the valuation of the Group's real estate and artistic assets, properties held for investment purposes are no longer subject to depreciation. This item was also influenced by the introduction of IFRS 16 mentioned above. Taking into account the effects mentioned above (introduction of IFRS 16 and change in accounting policy) and net of write-downs, the aggregate still shows a decrease of 4.3% compared to 31 December 2018.

Total **operating expenses** therefore amounted to € 2,604.0 million, falling by 6.8% compared to 2018. Also net of the aforementioned non-recurring components, the aggregate fell (-4.3%), testifying to the constant efforts made to contain costs since the creation of Banco BPM.

Net adjustments on loans to customers amounted to € 778.5 million, a marked decline compared with the figure of € 1,941.1 million for 2018 (-59.9%), due to the substantial contraction of the non-performing loans brought on by the derisking actions completed in the previous year. The cost of credit, measured by the ratio of net adjustments on loans to net loans (including loans classified as held for sale), was 73 bps, sharply down from the 184 bps of the previous year. Even net of the extraordinary adjustments made in 2018[21] (€ 713.9 million), the 2019 risk-adjusted cost confirmed a sharp decrease of 43 bps y/y.

As part of the project to rationalize and enhance the value of the Group's real estate assets, the Board of Directors resolved to change the valuation criteria for properties and works of art by adopting the fair value for investment properties and the redetermined value for properties for functional use and works of art. The overall effect of write-downs and revaluations on the income statement for the year was included in the new reclassified income statement item **profit (loss) on fair value measurement of tangible assets**, which amounted to € -158.5 million. Considering that part of the valuation is attributed directly to equity for € 367 million, the change in criteria had a positive

[20]The aggregate does not include the "banking industry charges", represented by the contributions to the Resolution Funds and to the Interbank Deposit Guarantee Fund, reported in a separate line-item of the reclassified income statement, net of tax effect.
[21] Following the Exodus and ACE transactions.

effect on the Group's comprehensive income of € 208.5 million. Please refer to the Explanatory Notes for details of the overall effects of the change in question.

In the income statement of the year **net write-backs on securities and other financial assets** for € 5.8 million were recognised (net write-backs of € 3.3 million at 31 December 2018).

Net provisions for risks and charges amounted to € 71.0 million compared to € 345.3 million of 2018 which included provisions set aside to comply with the more severe regulations regarding the conditions applied to customers and to increase the coverage of expenses from disputes and claims.

At 31 December 2019 **gains on disposal of equity and other investments** were recorded totalling € 333.2 million, including gross capital gains achieved through reorganisation of the consumer loan segment (€ 189.5 million) and establishment of the partnership with Credito Fondiario to manage recovery activities for impaired loans (€ 142.7 million). The first half of 2018 included profits of € 173.4 million deriving almost entirely from the disposal of equity investments carried out as part of reorganisation of the bankassurance segment.

As a result of the trends described above, the **profit (loss) from continuing operations before tax and banking industry expenses** amounted to a profit of € 1,019.7 million, compared to the € 129.7 million loss recorded the previous year.

Taxes on income in the period from continuing operations as of 31 December 2019 total € -145.4 million (€ +162.8 million at 31 December 2018) benefiting from a lower tax load with regards to capital gains realised through the sale of equity investments and other non-recurring events such as the possibility to recognise new deferred tax assets.

A total of € 92.9 million of **charges related to the banking system, net of taxes** were recognised in the income statement for the year (€ 100.2 million in 2018), which include ordinary contributions to the Single Resolution Fund (SRF) of € 61.7 million gross (€ 68.1 million at 31 December 2018), and to the Interbank Deposit Guarantee Fund of € 53.4 million (€ 45.2 million at 31 December 2018), plus the additional extraordinary contributions to the Single Resolution Fund of € 22.6 million (25.5 million at 31 December 2018).

Given the share of the profit or loss attributable to non-controlling interests (€ 15.6 million), financial year 2019 ended with a **net profit pertaining to the Parent Company** of € 797.0 million, compared to the loss of € 59.4 million made in the previous year.
At the adjusted level, the profit for the year amounted to € 648.6 million compared with the result of € 342.8 million of 2018 (+89.2%).

It should also be noted that the Group generated a profit not directly recognised in the income statement, but with an impact on equity, for a total of € 527 million, mainly attributable to reserves on securities classified at FVOCI and reserves on functional properties and valuable artistic assets valued using the "revaluation model" method. Considering also these components the Group's comprehensive income in 2019 was € 1,324 million.

Economic performance of operations in Q4 2019 compared to Q3 2019

Net interest income totalled € 477.9 million, down by 4.4% from the figure in Q3 2019 (€ 500.0 million). Net of the "non-core" components attributable to the PPA and to the accounting effects of IFRS 9, the net income was € 474.9 million and compares with the uniform figure of the third quarter of € 499.3 million, showing a drop of 4.9% mainly as a result of the negative trend in Euribor and the lower contribution to the income of the financial portfolio also following a number of sale transactions.

The **result for investees measured with the equity method** shows a profit of € 33.9 million, up with respect to the figure of € 28 million recorded in Q3 2019. Within this aggregate, the main contribution was provided by consumer credit brought in by the shareholding in Agos Ducato for € 26.2 million (up by 30.4% compared to the previous quarter).

Net fee and commission income[22] in the fourth quarter amounted to € 462.2 million, an increase of 4.1% over the third quarter due to both the contribution made by management, brokerage and advisory activities (+3.7% over the quarter) and the growth in commissions relating to traditional banking services (+4.4% over the third quarter). This growth is even more significant when comparing commissions in the fourth quarter with those recorded in the first quarter of the year (+6.4%).

Other net operating income totalled € 6.3 million, compared to the figure of € 8.0 million for the third quarter.

The **net financial result** was € 207.4 million, compared to € 41.7 million in the third quarter. The positive contribution of trading activity, the gains made on the sale of debt securities (€ 125.1 million) and the result of the € 44.6 million write-back on the bonds held by Banco BPM and issued by companies of the Sorgenia Group, following the sale involving the group after the restructuring of past years, all contributed to this trend.

In virtue of the trends described, the **total income** amounted therefore to € 1,187.7 million up compared to the figure of € 1,021.7 million recorded in the third quarter (+16.2%).

Personnel expenses in the fourth quarter amounted to € 437.1 million, an increase of 5.2% compared to the third quarter, mainly due to the advance payment of some charges relating to contract renewal.

Other administrative expenses[23] fell by 5.6%, going from € 158.6 million in the third quarter of 2019 to € 149.8 million in the fourth quarter of 2019.

Net adjustments to property, plant and equipment and intangible assets totalled € 69.3 million, compared with € 68.6 million in the third quarter.

Total **operating expenses** therefore amounted to € 656.1 million, up by 2.1% compared to € 642.8 million recognised in the third quarter.

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[22] As of 30 June 2019, upfront commissions related to certificates placement were also reclassified into this aggregate (previously classified in the Net Financial Result). The figures for the previous periods have been redetermined in a consistent manner.

[23]The aggregate does not include the "banking industry charges", represented by the contributions to the Resolution Funds and to the Interbank Deposit Guarantee Fund, reported in a separate line-item of the reclassified income statement, net of tax effect.

Net adjustments on loans to customers amounted to € 220,5 million, up by 5.8% compared to the third quarter and reflect the intention to guarantee a rigorous approach in the measurement of receivables, which is shown in the increase in the coverage of all categories of non-performing loans compared to the end of September.

The **profit (loss) on fair value measurement of tangible assets** resulting from the adoption of the new property valuation criteria was a negative € -131.0 million in the fourth quarter. As stated above, it should be noted that part of the valuation is attributed directly to equity. Therefore, also with reference to the fourth quarter of the year, the net contribution of the change in criteria had a positive effect on the Group's comprehensive income.

Net provisions for risks and charges amounted in the fourth quarter to € 62.6 million compared to € 2.7 million in the previous quarter and included extraordinary provisions set aside to comply with the more severe regulations regarding the conditions applied to customers and to increase the coverage of expenses from disputes and claims.

In the fourth quarter, **losses from the sale of shareholdings and investments** were recognised for € -3.6 million which include capital losses on the sale of property, plant and equipment for € 5.7 million and the capital gain made on the sale of the equity investment held in Arena Broker, for € 2.0 million.

As a result of the trends described above, the **income from continuing operations before taxes and before banking industry charges** came to € 115.4 million compared to the € 171.1 million recorded in the third quarter. Net of the aforementioned non-recurring items, pre-tax profit came out at € 308.3 million compared to € 174.9 million in the previous quarter

Income tax on continuing operations referred to the fourth quarter totalled € -24.4 million (€ -43.2 million in the third quarter).

The income statement for the quarter included **charges related to the banking system, net of taxes** of € 4.5 million, related to the balance of the ordinary contribution to the Interbank Deposit Guarantee Fund (of € 6.7 million before taxes). The third quarter saw charges related to the estimated ordinary contribution to the Interbank Deposit Guarantee Fund of € 31.5 million (€ 46.7 million before the tax effect).

Given the portion of the profit attributable to non-controlling interests (€ 9.2 million), the fourth quarter of 2019 ended with a **net profit** of € 95.8 million, compared to the net profit of € 98.2 million made in the third quarter.

At the adjusted level the net profit for the fourth quarter amounted to € 246.6 million compared to € 101.1 million in the third quarter (+143.8%).

Key balance sheet items

As at 31 December 2019, **direct funding**[24] totalled € 108.9 billion, showing a decrease of 7.3% compared to the € 101.5 billion as at 31 December 2018. In comparison with the figures at the end of 2018 there has been growth of € 6.7 billion of the segment represented by current accounts and demand deposits of the commercial network (+8.2%). The trend in bonds issued also increased (+ € 1.0 billion) as a result of senior preferred unsecured and subordinated bond issues reserved for

[24] The aggregate includes deposits and current accounts and demand and term deposits, bonds issued, certificates of deposit and other securities, loans and other debts, and capital-protected certificates. Repos are not included.

institutional investors. With regard to funding guaranteed by the stock of certificates, the balance at 31 December 2019 was € 3.2 billion, down compared to the € 3.4 billion at 31 December 2018 (-3.9%).

Indirect deposits[25] net of capital-protected certificates totalled € 89.7 billion, up 3.2% compared to 31 December 2018 and by 0.6% compared to this past 30 September.
The component of managed funding amounts to € 58.3 billion, with an increase of 4.7% compared to the figure of € 55.7 billion of 31 December 2018 (+1.2% compared to 30 September 2019), seen mainly in the segment of funds and SICAVs which shows growth of € 3.1 billion (+8.5%) in the year (+1.5% compared to 30 September 2019). Assets under administration reached € 31.4 billion, up slightly from the end of 2018 (+ 0.5%) but down 0.4% compared to the € 31.5 billion at 30 September.

Financial assets totalled € 37.1 billion, slightly up compared to € 36.9 billion at 31 December 2018 (+ 0.6%). The item at 31 December 2019 is made up of debt securities of € 31.3 billion (which as of 31 December 2019 show positive reserves of € 70.7 million, on the part classified as FVOCI, and "unrealized gains" of approximately € 520 million, on the part classified at amortised cost) and equity securities and UCITS units of € 2.5 billion. Exposures in debt securities issued by Sovereign States were € 26.4 billion, of which € 15.5 billion related to Italian government bonds; the proportion of the latter in the segment of debt securities was 49.7% at 31 December 2019 compared to 56.5% at 30 September 2019. As a result of the introduction of IFRS 9, financial assets (amounting to € 0.4 billion) also include loans to customers which must be measured at fair value. In addition, as from December 2019, repurchase agreements classified in the trading portfolio for € 0.8 billion are also included under financial assets.

Net loans to customers totalled € 105.8 billion at 31 December 2019, up by € 1.8 billion compared to the figure of 31 December 2018.

Performing loans came to € 97.8 billion, compared to € 95.9 billion at 31 December 2018, an increase of 2.0%. The aggregate at 31 December 2019 did not include the "senior" securities of the Exodus (subscribed in the first half of 2018) and ACE (subscribed in the first quarter of 2019) securitisations[26]. Taking "core" loans into consideration (mortgages, loans, current accounts and personal loans), the aggregate comes to € 91.1 billion, with a 2.9% with respect to the end of 2018.

Net non-performing loans (bad loans, unlikely to pay and past due and/or over-the-limit exposures) amounted to € 5.5 billion at 31 December 2019, a decrease of € 1.2 billion (-17.6%) compared to 31 December 2018. The comparison with 30 September 2019 also shows a decrease of € 0.4 billion or -7.0%.
An analysis of the individual categories of non-performing loans shows the following changes:

- Net bad loans of € 1,560 million fell by 2.0% compared with the € 1,591 million figure at 31 December 2018;
- Net unlikely-to-pay loans of € 3,912 million, down by 22.5% compared to € 5,048 million at 31 December 2018;
- Net past-due exposures of € 73 million, down by 16.6% compared to € 88 million at 31 December 2018.

The coverage ratio for the entire impaired loans aggregate was 45,0% (48.1% including write-offs), up compared to 43.1% at 31 December 2018 and compared to 42.8% at 30 September 2019.
More specifically, as at 31 December 2019, the coverage rate was as follows:

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[25] Operating data.
[26] The "senior" securities of the Exodus and ACE transactions amount to roughly €2.5 billion as at 31/12/2019, while as at 31/12/2018 the "senior" securities of the Exodus transaction amounted to roughly €1.4 billion.

- Bad loans 56.2% (55.8% at 30 September 2019; 59.6% at 31 December 2018); including write-offs the coverage reaches 62.5%;
- Unlikely-to-pay 39.1% (37.0% at 30 September 2019; 35.0% at 31 December 2018);
- Past due exposures 25.9% (17.3% at 30 September 2019; 17.5% at 31 December 2018).

The coverage ratio of performing loans was 0.33%, slightly down compared to 0.38% at 31 December 2018.

<u>Group capital ratios</u>[27]

At 31 December 2019 the Common Equity Tier 1 ratio (CET1 ratio) amounted to 14.6% up significantly compared to the figure at 30 September 2019 of 13.8%. The increase in this ratio is due to the increase in the Common Equity Tier 1 Capital due to the economic result for the fourth quarter and the effects of the change in the accounting standard for the valuation of the Group's real estate and artistic assets, partially offset by the negative evolution of the valuation reserves for financial assets measured at fair value through other comprehensive income. This ratio benefits from the exercising of the option for the full application of the transitional rules introduced with the new Article 473-bis of Regulation (EU) no. 575/2013, which dilutes over time the impact on own funds deriving from the application of the new impairment model introduced by the accounting standard IFRS 9. Excluding the impacts of the aforementioned transitional rules, the CET1 ratio IFRS 9 fully phased was 12.8%.

The positive trend described above increased both the Tier 1 ratio, which rose to 15.2% compared to 14.4% at 30 September 2019, and the Total Capital ratio, which was 17.5% compared to 16.3% at 30 September 2019 and which benefits from the issue of the new Tier 2 capital instrument for the nominal amount of € 350 million made on 1 October 2019.

We can note that during January 2020 a new Tier 1 equity instrument was issued for a nominal amount of € 400 million, which generates a benefit at the level of Total Capital Ratio of approximately 61 bps.

BUSINESS OUTLOOK

The global macroeconomic scenario continues to show signs of a gradual slowdown of the expansive cycle, which in all the major economies affect in particular the industrial and manufacturing sector. The health emergency in China risks cooling the positive expectations arising from the reduction in trade disputes and the disappearance of the potential risks that were associated with a hard Brexit scenario. The deceleration of global GDP toward levels just above 3%, the lowest of the last ten years, and some ongoing geopolitical tensions are impacting the

[27] On the basis of the provisions of art. 26 paragraph 2 of Regulation (EU) no. 575/2013 of 26 June 2013 (CRR), the possible inclusion of year-end profits in Common Equity Tier 1 Capital (CET1) prior to the approval of the financial statements by the Shareholders' Meeting is subject to the authorisation of the competent authority (the ECB), for which the auditing firm is required to verify the profits. Alternatively, profits may be included after the approval of the financial statements by the Shareholders' Meeting.
With reference to the figures and to the capital ratios illustrated in this press release, in addition to the profit at 30 June 2019, included as a result of the authorisation obtained following the limited audit of the condensed consolidated half-year financial statements at 30 June 2019, the portion of profit has also been considered, relating to the second half of 2019, resulting from the draft consolidated financial statements of the Group at 31 December 2019 approved by the Board of Directors today, net of the portion for which the Board of Directors resolved to submit to the Shareholders' Meeting the proposal to distribute dividends and donations; this profit will formally become part of the CET 1 capital as soon as the Shareholders' Meeting approves the financial statements.

investment trends and are having repercussions on confidence levels and on consumers' propensity to spend, helping to keep non-negligible the risks of the emergence of financial turmoil, especially in the more fragile economies. In this context, the phase of stagnation that characterises our country seems destined to continue also this year, with still modest GDP growth (0.5%) thanks to the expansive effect generated by the maintenance of an accommodating monetary policy and a more favourable assessment of country risk. Given this scenario, the Group's operational focus will be on the initiatives characterizing the new Strategic Plan, which will be presented at the beginning of March and will focus on organic development of the core business. During the year, pressure on net interest income, mainly attributable to market conditions and the disappearance of the PPA (Purchase Price Allocation) contribution, is expected to be offset by commission growth. The containment of operating costs, by improving efficiency, will continue to be a major focus of attention, helping to mitigate the impacts of the renewal of the national category contract and the increase in investments, particularly concentrated in IT. Following the significant reduction in non-performing exposures and the current trend for new non-performing loans, the cost of credit is expected fall, against a high level of coverage. The Group's solid capital position, combined with its ability to generate capital organically, will enable sustainable shareholder remuneration and management of the potential future impacts of regulatory headwinds.

PROFIT ALLOCATION PROPOSAL

At today's meeting, the Board of Directors resolved to propose to the next Shareholders' Meeting the distribution of a cash dividend of €0.08 cents per share, gross of withholding taxes. More specifically, the proposal provides for a total distribution of € 121,214,570.08, resulting from a unit amount of €0.08 for each of the 1,515,182,126 ordinary shares; however, no distribution will be made to any treasury shares held by the Bank at the record date. This distribution, if approved by the Shareholders' Meeting, will take place on 22 April 2020 (payment date) with coupon detachment date on 20 April 2020 (ex date) and record date on 21 April 2020. The allocation will be subject to the ordinary tax regimen of dividend distribution.

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The financial reporting officer, Mr. Gianpietro Val, in compliance with Article 154, paragraph 2 of the Consolidated Act for Financial Intermediation, hereby states that the accounting information illustrated in this news release is consistent with documented evidence, accounting books and book-keeping entries.

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The Annual Financial Report at 31 December 2019 will be made available to the public, in accordance with the law, at the Company's registered office and at Borsa Italiana, as well as on the website www.bancobpm.it and on the website of the authorised storage mechanism www.emarketstorage.com.

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The Gruppo Banco BPM results at 31 December 2019 will be presented to the financial community in the conference call scheduled for today, 06 February 2020 at 18:30 (CET). The supporting documentation for the conference call is available on the authorised storage system's website (www.emarketstorage.com) and on the Bank's website (www.bancobpm.it), where you can also find the details for connecting to the call.

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Explanatory notes

The comments on the performance of the key balance sheet and P&L items illustrated in this press release refer to the reclassified consolidated balance sheet and income statement attached below and included in the consolidated Annual Report as at 31 December 2019, which has been approved today by the Board of Directors.
Please find below some explanatory notes that are deemed useful to better understand the approach followed in preparing the above-mentioned accounting statements, as well as the evolution of FY results contained in this press release.

1. Accounting policies and reference accounting standards

The balance sheet and income statement layouts contained in this news release have been reclassified along management criteria in order to provide an indication on the Group's overall performance based on easily and rapidly measurable operating and financial data. These layouts have been prepared based on the financial statement layouts indicated in the Bank of Italy's Circular no. 262/2005 (hereinafter "Circular no. 262), applying the same aggregation and classification criteria presented in the consolidated financial statements as at 31 December 2018, except for what specified below:

- a new line-item - "Lease debts" - was added to the reclassified financial statements, and it includes all liabilities recognized following the first-time adoption of the new standard "IFRS 16 – Leases". In the financial statements prepared under Circular no. 262 these liabilities are posted under the liabilities line-item "10. Financial liabilities measured at amortized cost";
- the income tied to the issue of financial liabilities held for trading represented by Group certificates, which in the income statement prepared based on Circular no. 262 is posted under the line-item "80. Profit (loss) on trading", has been partly transferred under the reclassified P&L line-item "Net fee and commission income". In detail, net commissions include, under a management viewpoint, the share of the product's profitability rebated to the Group for the distribution activity. For a like-for-like comparison against the above-mentioned classification standard, that was introduced on 30 June 2019, the data of the two periods under comparison have been restated;
- following the change in the accounting standard on the valuation of the Group's property and works of art to be first adopted in the accounts as at 31 December 2019, a new line-item has been added to the reclassified income statement "Profit (loss) on fair value measurement of tangible assets", showing the positive or negative balance resulting from the depreciation or appreciation of real estate assets, be it investment property or operational assets (Property, plant and equipment), measured at fair value or along the revaluation model. The effects produced by this change are described in the note below.

The accounting standards adopted to prepare the accounting position as at 31 December 2019 - with regard to the classification, recognition, measurement and derecognition of assets and liabilities, and for the recognition of costs and revenues - are the ones set forth in the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations by the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission and in force as at 31 December 2019, pursuant to EC Regulation no. 1606 of 19 July 2002.
To this respect, please note that the new accounting standard IFRS 16 "Leases" came into effect on 1 January 2019; for a description of the effects from the introduction of said standard, please see the Consolidated Half-yearly Report as at 30 June 2019 and the News Release on Results as at 30 June 2019.
The adoption of certain accounting standards necessarily calls for the use of estimates and assumptions that have an impact on the value of assets and liabilities recognized in the balance sheet. The assumptions used to calculate estimates take into account all available information upon preparing the annual report as at 31 December 2019, together with any scenarios considered reasonable based on past experience and the probable evolution of future reference scenarios. However, it cannot be ruled out that the estimates and assumptions, albeit reasonable, may fail to be confirmed in the future scenarios in which the Group may be operating. Therefore, future actual results may differ from the estimates generated to prepare the financial and operating situation as at 31 December 2019, calling for adjustments that cannot be predicted or estimated today against the carrying amount of assets and liabilities recognized in the balance sheet.

2. Change in the accounting standard for the valuation of the Group's property and works of art

Applicable from the annual report as at 31 December 2019, Gruppo Banco BPM has changed the valuation criteria for its property and valuable works of art. In summary, the change produced the following effects:

- changeover from the cost method to the revaluation model, based on IAS 16 "Property, plant and equipment" for operational tangible assets, represented by property and valuable works of art. Under this standard, write-ups due to the revaluation (fair value) must be recognized in a specific revaluation reserve, unless it is a write-back through profit or loss from a past write-down. In case of fair value decreases, the write-down must be carried at equity until the valuation reserve reaches a positive balance, and the surplus must be carried at income. The revaluation represents the depreciable value to be considered for the calculation of depreciation;
- changeover from the cost method to the fair value method for investment property, based on IAS 40 "Investment property". Under the fair value method, fair value gains or losses must be carried at income, and the property value is no longer depreciated.

The Group decided to adopt the valuation standard described above, based on current values, as it assumes that this method may allow investors to find more reliable and relevant information regarding the Group's actual financial and operating situation when analyzing our financial statements, in line with the information that the bank's top management took into consideration when examining the actions to rationalize and enhance its assets that were implemented in 2019.

At 31 December 2019, the market value of our property and art assets, measured based on specific appraisals carried out by qualified and independent third-party valuers, came in at €2.7 billion.

As to the accounting changeover representation examined by Gruppo Banco BPM, in line with IAS 8, it will take place as follows:

- for operating assets under IAS 16, the changeover from the cost model to the revaluation model came into effect on 31 December 2019, in view of its forward-looking representation;
- for investment assets under IAS 40, the changeover from the cost model to the fair value method came into effect on 1 January 2019, i.e. as of the first financial year in which the standard could be modified, through the restatement of opening balances, with any difference between the fair value measurement and the cost measurement recognized in a specific revaluation reserve in the equity section of the balance sheet.

In light of the above explanation, the adoption of the new valuation criteria for the property and valuable works of art at 31 December 2019 generated a total positive impact of €223 million (+€142.3 million net of tax effect). More specifically, this increase is the result of the combined effect of the following elements:

- fair value increase of +€367 million, connected to operating property (+€323.9 million) and works of art (+€43.1 million), resulting from the alignment between the carrying values and the higher fair values at 31 December 2019. An offsetting entry, net of tax effect, has been made to a revaluation reserve;
- fair value decrease of -€49 million, tied to operating property (-€47.1 million) and works of art (- € 1.9 million) resulting from the alignment between the carrying values and the lower fair values at 31 December 2019. The adjustments were debited to income under the line-item "Profit (loss) on fair value measurement of tangible assets". The change of the valuation criteria had no effect on the FY 2019 depreciation, as it is a forward-looking representation;
- investment property fair value adjustments giving rise to an overall decrease of -€12.6 million, recognized on 1 January 2019 as an offsetting entry to a change in the opening balances of the equity reserves, based on the fair values measured on that date;
- investment property fair value adjustments giving rise to an overall decrease of -€109.6 million, recognized under the P&L line-item "Profit (loss) on fair value measurement of tangible assets". This impact was strongly affected by a revision of the methodologies underlying calculations, assumptions, hypotheses and parameters used to measure the fair value at 31 December 2019 as compared to those used on 31 December 2018 to measure the investments' recoverable amounts;
- write-off of investment property depreciation recognized until 31 December 2019 (+€27.2 million), as no longer subject to depreciation, generating a consequent positive impact on the line-item "Depreciation and amortization of tangible and intangible assets".

Based on what explained above, it should be noted that balance sheet and income statement balances at 31 December 2019 referring to property and works of art (in particular the balances of the line-items "Property, Plant and Equipment", "Profit (loss) on fair value measurement of tangible assets", "Depreciation and amortization of tangible and intangible assets") are not readily comparable, on a like-for-like basis, to the balances of the previous year.
As to the 2019 income statement quarterly evolution tables, the adoption of the new standard called for the following changes:

- Impairment losses recognized up until the third quarter under the line-item "Depreciation and amortization of tangible and intangible assets", totaling -€27.5 million, as of Q4 have been posted under the new line-item "Profit (loss) on fair value measurement of tangible assets";
- The line-item "Depreciation and amortization of tangible and intangible assets", in addition to the above reclassification, was adjusted to write off the depreciation tied to investment property, amounting to - € 6.8 million for each quarter in 2019.

3. Disclosure on the application of the accounting standard IFRS 5 to data at 31 December 2019

Pursuant to IFRS 5, at 31 December 2019 the following items were entered under "Non-current assets held for sale and discontinued operations" and "Liabilities associated with discontinued operations":

- a portfolio of bad exposures, mainly represented by lease contracts, against which on 28 June 2019 a framework sale agreement was signed, that is expected to be finalized by June 2020 (L-ACE). At 31 December 2019 the net book value was € 94 million (GBV of € 313 million);
- tangible assets totaling € 33.4 million, mainly represented by property under disposal.

With respect to the above deals, since they are not discontinued operations under IFRS 5, the reclassification under non-current assets held for sale impacted only the balance sheet as at 31 December 2019 and not the income statement. The P&L contributions of the above assets continue to be represented in the consolidated income statement on a line-by-line basis.

Please note that in the accounting reports at 30 June 2019 and 30 September 2019, net assets, mainly represented by customer loans, associated with the subsidiary ProFamily, that absorbed the consumer credit business of the non-captive network (tied agents and own branches), had been classified under assets held for sale, as the Group had launched a process to sell the entire shareholding. At the end of the year, having ascertained that selling the subsidiary was unlikely, the conditions to apply IFRS 5 no longer existed and therefore the assets and liabilities of the subsidiary ProFamily were reconsolidated on a line-by-line basis in the balance sheet at 31 December 2019, and the subsidiary's net assets were no longer classified under "non-current assets held for sale and discontinued operations" and "liabilities associated with assets held for sale".

4. Impact of the PPA (*Purchase Price Allocation*) of the business combinations of the former Gruppo Banca Popolare di Milano and of the former Groups Banca Popolare Italiana and Banca Italease

In compliance with IFRS 3, the income statement of Gruppo Banco BPM includes the P&L effects caused by the allocation of the prices paid for the business combination with Gruppo Banca Popolare di Milano completed in FY 2017 and for the acquisitions of Gruppo Banca Popolare Italiana and Gruppo Banca Italease, completed in FY 2007 and 2009, respectively.

The impact from the reversal of value adjustments to net acquired assets (mainly tied to the former Gruppo Banca Popolare di Milano) on the consolidated income statement of FY 2019 was + € 16.9 million on NII, - € 38.8 million on other net operating income as a result of the amortization of intangible assets recognized under the PPA.

5. Charges generated by the contribution to resolution mechanisms

In FY 2018, the line-item "After-tax banking industry charges" has been added to the Reclassified Income Statement. It includes ordinary and extraordinary charges due by banks under the European and national resolution funds (SRF and NRF) and the Deposit Guarantee Scheme (DGS).

The banking industry charges charged to income in FY 2019, gross of tax effect, added up to € 137.6 million (€ 138.8 million in 2018). More specifically they break down as follows:

- ordinary contribution of € 61.7 million charged to income in Q1 and paid to the Single Resolution Fund for FY 2019 (€ 68.1 million had accrued in FY 2018). Please note that for 2019, as well as for the prior financial year, the Group did not exercise the option of fulfilling the contribution request through an irrevocable payment commitment ("IPC");
- ordinary contribution of € 53.4 million to the Interbank Deposit Protection Fund – FITD, charged to income in Q3 and Q4, (€ 45.2 million for FY 2018);
- additional contributions to the National Resolution Fund, charged to income in Q2 2019, added up to € 22.6 million (€ 25.5 million in additional contributions had been called at 31 December 2018).

Net of the tax effect, the above charges came to € 92.9 million (€ 100.2 million in 2018).

6. Changes in consolidation scope

In 2019 the following changes in consolidation scope were reported: exit of the subsidiaries Liberty S.r.l., BPM Securitisation 3 S.r.l. and Beta S.r.l., Tiepolo Finance S.r.l. and of the associate Motia Compagnia di Navigazione S.p.A., following their cancellation from the competent Companies Registrars after the liquidation procedures had been completed. As a follow-through to their disposal, also the subsidiary Arena Broker S.r.l. and the associate Immobiliare Centro Milano S.p.A. exited the consolidation scope.
The following SPV companies accounted for under the full-consolidation method also exited the consolidation scope: Erice Finance S.r.l., and BPM Securitisation 2 S.r.l., once the related securitizations were completed, and Leviticus SPV S.r.l., after the finalization of the loan disposal under the "ACE" project and the resulting derecognition of the loans from the accounts.
The SPV CF Liberty Servicing S.p.A., previously fully owned by the Parent company and set up with the purpose of acting as servicer for the "ACE" project, now falls within the scope of associates carried at equity as a result of the sale of a 70% stake to Credito Fondiario S.p.A. finalized in May.

As part of the consumer credit reorganization process, in June Banco BPM finalized a spin-off, and as a result:

- the "new" ProFamily S.p.A., a newly incorporated company fully owned by Banco BPM, whose purpose is to take in the business unit in charge of consumer credit activities carried out through the "Non-captive Network", now falls under the scope of the fully-consolidated companies
- the "old" ProFamily S.p.A, sold to Agos Ducato and renamed ProAgos, has exited the consolidation scope.

Moreover, over the period under examination there was the finalization of the mergers of the subsidiaries Holding di Partecipazioni Finanziarie Banco Popolare S.p.A., BP Property Management S.c.a r.l. and Società Gestione Servizi BP S.c.p.a. into the Parent company Banco BPM, as well as of the mergers of the subsidiaries Sviluppo Comparto 6 S.r.l., Sviluppo Comparto 8 S.r.l. and Manzoni 65 S.r.l. into Bipielle Real Estate. These transactions, whose accounting and tax effects started on 1 January 2019, were carried out under the simple-merger procedure for fully-owned subsidiaries.

The above changes had no material impact on the consolidated financial results.

7. Non-recurring items in the consolidated income statement of Gruppo Banco BPM

With Communication no. DEM/6064293 dated 28 July 2006, CONSOB invited companies that issue financial instruments listed on Italian regulated markets to provide a disclosure on the impact of non-recurring events and transactions.

Please note that under the general criterion followed by the Group, the following items are classified as non-recurring:

- gains or losses on the sale of all fixed assets (shareholdings, tangible fixed assets except financial assets held to maturity (that can be sold according to the materiality and frequency thresholds under IFRS9);
- gains and losses on non-current assets held for sale;
- P&L components with a large carrying amount tied to efficiency gain or reorganization actions, etc. (i.e., redundancy fund charges, voluntary redundancy schemes, merger/integration charges);
- P&L components with a large carrying amount that are not likely to occur frequently (e.g., fines, impairment of tangible assets, goodwill and other intangible assets, impact from regulatory changes, exceptional results);
- P&L impact generated by the fair value measurement of property and other tangible assets (works of art);
- tax effect tied to the above P&L impacts.

On the other hand, the following impacts are generally considered recurring:

- P&L impacts from the sale or valuation of all financial assets (other than loans), including held-to-maturity financial assets;
- barring exceptional cases, P&L impacts from valuation aspects (loan loss provisions, write-downs on other financial assets or provisions for risks and charges);

- P&L impacts from changes in reference valuation parameters implemented in valuation models adopted on an ongoing basis;
- P&L impacts whose single amount is not material or not measurable, meeting the definition of contingent assets and/or liabilities (e.g., costs and revenues and/or adjustment of costs and revenues accrued in other financial years);
- tax effect tied to the above P&L impacts.

Based on the criteria described above, the 2019 income statement contains the following non-recurring items

- the line-item "net interest income" includes the amount of € 4.7 million that the Voluntary Scheme of the Interbank Deposit Guarantee Fund paid out to the member banks on the back of the interest accrued on the Carige subordinated debt subscribed by the Scheme as part of Banca Carige's bailout;
- the line-item "net amortization and depreciation on tangible and intangible assets" includes an intangible asset amortization of € 4.4 million;
- the new line-item "gain or loss on the fair value measurement of tangible assets", amounting to € 158.5 million, includes the net balance of write-up and write-back entries made in the income statement of the year, relative to investment and operating property measured at fair value or based on the revaluation method, following the adoption of the new valuation standard described above;
- the line-item "net provisions for risks and charges" includes non-recurring allowances, of which € 12.5 million tied to the estimate of charges related to contract obligations tied to the sale of assets or shareholdings, and € 65.0 million to prudential allowances for charges related to disputes and complaints, even on a forward-looking basis, related to past referrals of clients interested in the purchase of diamonds that could give rise to compensation claims by clients that are deemed qualified to be managed along a customer-care approach;
- the line-item "gains on disposal of equity and other investments", amounting to € 333.2 million, mainly includes the 189.5 million capital gains generated by the reorganization of the consumer credit business, and the € 142.7 million capital gain from the sale to Credito Fondiario of a 70% stake in CF Liberty Servicing S.p.A.;
- the line-item "income tax for the period on continuing operations" includes the € 59.2 million positive tax effect of the above listed non-recurring items, as well as that of other negative non-recurring items totaling € 2.1 million;
- the line-item "after-tax banking industry charges" includes € 15.2 million represented by additional contributions paid to the National Resolution Fund (€ 22.6 million), net of the associated tax effect of € 7.4 million.

The minority interest effect amounts to € + 9.3 million.

As pertains FY 2018, the non-recurring items identified along similar criteria to those described above were:

- the line-item "other net operating income" included the € 113.6 million gain generated by the sale to Anima SGR of the sub-advisory mandates on insurance assets carried out on behalf of the insurance joint-ventures tied to the bancassurance network of former Banco Popolare, and the € 200.0 million capital gain generated by the sale of the depositary bank and fund administration business line to BNP Paribas Securities Services;
- the line-item "net financial result" included the depreciation of € 27.9 million of the investment in the FITD Voluntary Scheme to support Banca Carige's bailout;
- the line-item "other administrative expenses" included non-recurring items totaling € 22.6 million, mainly referred to integration charges of € 15.5 million and branch closing expenses of € 5.1 million;
- the line-item "amortization and depreciation of tangible and intangible assets" included a fixed asset depreciation totaling € 52.7 million;
- the line-item "net provisions for risks and charges" included € 351.6 million tied to: (i) prudential allowances to guarantee a full coverage against disputes and complaints, even on a forward-looking basis, related to past referrals of clients interested in the purchase of diamonds to the specialized company Intermarket Diamond Business S.p.A., which gave rise to compensation claims submitted by customers that were deemed qualified to be managed along a customer care approach; (ii) extraordinary allowances tied to the recalculation of terms and conditions applied to customers in previous years, along metrics based on more stringent regulations and interpretation notes issued recently by the Regulators;
- the line-item "Gains on disposal of equity and other investments" was equal to € 173.4 million. The main component (€ 170.7 million) was represented by the gain from the reorganization of the Bancassurance business with the sale to Cattolica of the two stakes in the insurance companies Popolare Vita (now Vera Vita) and Avipop Assicurazioni (now Vera Assicurazioni);
- the line-item "income tax on continuing operations" included the tax effect of the non-recurring items itemized above, totaling € 37.3 million, and the benefit generated by the recognition of € 64.0 million of IRAP deferred tax assets tied to loan loss provisions set aside on occasion of the IFRS 9 first time adoption;
- the line-item "after-tax banking industry charges" included € 18.4 million of additional contributions paid to the National Resolution Fund (amounting to € 25.5 million net of the related tax effect of € 7.1 million);
- the line-item "gain on disposal of assets" included € 0.9 million associated with residual assets under disposal that were sold during the period.

With regard to 2018 results, an adjusted result was calculated, to account for the impact of de- risking activities, reasonably deemed to be one-off, connected to the implementation of the actions set out in the Business Plan, in order to make it possible to assess also the operating results generated by the Group's business-as-usual activities.

To calculate the 2018 adjusted result, it was therefore necessary to take into account also the items included under the line-item "Net write-downs of customer loans" totaling € 713.9 million, referring to the effect reported throughout the year on ACE Leasing (€ 659.9 million) and Exodus (€ 54.0 million) deals. The related tax effect came to € 196.3 million.

8. Capital requirements regulation

On 1 January 2014, the new harmonized prudential rules for banks and investment firms contained in the Capital Requirements Regulation (EU) no. 575/2013 ("CRR") and in the Capital Requirements Directive 2013/36/EU (CRD IV") of 26 June

2013 have come into effect, transposing the banking supervisory standards defined by the Basel Committee (Basel 3 framework) in the European Union. The Regulation and its technical rules are directly applicable in national legislations and represent the so called "Single Rulebook".

The minimum capital requirements for 2019 are:

- minimum Common Equity Tier 1 ratio ("CET1 ratio"): 4.5% + 2.5% of Capital Conservation Buffer ("CCB");
- minimum Tier 1 ratio: 6.0% + 2.5% of CCB;
- minimum total capital ratio: 8% + 2.5% of CCB.

With communications sent on 21 December 2018, 22 March 2019, 21 June 2019 and 20 September 2019, the Bank of Italy confirmed the Countercyclical Capital buffer ratio at zero per cent for the first, second third and fourth quarter of 2019, respectively.

With communication of 30 November 2017, the Bank of Italy identified the banking group Banco BPM as an 'Other Systemically Important Institution' (O-SII). The 2019 O-SII reserve is equal to 0.06%, and it will have to be gradually built up through annual linear increments until it reaches 0.25% on 1 January 2022.

On 11 December 2019, the European Central Bank (ECB) notified Banco BPM its final decision on the minimum capital ratios that Banco BPM is required to comply with on an ongoing basis as of FY 2020.
The decision is based on the supervisory review and evaluation (SREP) conducted in accordance with art. 4(1)(f) of EU Regulation no. 1024/2013.
Hence, in compliance with art. 16(2)(a) of the same Regulation no. 1024/2013, which gives the ECB the power to require that supervised bank hold an amount of own funds greater than the minimum capital requirements provided for under the current regulations, the top-up to be added to the above requirements was reduced to 2.25% (from the previous 2.50%).
Taking the SREP requirements into account, in 2020 at consolidated level Gruppo Banco BPM must comply with the following capital ratios, pursuant to the phase-in criteria in force:

- *CET1 ratio*: 9.385%;
- *Tier 1 ratio*: 10.885%;
- *Total Capital ratio*: 12.885%.

Banco BPM elected to fully apply the transitional provision under the new article 473 bis of EU Regulation no. 575/2013, which phases in the impact on own funds generated by the adoption of the new impairment model introduced by IFRS9. Under the transitional provision, it is possible to include a transitional positive component to the Tier 1 capital by a percentage of the increase in expected loan loss provisions further to the adoption of IFRS 9. The percentage decreases over time over a 5-year period, as described below:

- period between 1 January and 31 December 2018: 95% of the increase in expected loan loss provision further to the adoption of IFRS 9;
- period between 1 January 2019 and 31 December 2019: 85% of the increase in expected loan loss provisions;
- period between 1 January 2020 and 31 December 2020: 70% of the increase in expected loan loss provisions;
- period between 1 January 2021 and 31 December 2021: 50% of the increase in expected loan loss provisions;
- period between 1 January 2022 and 31 December 2022: 25% of the increase in expected loan loss provisions.

From 1 January 2023 the impact from the first-time adoption of IFRS 9 will be fully recognized in the calculation of own funds.

The estimates of the Group's capital ratios, all other things being equal, had it not elected to exercise the above option, are called in brief "IFRS9 fully-loaded". The capital ratios called "IFRS9 phase-in" instead are calculated based on the above-mentioned transitional provisions.

9. Sovereign risk exposure represented by debt securities

The table below provides an illustration of the Group's sovereign risk exposure at 31 December 2019, represented by debt securities, broken down by single Country and by category of the classification accounting portfolio:

31 December 2019 *(in million euro)* **Countries/Accounting portfolios**	**Fin. ass. measured at amortized cost**	**Fin. ass. measured at fair value through other comprehensive income**	**Fin. ass. measured at fair value through profit or loss**	**Total**
Italy	10,006	4,635	884	15,525
USA	2,385	581	-	2,966
France	1,366	1,508	-	2,874
Germany	389	331	7	727
Spain	1,253	1,916	733	3,902
Other countries	336	107	-	443
Total	**15,735**	**9,078**	**1,624**	**26,437**

At 31 December 2019, the Group's sovereign debt exposure totaled € 26.4 billion (€ 27.5 billion at 31 December 2018), of which 59.6% were classified in the portfolio of financial assets measured at amortized cost, 34.3% under financial assets measured at fair value through other comprehensive income, and 6.1% in the portfolio of financial assets measured at fair value through profit or loss, as they were held for trading.
Out of this exposure, about 88% refers to securities issued by members of the European Union; notably about 59% by Italy.
As regards financial assets measured at fair value through other comprehensive income, at 31 December 2019 the reserves generated by the fair value measurement totaled € 70.7 million, gross of tax effect; of which € 52.4 million were related to Italian Government bonds.

As to financial assets measured at amortized cost, the book value came out at € 15.7 billion, of which € 10.0 billion represented by Italian Government bonds. For information purposes only, note that the fair value of the government bonds classified in this accounting category, measured based on the market prices at 31 December 2019 (level 1 in the fair value classification) totaled € 16.2 billion (€ 10.3 billion being the fair value of the Italian govies alone).
Finally, note that in FY 2019, Gruppo Banco BPM did not change its business model, hence no financial assets reclassification has been reported across the different accounting categories.

10. Other explanatory notes

The reclassified balance sheet and income statement reflect on a consolidated basis the financial accounts of Banco BPM and its subsidiaries with respect to 31 December 2019, or, when not available, to the most recently approved financial reports. Similarly, the equity method-based treatment of associates was carried out based on the accounting information submitted to Banco BPM as at 31 December 2019, or, if not available, on the most recent financial reports prepared by the associates.

Attachments

- Reclassified consolidated balance sheet
- Reclassified consolidated income statement
- Reclassified consolidated income statement – 2019 and 2018 quarterly evolution
- Reclassified consolidated income statement ex-PPA – 2019 and 2018 quarterly evolution
- 2019 Statement of comprehensive income

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BANCO BPM GROUP

Reclassified consolidated balance sheet

(in euro thousand)	31/12/2019	31/12/2018	Chg. vs 31/12/2018	Chg. % vs 31/12/2018
Cash and cash equivalents	912,742	922,017	-9,275	-1.0%
Financial assets at amortised cost	115,889,891	108,207,732	7,682,159	7.1%
- Due from banks	10,044,427	4,193,119	5,851,308	139.5%
- Customer loans (*)	105,845,464	104,014,613	1,830,851	1.8%
Other financial assets	37,069,089	36,852,942	216,147	0.6%
- Financial assets designated at FV through P&L	7,285,091	5,869,106	1,415,985	24.1%
- Financial assets designated at FV through OCI	12,526,772	15,351,561	-2,824,789	-18.4%
- Financial assets at amortised cost	17,257,226	15,632,275	1,624,951	10.4%
Equity investments	1,386,079	1,434,163	-48,084	-3.4%
Property and equipment	3,624,312	2,775,885	848,427	30.6%
Intangible assets	1,269,360	1,277,941	-8,581	-0.7%
Tax assets	4,619,636	5,012,477	-392,841	-7.8%
Non-current assets held for sale and discontinued operations	131,082	1,592,782	-1,461,700	-91.8%
- Customer loans	93,744	1,576,159	-1,482,415	-94.1%
- Other assets and group of assets	37,338	16,623	20,715	124.6%
Other assets	2,136,010	2,388,852	-252,842	-10.6%
Total Assets	**167,038,201**	**160,464,791**	**6,573,410**	**4.1%**
Direct funding	109,506,299	105,219,691	4,286,608	4.1%
- Due to customers	93,375,026	90,197,859	3,177,167	3.5%
- Debt securities issued and financial liabilities designated at FV	16,131,273	15,021,832	1,109,441	7.4%
Due to banks	28,515,685	31,633,541	-3,117,856	-9.9%
Leasing debts	732,536		732,536	
Other financial liabilities designated at fair value	10,919,429	7,228,829	3,690,600	51.1%
Liability provisions	1,486,683	1,704,866	-218,183	-12.8%
Tax liabilities	619,269	505,402	113,867	22.5%
Liabilities associated with assets held for sale	5,096	3,043	2,053	67.5%
Other liabilities	3,366,122	3,864,345	-498,223	-12.9%
Total Liabilities	**155,151,119**	**150,159,717**	**4,991,402**	**3.3%**
Minority interests	26,076	45,599	-19,523	-42.8%
Shareholders' equity	11,861,006	10,259,475	1,601,531	15.6%
Consolidated Shareholders' Equity	**11,887,082**	**10,305,074**	**1,582,008**	**15.4%**
Total Liabilities and Shareholders' Equity	**167,038,201**	**160,464,791**	**6,573,410**	**4.1%**

2019 figures are not fully comparable to 2018 figures as a result of IFRS16 first adoption and for the change in the accounting standard for the valuation of the Group’s property and works of art.

(*) Include the Senior notes for those the Italian government has issued the State guarantee on the securitization of bad loans, pursuant to the Decree Law 18/2016 (“GACS”)

BANCO BPM GROUP

Reclassified consolidated income statement

(in euro thousand)	2019	2018	Change	Chg. %
Net interest income	1,997,952	2,292,562	-294,610	-12.9%
Income (loss) from investments in associates carried at equity	131,255	159,457	-28,202	-17.7%
Net interest, dividend and similar income	**2,129,207**	**2,452,019**	**-322,812**	**-13.2%**
Net fee and commission income	1,794,423	1,860,941	-66,518	-3.6%
Other net operating income	37,245	389,771	-352,526	-90.4%
Net financial result	332,080	70,179	261,901	373.2%
Other operating income	**2,163,748**	**2,320,891**	**-157,143**	**-6.8%**
Total income	**4,292,955**	**4,772,910**	**-479,955**	**-10.1%**
Personnel expenses	-1,696,531	-1,732,805	36,274	-2.1%
Other administrative expenses	-638,566	-816,478	177,912	-21.8%
Net value adjustments on property and equipment and intangible assets	-268,949	-243,498	-25,451	10.5%
Operating costs	**-2,604,046**	**-2,792,781**	**188,735**	**-6.8%**
Profit (loss) from operations	**1,688,909**	**1,980,129**	**-291,220**	**-14.7%**
Net adjustments on loans to customers	-778,530	-1,941,116	1,162,586	-59.9%
Profit (loss) on fair value measurement of tangible assets	-158,533		-158,533	
Net adjustments on other assets	5,759	3,291	2,468	75.0%
Net provisions for risks and charges	-71,025	-345,341	274,316	-79.4%
Profit (loss) on the disposal of equity and other investments	333,151	173,358	159,793	92.2%
Income (loss) before tax from continuing operations	**1,019,731**	**-129,679**	**1,149,410**	
Tax on income from continuing operations	-145,417	162,835	-308,252	
Systemic charges after tax	-92,877	-100,218	7,341	-7.3%
Income (loss) after tax from discontinued operations	-	936	-936	
Income (loss) attributable to minority interests	15,564	9,623	5,941	61.7%
NET INCOME (LOSS) for the period excluding Impairment on client relationship	**797,001**	**-56,503**	**853,504**	
Impairment on client relationship after tax		**-2,929**	**2,929**	
NET INCOME (LOSS) FOR THE PERIOD	**797,001**	**-59,432**	**856,433**	

2019 figures are not fully comparable to 2018 figures as a result of IFRS16 first adoption and for the change in the accounting standard for the valuation of the Group’s property and works of art.

As a result of the new accounting criteria of Certificates upfront fees, Q1 2019 and 2018 figures have been restated in order to allow a comparison on a like for like basis, as illustrated in the Explanatory notes.

BANCO BPM GROUP

Reclassified consolidated income statement - Quarterly evolution

(in euro thousand)	Q4 2019	Q3 2019 restated	Q2 2019 restated	Q1 2019 restated	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	477,930	500,024	514,846	505,152	554,694	557,759	584,998	595,111
Income (loss) from investments in associates carried at equity	33,917	27,952	32,628	36,758	50,668	32,791	33,413	42,585
Net interest, dividend and similar income	**511,847**	**527,976**	**547,474**	**541,910**	**605,362**	**590,550**	**618,411**	**637,696**
Net fee and commission income	462,167	444,065	453,673	434,518	474,374	451,372	457,274	477,921
Other net operating income	6,339	7,994	8,292	14,620	21,061	214,531	130,029	24,150
Net financial result	207,370	41,668	10,697	72,345	-78,397	46,768	73,901	27,907
Other operating income	**675,876**	**493,727**	**472,662**	**521,483**	**417,038**	**712,671**	**661,204**	**529,978**
Total income	**1,187,723**	**1,021,703**	**1,020,136**	**1,063,393**	**1,022,400**	**1,303,221**	**1,279,615**	**1,167,674**
Personnel expenses	-437,052	-415,622	-417,984	-425,873	-422,177	-431,479	-437,060	-442,089
Other administrative expenses	-149,780	-158,632	-163,135	-167,019	-205,705	-196,184	-203,102	-211,487
Net value adjustments on property and equipment and intangib	-69,289	-68,586	-67,745	-63,329	-97,096	-49,456	-49,020	-47,926
Operating costs	**-656,121**	**-642,840**	**-648,864**	**-656,221**	**-724,978**	**-677,119**	**-689,182**	**-701,502**
Profit (loss) from operations	**531,602**	**378,863**	**371,272**	**407,172**	**297,422**	**626,102**	**590,433**	**466,172**
Net adjustments on loans to customers	-220,499	-208,387	-197,692	-151,952	-987,260	-267,405	-360,212	-326,239
Profit (loss) on fair value measurement of tangible assets	-131,012	-739	-19,306	-7,476				
Net adjustments on other assets	1,596	4,138	3,996	-3,971	3,968	-1,312	-1,593	2,228
Net provisions for risks and charges	-62,633	-2,712	-10,102	4,422	-227,805	-71,865	-20,707	-24,964
Profit (loss) on the disposal of equity and other investments	-3,638	-24	336,646	167	5,109	-10,301	-1,104	179,654
Income (loss) before tax from continuing operations	**115,416**	**171,139**	**484,814**	**248,362**	**-908,566**	**275,219**	**206,817**	**296,851**
Tax on income from continuing operations	-24,396	-43,219	-25,229	-52,573	322,430	-72,338	-61,320	-25,937
Systemic charges after tax	-4,495	-31,521	-15,240	-41,621	-668	-32,122	-18,391	-49,037
Income (loss) after tax from discontinued operations	-	-	-	-	-	932	18	-14
Income (loss) attributable to minority interests	9,247	1,846	3,225	1,246	5,777	256	2,160	1,430
NET INCOME (LOSS) for the period excluding Impairment on client relationship	**95,772**	**98,245**	**447,570**	**155,414**	**-581,027**	**171,947**	**129,284**	**223,293**
Impairment on client relationship after tax	**-**	**-**	**-**	**-**	**-2,929**	**-**	**-**	**-**
NET INCOME (LOSS) FOR THE PERIOD	**95,772**	**98,245**	**447,570**	**155,414**	**-583,956**	**171,947**	**129,284**	**223,293**

2019 figures are not fully comparable to 2018 figures as a result of IFRS16 first adoption and for the change in the accounting standard for the valuation of the Group's property and works of art.

Q1, Q2 and Q3 2019 figures have been restated for the application in Q4 of the new valuation model.

As a result of the new accounting criteria of Certificates upfront fees, Q1 2019 and 2018 figures have been restated in order to allow a comparison on a like for like basis, as illustrated in the Explanatory notes, paragraph 1.

BANCO BPM GROUP

Reclassified consolidated income statement without PPA line-by-line - Quarterly evolution

(in euro thousand)	Q4 2019	Q3 2019 restated	Q2 2019 restated	Q1 2019 restated	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	473,959	495,805	512,117	499,188	534,304	537,227	541,685	536,030
Income (loss) from investments in associates carried at equity	33,917	27,952	32,628	36,758	50,668	32,791	33,413	42,585
Net interest, dividend and similar income	**507,876**	**523,757**	**544,745**	**535,946**	**584,972**	**570,018**	**575,098**	**578,615**
Net fee and commission income	462,167	444,065	453,673	434,518	474,374	451,372	457,274	477,921
Other net operating income	16,129	17,785	17,928	24,182	31,635	225,104	140,539	34,604
Net financial result	207,370	41,668	10,697	72,345	-78,397	46,768	73,901	27,907
Other operating income	**685,666**	**503,518**	**482,298**	**531,045**	**427,612**	**723,244**	**671,714**	**540,432**
Total income	**1,193,542**	**1,027,275**	**1,027,043**	**1,066,991**	**1,012,584**	**1,293,262**	**1,246,812**	**1,119,047**
Personnel expenses	-437,052	-415,622	-417,984	-425,873	-422,177	-431,479	-437,060	-442,089
Other administrative expenses	-149,780	-158,632	-163,135	-167,019	-205,705	-196,184	-203,102	-211,487
Net value adjustments on property and equipment and intangible	-69,289	-68,586	-67,745	-63,329	-94,597	-46,543	-46,126	-45,056
Operating costs	**-656,121**	**-642,840**	**-648,864**	**-656,221**	**-722,479**	**-674,206**	**-686,288**	**-698,632**
Profit (loss) from operations	**537,421**	**384,435**	**378,179**	**410,770**	**290,105**	**619,056**	**560,524**	**420,415**
Net adjustments on loans to customers	-220,499	-208,387	-197,692	-151,952	-987,260	-267,405	-360,212	-326,239
Profit (loss) on fair value measurement of tangible assets	-131,012	-739	-19,306	-7,476				
Net adjustments on other assets	1,596	4,138	3,996	-3,971	3,968	-1,312	-1,593	2,228
Net provisions for risks and charges	-62,633	-2,712	-10,102	4,422	-227,805	-71,865	-20,707	-24,964
Profit (loss) on the disposal of equity and other investments	-3,638	-24	336,646	167	5,109	-10,301	-1,104	179,654
Income (loss) before tax from continuing operations	**121,235**	**176,711**	**491,721**	**251,960**	**-915,883**	**268,173**	**176,908**	**251,094**
Tax on income from continuing operations	-26,565	-44,949	-27,436	-53,709	324,810	-69,946	-51,347	-10,742
Systemic charges after tax	-4,495	-31,521	-15,240	-41,621	-668	-32,122	-18,391	-49,037
Income (loss) after tax from discontinued operations	-	-	-	-	-	932	18	-14
Income (loss) attributable to minority interests	9,247	1,846	3,225	1,246	5,777	256	2,160	1,430
NET INCOME (LOSS) for the period excluding PPA and Impairment on goodwill and client relationship	**99,422**	**102,087**	**452,270**	**157,876**	**-585,964**	**167,293**	**109,348**	**192,731**
Purchase Price Allocation (PPA) after tax	**-3,650**	**-3,842**	**-4,700**	**-2,462**	**4,937**	**4,654**	**19,936**	**30,562**
Impairment on goodwill and client relationship after tax	**-**	**-**	**-**	**-**	**-2,929**	**-**	**-**	**-**
NET INCOME (LOSS) FOR THE PERIOD	**95,772**	**98,245**	**447,570**	**155,414**	**-583,956**	**171,947**	**129,284**	**223,293**

2019 figures are not fully comparable to 2018 figures as a result of IFRS16 first adoption and for the change in the accounting standard for the valuation of the Group's property and works of art.

Q1, Q2 and Q3 2019 figures have been restated for the application in Q4 of the new valuation model.

As a result of the new accounting criteria of Certificates upfront fees, Q1 2019 and 2018 figures have been restated in order to allow a comparison on a like for like basis, as illustrated in the Explanatory notes, paragraph 1.

BANCO BPM GROUP

Statement of consolidated Comprehensive Income (*)

(in euro thousand)	2019	Q4 2019	Q3 2019 restated	Q2 2019 restated	Q1 2019 restated
Income for the period	**797,001**	**95,772**	**98,245**	**447,570**	**155,414**
Other comprehensive income items	**526,739**	**243,515**	**159,193**	**13,519**	**110,512**
Income items not recognized through P&L	**334,300**	**350,883**	**23,921**	**-56,073**	**15,569**
- Equity securities designated at fair value through other comprehensive income	119,809	105,847	26,309	-31,877	19,530
- Tangible assets	249,658	249,658			
- Other items	-35,167	-4,622	-2,388	-24,196	-3,961
Income items recognzied through P&L	**192,439**	**-107,368**	**135,272**	**69,592**	**94,943**
- Debt securities measured at fair value through other comprehensive income	178,775	-103,009	126,009	64,314	91,461
- Other items	13,664	-4,359	9,263	5,278	3,482
TOTAL COMPREHENSIVE INCOME	**1,323,740**	**339,287**	**257,438**	**461,089**	**265,926**

Q1, Q2 and Q3 2019 figures have been restated for the application in Q4 of the accounting standard for the valuation of

(*) not inclusive of minority interest

NEWS RELEASE

RESULTS AS AT 31 DECEMBER 2019

NET PROFIT € 797 MILLION (€ -59 MILLION IN 2018)

RETURN TO DIVIDEND (€ 0.08 PER SHARE)

FURTHER STRENGTHENING OF CAPITAL ("FULLY-PHASED" CET1 RATIO AT 12.8%)

The results of the fourth quarter of 2019 were positive:

• growth in profit from operations (€ 532 million, +40.3% compared to the 3rd quarter of 2019)

• growth in total income (€ 1,188 million, +16.2% compared to the 3rd quarter of 2019)

Core performing loans[1] to customers increased (€ 91.1 billion, +2.9%) as did core direct funding[2] (€ 87.8 billion, +8.2%) compared to December 2018:

- **loans to customers € 105.8 billion (+1.8% compared to December 2018)**
- **performing loans € 97.8 billion (+2.0% compared to December 2018)**
- **NPE € 5.5 billion (- 17.6% compared to December 2018)**
- **direct funding[3] from customers € 108.9 billion (+7.3% compared to December 2018)**

The derisking actions are continuing: net NPE ratio down to 5.2% from 6.5% at the end of 2018

Further strengthening of the capital position:

CET1 ratio[4]: phased in at 14.6%; IFRS 9 fully phased in at 12.8% (after dividend payment)

Texas Ratio[5] significantly improved at 52.3% (74.9% in December 2018)

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[1] Mortgages, loans, current accounts and personal loans.
2 Current accounts and deposits.
[3] The aggregate includes deposits and current accounts and demand and term deposits, bonds issued, certificates of deposit and other securities, loans and other debts, and capital-protected certificates. Repos are not included.
[4] Ratios calculated also including the profit for 2019 net of the portion for which the Board of Directors resolved to submit to the Shareholders' Meeting the distribution of dividends and donations.
[5] The Texas Ratio measures the ratio between the net value of impaired loans and the Group's tangible equity.

The cost of risk has fallen significantly (73 bps vs 184 bps in 2018)[6]

Excellent liquidity position, with unencumbered eligible assets of approximately € 19.9 billion[7]

Banco BPM closed 2019 with consolidated net profit of € 797 million, compared with a loss of € 59 million in financial year 2018. This result is even more significant considering comprehensive income. In fact, also taking into account the income components that have passed directly through equity without being recognised directly in the Income Statement, the Group's Comprehensive Income amounted to € 1,324 million. This excellent result was achieved in parallel with the continuation of derisking activity, the latter reflected in the further decline in the net NPE ratio to 5.2% (it was 6.5% at the end of 2018) and consequently in the sharp reduction in the cost of credit (73 bps compared to 184 bps in December 2018). In addition to these trends, the phased-in CET1 Ratio and fully-loaded CET1 were significantly strengthened to 14.6% and 12.8% respectively (compared to 12.1% and 10.0% in 2018).

The Group's good performance is confirmed by the development of the commercial business, as shown by the trend in lending and direct funding. This result was achieved in a negative macroeconomic and interest-rate scenario that continues to be heavily penalizing for banks. The Group's constant efficiency improvement also continued through the decrease in operating expenses (-6.8% y/y), in addition to the aforementioned reduction in adjustments to loans (-59.9% compared to 31 December 2018).

The profitability expressed by the Group, together with the strong capital position achieved, allow, in full compliance with the guidelines issued by the ECB, the return to paying dividends, the distribution of which will be submitted to the approval of the Shareholders' Meeting for an amount equal to €0.08 per share, equal to a yield of 4.1%[8].

Key balance sheet items

- Loans to customers € 105.8 billion, of which "core" performing loans up 2.9% on a homogeneous basis and impaired loans down by 17.6% compared to 31 December 2018;
- Direct customer funding of € 108.9 billion[9] (€ 101.5 billion at the end of December 2018): during the period, the growth trend in the core funding from current accounts and deposits was confirmed (+€ 6.7 billion compared to the end of 2018);
- Indirect customer funding[10] € 89.7 billion (compared to € 87.0 billion at 31 December 2018), up 3.2%, of which:

[6] Cost of risk calculated as ratio between net adjustments on loans to customers and net receivables from customers including those classified in IFRS 5 for consistency with the related adjustments.
[7]Data updated at 31 December 2019.
[8] Dividend Yield calculated with reference to the stock market closing price on 5 February 2020.
[9] Direct Funding includes certificates with unconditional capital protection (€ 3.2 billion at 31 December 2019 compared to € 3.4 billion at the end of 2018), but excludes repurchase agreements.
[10] Operating figure net of certificates with unconditional capital protection included under "direct funding".

- asset management € 58.3 billion;
- asset administration € 31.4 billion.

Key income statement items

- Net interest income
  - € 1,998.0 million in 2019 (€ 2,292.6 million at 31 December 2018; -12.9%). This performance was mainly affected by the negative impact of the lower accounting effect (the so-called "reversal", amounting to € -193.8 million y/y), including that related to the PPA[11], mainly tied to bad loan disposals made last year, that, however, made a positive contribution towards driving the cost of risk down.
  - The figure related to "core" components at 31 December 2019 was € 1,986.8 million (€ 2,078.0 million in 2018; -4.4%)[12]
  - € 477.9 million in Q4 2019 (€ 500.0 million in Q3 2019; - 4.4%).

- Net fee and commission income
  - € 462.2 million in Q4 2019 (€ 444.1 million in Q3 2019; + 4.1%)
  - € 1,794.4 million at 31 December 2019 (€ 1,860.9 million in 2018; -3.6%). The decrease was mainly due to the lower contribution of fees on current account maintenance and management and the absence of fees relating to the custodian bank business sold in the second half of 2018 (€ -12.9 million).

- Total income
  - € 1,187.7 million in Q4 2019 (€ 1,021.7 million in Q3 2019; + 16.2%)
  - € 4,293.0 million at 31 December 2019 (€ 4.772,9 million in 2018; -10.1%, which, however, included non-recurring elements of € 285.7 million)

- Operating expenses
  - € 656.1 million in Q4 2019 (€ 642.8 million in Q3 2019[13]; + 2.1%)
  - € 2,604.0 million in 2019 (€ 2,792.8 million at 31 December 2018; -6.8%)

- Net profit
  - € 95.8 million in Q4 2019 (€ 98.2 million in Q3 2019, -2.5%)
  - € 797.0 million at 31 December 2019 (€-59.4 million in 2018, affected however by non-recurring loan loss provisions tied to de-risking actions that were implemented during the year)

[11] Reference here is made to the impacts of the "Purchase Price Allocation" which were recognised following the business combination between Banco Popolare and Banca Popolare di Milano.
[12] For more details, see the comment in the section "Economic performance of operations in 2019 compared to financial year 2018".
[13] The figure for the third quarter has been restated for consistency of comparison (see Explanatory Notes).

- Adjusted net profit[14]
  - € 246.6 million in Q4 2019 (€ 101.1 million in Q3 2019, +143.8%)
  - € 648.6 million at 31 December 2019 (€ 342.8 million in 2018; +89.2%)

Other comprehensive income

- The Group's comprehensive income[15]
  - € 1,323.7 million at 31 December 2019 (€ -578.2 million in 2019)

Capital position[16]:

- CET1 ratio "IFRS9 fully phased" 12.8% (10.0% as at 31/12/2018);
- CET1 ratio "IFRS9 phased-in" 14.6% (12.1% as at 31/12/2018).

Credit quality

- Net non-performing loan stock of € 5.5 billion with decrease of € 1.2 billion compared to the end of 2018 (-17.6%) and € 0.4 billion compared to 30 September 2019 (-7.0%)

  Coverage:
  - Unlikely to pay: 39.1% (37.0% at 30 September 2019);
  - Bad loans: 56.2% (55.8% at 30 September 2019); considering also write-offs the coverage was 62.5%;
  - Non-performing loans: 45.0% (42.8% at 30 September 2019); considering also write-offs the coverage was 48.1%.

Liquidity profile

- Unencumbered eligible assets of € 19.9 billion at 31 December 2019;
- LCR >165% and NSFR >100%[17].

Milan, 6 February 2020 – At today's meeting, the Board of Directors of Banco BPM, chaired by Mr. Carlo Fratta Pasini, approved the draft separate and consolidated financial statements for the year ended 31 December 2019 of the Banco BPM Group.

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[14] "Adjusted" figures are shown net of components detailed in the Notes.

[15] Comprehensive Income takes into account all income components which, in accordance with the applicable accounting standards, are directly recognized in the Group's Shareholders' Equity without passing through the Income Statement.

[16] Ratios calculated also including the profit for 2019 net of the portion for which the Board of Directors resolved to submit to the Shareholders' Meeting the distribution of dividends and donations.

[17] Monthly LCR at December 2019; NSFR related to the fourth quarter 2019 based on operating data.

Operations in 2019, while still involving continuation of derisking and reorganisation of Group assets in line with the business plan, as well as the execution of capital management transactions already announced to the market, saw a greater focus on developing commercial activity, as is shown both by the growth in performing loans, and in "core" funding, as well as the good performance of indirect funding, after the significant restructuring of the network and the closure of branches which occurred the previous year.
In this context, again characterised by significant efforts on reorganisation and derisking activities, the Group recorded gross profit before tax of € 1,019.7 million and net profit of € 797.0 million compared to a loss of € 59.4 million made in 2018. The "adjusted" net profit also grew, at € 648.6 million, compared to € 342.8 million made at 31 December 2018 (+89.2%).

As regards the reorganisation and derisking operations, more specifically, in the first quarter the "ACE" sale was completed (launched during the previous financial year) obtaining "GACS" guarantees on Senior Notes and placing 95% of the Mezzanine and Junior Notes. This allowed accounting derecognition of loans sold that were booked under "assets held for sale" at the end of 2018.
Again in relation to the "ACE" project, Banco BPM transferred to First Servicing S.p.A., a company that operates as a servicer for non-performing loans, the business unit consisting of a combination of assets, legal relationships and employees organised to carry out loan collection activities related to the said loans. In June, the partnership with Credito Fondiario was established to manage collections of impaired loans. Credito Fondiario became part of the shareholding structure of First Servicing (which changed its name to CF Liberty Servicing S.p.A.), with a stake equal to 70% of equity.

The Group's derisking activities continued with the signing of an agreement to dispose of a portfolio of bad leasing loans. After due diligence was complete, in April Banco BPM identified Illimity Bank as the counterparty for the sale of a portfolio of a nominal € 650 million on the cut-off date (the nominal value at 30 June 2019 was around € 600 million), mainly consisting of loans deriving from legal relationships receivable and payable associated with bad leasing contracts. The operation will involve various phases and is expected to be completed by mid-2020. At 31 December 2019, following the sales made in the year, the receivables still recognised in the accounts among "assets held for sale" were € 313 million gross(€ 93.7 million net of value adjustments).

As part of the reorganisation of the Group's activities, in June the restructuring of the consumer loan segment was completed through the sale to Agos Ducato of the business unit regarding activities carried out through the network of branches for the former Banca Popolare di Milano, for € 310 million.

With reference to transactions on the wholesale market, in April Banco BPM completed the first issue of Additional Tier 1 instruments for a value of € 300 million, destined for institutional investors. This represented an important operation for increasing the efficiency of the Group's capital structure. The securities issued are perpetual and may be recalled by the issuer from 18 June 2024.

Additionally, during the year the placements of three senior preferred unsecured bond loans reserved for institutional investors were completed successfully. The first occurred at the beginning of March, with 3-year maturity and an amount of € 750 million with 2% fixed coupon, while the second was in June with 5-year maturity for a total of € 500 million and a 2.50% fixed coupon; the third in October, of € 500 million, with maturity at 5 year and 3 months and 1.75% fixed coupon.
In addition, again in October, a new subordinated Tier 2 issue was completed for € 350 million, maturity ten years, also destined for institutional investors.

If we also consider the placement, at the beginning of January 2020, of an additional issue of € 400 million of Additional Tier 1 financial instruments, perpetual securities that may be recalled by the issuer as from 21 January 2025, the total amount of public issues launched by Banco BPM during the year reaches € 2.8 billion.

Economic performance of operations in financial year 2019 compared to financial year 2018

Net interest income stood at € 1,998.0 million, as compared to € 2,292.6 million in the previous year. The NII performance was affected by the negative impact of the more limited accounting effect of reversals, (amounting to € -193.8 million y/y), including the one deriving from PPA[18], mainly tied to bad loan disposals made last year, that, however, made a positive contribution towards driving the cost of risk down. At 31 December 2019, following the first-time adoption of the recognition rules under IFRS 16, a € 9.7 million interest expense was reported, arising from debts connected with lease contracts. Net of these effects, net interest income was € 1,986.8 million, compared with a figure calculated on a like-for-like basis of € 2,078.0 million in 2018 (-4.4%).

The **result for investees measured with the equity method** shows a profit of € 131.3 million, down with respect to the figure of € 159.5 million recorded in 2018. Within this aggregate, the main contribution was provided by consumer credit of € 103.1 million conveyed by the shareholding in Agos Ducato.

Net fee and commission income[19] totalled € 1,794.4 million, with a decline of 3.6% compared to the € 1,860.9 million of the previous year, mainly due to the lower contribution of fees on current account maintenance and management and the absence of commissions related to depositary bank activities, sold in the second half of 2018 (€ -12.9 million). During the year, net commissions rose from € 434.5 million in the first quarter to € 462.2 million in the fourth quarter, an increase of 6.4%, thanks to the contribution provided by consultancy and placement of investment, insurance and consumer credit products.

Other net operating income came to € 37.2 million compared to the figure of € 389.8 million in 2018, which included capital gains, of € 313.6 million, made following the sale of the depositary bank and fund administration activities and of mandates for the delegated management of insurance assets. Excluding these components from the figure of the previous year, the aggregate shows a decrease mainly due to the progressive decline in fast enquiry fees (-54.2% compared to 31 December 2018) also following the restitutions carried out during the year.

The **net financial result** was € 332.1 million, compared to € 70.2 million in the previous year. Contributions to this result were made by capital gains both on valuation and on the sale of the Nexi stake, the write-back on Sorgenia bonds and the sale of securities—mainly government bonds—in the HTC (Hold to Collect) portfolio. It is also necessary to consider that the economic results must be assessed together with the change recorded in the valuation reserves on exposures classified among assets measured at fair value through other comprehensive income (FVOCI), not managed according to the hedge accounting rules. At 31 December 2019, the balance of reserves on FVOCI debt securities, gross of taxes, was positive for € 71 million compared to € -197 million at 31 December 2018.

[18] Reference here is made to the impacts of the "Purchase Price Allocation" which were recognised following the business combination between Banco Popolare and Banca Popolare di Milano.
[19] As of 30 June 2019, upfront commissions related to certificates placement were also reclassified into this aggregate (previously classified in the Net Financial Result). The figures for the previous periods have been redetermined in a consistent manner.

Due to the trends described, **total income** therefore came to € 4,293.0 million, down by 10.1% compared to 2018. Excluding the non-recurring items as at 31 December 2018, the reduction would come to 4.4%, mainly as a result of the trend noted above for net interest income - to be read also in the light of the aforementioned reduction of the risk achieved thanks to the derisking carried out in 2018 - and fees and commissions.

Personnel expenses, of € 1,696.5 million showed a decrease of 2.1% compared to the € 1,732.8 million of the previous year. The total number of employees was 21,941 at 31 December 2019, compared to 22,247 at the end of 2018.

Other administrative expenses[20] amounted to € 638.6 million translating into a 21.8% drop compared to 2018. This reduction is in part attributable to the application of the IFRS 16 standard which, for contracts under this standard, provides for the inclusion of the amortisation of the right of use under "Net write-downs of tangible and intangible assets" in place of registration of rents and rents payable under "Other administrative expenses"; even when taking this effect into account, other administrative expenses still saw a significant reduction (-9.0% with respect to 2018).

Write-downs of property, plant and equipment and intangible assets amounted to € 268.9 million, compared to € 243.5 million at 31 December 2018, and include depreciation of intangible assets of € 4.4 million. The figure at 31 December 2019 is not fully comparable with that of the previous year because, as a result of the change in the accounting standard for the valuation of the Group's real estate and artistic assets, properties held for investment purposes are no longer subject to depreciation. This item was also influenced by the introduction of IFRS 16 mentioned above. Taking into account the effects mentioned above (introduction of IFRS 16 and change in accounting policy) and net of write-downs, the aggregate still shows a decrease of 4.3% compared to 31 December 2018.

Total **operating expenses** therefore amounted to € 2,604.0 million, falling by 6.8% compared to 2018. Also net of the aforementioned non-recurring components, the aggregate fell (-4.3%), testifying to the constant efforts made to contain costs since the creation of Banco BPM.

Net adjustments on loans to customers amounted to € 778.5 million, a marked decline compared with the figure of € 1,941.1 million for 2018 (-59.9%), due to the substantial contraction of the non-performing loans brought on by the derisking actions completed in the previous year. The cost of credit, measured by the ratio of net adjustments on loans to net loans (including loans classified as held for sale), was 73 bps, sharply down from the 184 bps of the previous year. Even net of the extraordinary adjustments made in 2018[21] (€ 713.9 million), the 2019 risk-adjusted cost confirmed a sharp decrease of 43 bps y/y.

As part of the project to rationalize and enhance the value of the Group's real estate assets, the Board of Directors resolved to change the valuation criteria for properties and works of art by adopting the fair value for investment properties and the redetermined value for properties for functional use and works of art. The overall effect of write-downs and revaluations on the income statement for the year was included in the new reclassified income statement item **profit (loss) on fair value measurement of tangible assets**, which amounted to € -158.5 million. Considering that part of the valuation is attributed directly to equity for € 367 million, the change in criteria had a positive

[20]The aggregate does not include the "banking industry charges", represented by the contributions to the Resolution Funds and to the Interbank Deposit Guarantee Fund, reported in a separate line-item of the reclassified income statement, net of tax effect.

[21] Following the Exodus and ACE transactions.

effect on the Group's comprehensive income of € 208.5 million. Please refer to the Explanatory Notes for details of the overall effects of the change in question.

In the income statement of the year **net write-backs on securities and other financial assets** for € 5.8 million were recognised (net write-backs of € 3.3 million at 31 December 2018).

Net provisions for risks and charges amounted to € 71.0 million compared to € 345.3 million of 2018 which included provisions set aside to comply with the more severe regulations regarding the conditions applied to customers and to increase the coverage of expenses from disputes and claims.

At 31 December 2019 **gains on disposal of equity and other investments** were recorded totalling € 333.2 million, including gross capital gains achieved through reorganisation of the consumer loan segment (€ 189.5 million) and establishment of the partnership with Credito Fondiario to manage recovery activities for impaired loans (€ 142.7 million). The first half of 2018 included profits of € 173.4 million deriving almost entirely from the disposal of equity investments carried out as part of reorganisation of the bankassurance segment.

As a result of the trends described above, the **profit (loss) from continuing operations before tax and banking industry expenses** amounted to a profit of € 1,019.7 million, compared to the € 129.7 million loss recorded the previous year.

Taxes on income in the period from continuing operations as of 31 December 2019 total € -145.4 million (€ +162.8 million at 31 December 2018) benefiting from a lower tax load with regards to capital gains realised through the sale of equity investments and other non-recurring events such as the possibility to recognise new deferred tax assets.

A total of € 92.9 million of **charges related to the banking system, net of taxes** were recognised in the income statement for the year (€ 100.2 million in 2018), which include ordinary contributions to the Single Resolution Fund (SRF) of € 61.7 million gross (€ 68.1 million at 31 December 2018), and to the Interbank Deposit Guarantee Fund of € 53.4 million (€ 45.2 million at 31 December 2018), plus the additional extraordinary contributions to the Single Resolution Fund of € 22.6 million (25.5 million at 31 December 2018).

Given the share of the profit or loss attributable to non-controlling interests (€ 15.6 million), financial year 2019 ended with a **net profit pertaining to the Parent Company** of € 797.0 million, compared to the loss of € 59.4 million made in the previous year.
At the adjusted level, the profit for the year amounted to € 648.6 million compared with the result of € 342.8 million of 2018 (+89.2%).

It should also be noted that the Group generated a profit not directly recognised in the income statement, but with an impact on equity, for a total of € 527 million, mainly attributable to reserves on securities classified at FVOCI and reserves on functional properties and valuable artistic assets valued using the "revaluation model" method. Considering also these components the Group's comprehensive income in 2019 was € 1,324 million.

Economic performance of operations in Q4 2019 compared to Q3 2019

Net interest income totalled € 477.9 million, down by 4.4% from the figure in Q3 2019 (€ 500.0 million). Net of the "non-core" components attributable to the PPA and to the accounting effects of IFRS 9, the net income was € 474.9 million and compares with the uniform figure of the third quarter of € 499.3 million, showing a drop of 4.9% mainly as a result of the negative trend in Euribor and the lower contribution to the income of the financial portfolio also following a number of sale transactions.

The **result for investees measured with the equity method** shows a profit of € 33.9 million, up with respect to the figure of € 28 million recorded in Q3 2019. Within this aggregate, the main contribution was provided by consumer credit brought in by the shareholding in Agos Ducato for € 26.2 million (up by 30.4% compared to the previous quarter).

Net fee and commission income[22] in the fourth quarter amounted to € 462.2 million, an increase of 4.1% over the third quarter due to both the contribution made by management, brokerage and advisory activities (+3.7% over the quarter) and the growth in commissions relating to traditional banking services (+4.4% over the third quarter). This growth is even more significant when comparing commissions in the fourth quarter with those recorded in the first quarter of the year (+6.4%).

Other net operating income totalled € 6.3 million, compared to the figure of € 8.0 million for the third quarter.

The **net financial result** was € 207.4 million, compared to € 41.7 million in the third quarter. The positive contribution of trading activity, the gains made on the sale of debt securities (€ 125.1 million) and the result of the € 44.6 million write-back on the bonds held by Banco BPM and issued by companies of the Sorgenia Group, following the sale involving the group after the restructuring of past years, all contributed to this trend.

In virtue of the trends described, the **total income** amounted therefore to € 1,187.7 million up compared to the figure of € 1,021.7 million recorded in the third quarter (+16.2%).

Personnel expenses in the fourth quarter amounted to € 437.1 million, an increase of 5.2% compared to the third quarter, mainly due to the advance payment of some charges relating to contract renewal.

Other administrative expenses[23] fell by 5.6%, going from € 158.6 million in the third quarter of 2019 to € 149.8 million in the fourth quarter of 2019.

Net adjustments to property, plant and equipment and intangible assets totalled € 69.3 million, compared with € 68.6 million in the third quarter.

Total **operating expenses** therefore amounted to € 656.1 million, up by 2.1% compared to € 642.8 million recognised in the third quarter.

[22] As of 30 June 2019, upfront commissions related to certificates placement were also reclassified into this aggregate (previously classified in the Net Financial Result). The figures for the previous periods have been redetermined in a consistent manner.

[23]The aggregate does not include the "banking industry charges", represented by the contributions to the Resolution Funds and to the Interbank Deposit Guarantee Fund, reported in a separate line-item of the reclassified income statement, net of tax effect.

Net adjustments on loans to customers amounted to € 220,5 million, up by 5.8% compared to the third quarter and reflect the intention to guarantee a rigorous approach in the measurement of receivables, which is shown in the increase in the coverage of all categories of non-performing loans compared to the end of September.

The **profit (loss) on fair value measurement of tangible assets** resulting from the adoption of the new property valuation criteria was a negative € -131.0 million in the fourth quarter. As stated above, it should be noted that part of the valuation is attributed directly to equity. Therefore, also with reference to the fourth quarter of the year, the net contribution of the change in criteria had a positive effect on the Group's comprehensive income.

Net provisions for risks and charges amounted in the fourth quarter to € 62.6 million compared to € 2.7 million in the previous quarter and included extraordinary provisions set aside to comply with the more severe regulations regarding the conditions applied to customers and to increase the coverage of expenses from disputes and claims.

In the fourth quarter, **losses from the sale of shareholdings and investments** were recognised for € -3.6 million which include capital losses on the sale of property, plant and equipment for € 5.7 million and the capital gain made on the sale of the equity investment held in Arena Broker, for € 2.0 million.

As a result of the trends described above, the **income from continuing operations before taxes and before banking industry charges** came to € 115.4 million compared to the € 171.1 million recorded in the third quarter. Net of the aforementioned non-recurring items, pre-tax profit came out at € 308.3 million compared to € 174.9 million in the previous quarter

Income tax on continuing operations referred to the fourth quarter totalled € -24.4 million (€ -43.2 million in the third quarter).

The income statement for the quarter included **charges related to the banking system, net of taxes** of € 4.5 million, related to the balance of the ordinary contribution to the Interbank Deposit Guarantee Fund (of € 6.7 million before taxes). The third quarter saw charges related to the estimated ordinary contribution to the Interbank Deposit Guarantee Fund of € 31.5 million (€ 46.7 million before the tax effect).

Given the portion of the profit attributable to non-controlling interests (€ 9.2 million), the fourth quarter of 2019 ended with a **net profit** of € 95.8 million, compared to the net profit of € 98.2 million made in the third quarter.

At the adjusted level the net profit for the fourth quarter amounted to € 246.6 million compared to € 101.1 million in the third quarter (+143.8%).

Key balance sheet items

As at 31 December 2019, **direct funding**[24] totalled € 108.9 billion, showing a decrease of 7.3% compared to the € 101.5 billion as at 31 December 2018. In comparison with the figures at the end of 2018 there has been growth of € 6.7 billion of the segment represented by current accounts and demand deposits of the commercial network (+8.2%). The trend in bonds issued also increased (+ € 1.0 billion) as a result of senior preferred unsecured and subordinated bond issues reserved for

[24] The aggregate includes deposits and current accounts and demand and term deposits, bonds issued, certificates of deposit and other securities, loans and other debts, and capital-protected certificates. Repos are not included.

institutional investors. With regard to funding guaranteed by the stock of certificates, the balance at 31 December 2019 was € 3.2 billion, down compared to the € 3.4 billion at 31 December 2018 (-3.9%).

Indirect deposits[25] net of capital-protected certificates totalled € 89.7 billion, up 3.2% compared to 31 December 2018 and by 0.6% compared to this past 30 September.
The component of managed funding amounts to € 58.3 billion, with an increase of 4.7% compared to the figure of € 55.7 billion of 31 December 2018 (+1.2% compared to 30 September 2019), seen mainly in the segment of funds and SICAVs which shows growth of € 3.1 billion (+8.5%) in the year (+1.5% compared to 30 September 2019). Assets under administration reached € 31.4 billion, up slightly from the end of 2018 (+ 0.5%) but down 0.4% compared to the € 31.5 billion at 30 September.

Financial assets totalled € 37.1 billion, slightly up compared to € 36.9 billion at 31 December 2018 (+ 0.6%). The item at 31 December 2019 is made up of debt securities of € 31.3 billion (which as of 31 December 2019 show positive reserves of € 70.7 million, on the part classified as FVOCI, and "unrealized gains" of approximately € 520 million, on the part classified at amortised cost) and equity securities and UCITS units of € 2.5 billion. Exposures in debt securities issued by Sovereign States were € 26.4 billion, of which € 15.5 billion related to Italian government bonds; the proportion of the latter in the segment of debt securities was 49.7% at 31 December 2019 compared to 56.5% at 30 September 2019. As a result of the introduction of IFRS 9, financial assets (amounting to € 0.4 billion) also include loans to customers which must be measured at fair value. In addition, as from December 2019, repurchase agreements classified in the trading portfolio for € 0.8 billion are also included under financial assets.

Net loans to customers totalled € 105.8 billion at 31 December 2019, up by € 1.8 billion compared to the figure of 31 December 2018.

Performing loans came to € 97.8 billion, compared to € 95.9 billion at 31 December 2018, an increase of 2.0%. The aggregate at 31 December 2019 did not include the "senior" securities of the Exodus (subscribed in the first half of 2018) and ACE (subscribed in the first quarter of 2019) securitisations[26]. Taking "core" loans into consideration (mortgages, loans, current accounts and personal loans), the aggregate comes to € 91.1 billion, with a 2.9% with respect to the end of 2018.

Net non-performing loans (bad loans, unlikely to pay and past due and/or over-the-limit exposures) amounted to € 5.5 billion at 31 December 2019, a decrease of € 1.2 billion (-17.6%) compared to 31 December 2018. The comparison with 30 September 2019 also shows a decrease of € 0.4 billion or -7.0%.
An analysis of the individual categories of non-performing loans shows the following changes:

- Net bad loans of € 1,560 million fell by 2.0% compared with the € 1,591 million figure at 31 December 2018;
- Net unlikely-to-pay loans of € 3,912 million, down by 22.5% compared to € 5,048 million at 31 December 2018;
- Net past-due exposures of € 73 million, down by 16.6% compared to € 88 million at 31 December 2018.

The coverage ratio for the entire impaired loans aggregate was 45,0% (48.1% including write-offs), up compared to 43.1% at 31 December 2018 and compared to 42.8% at 30 September 2019.
More specifically, as at 31 December 2019, the coverage rate was as follows:

[25] Operating data.
[26] The "senior" securities of the Exodus and ACE transactions amount to roughly €2.5 billion as at 31/12/2019, while as at 31/12/2018 the "senior" securities of the Exodus transaction amounted to roughly €1.4 billion.

- Bad loans 56.2% (55.8% at 30 September 2019; 59.6% at 31 December 2018); including write-offs the coverage reaches 62.5%;
- Unlikely-to-pay 39.1% (37.0% at 30 September 2019; 35.0% at 31 December 2018);
- Past due exposures 25.9% (17.3% at 30 September 2019; 17.5% at 31 December 2018).

The coverage ratio of performing loans was 0.33%, slightly down compared to 0.38% at 31 December 2018.

Group capital ratios[27]

At 31 December 2019 the Common Equity Tier 1 ratio (CET1 ratio) amounted to 14.6% up significantly compared to the figure at 30 September 2019 of 13.8%. The increase in this ratio is due to the increase in the Common Equity Tier 1 Capital due to the economic result for the fourth quarter and the effects of the change in the accounting standard for the valuation of the Group's real estate and artistic assets, partially offset by the negative evolution of the valuation reserves for financial assets measured at fair value through other comprehensive income. This ratio benefits from the exercising of the option for the full application of the transitional rules introduced with the new Article 473-bis of Regulation (EU) no. 575/2013, which dilutes over time the impact on own funds deriving from the application of the new impairment model introduced by the accounting standard IFRS 9. Excluding the impacts of the aforementioned transitional rules, the CET1 ratio IFRS 9 fully phased was 12.8%.

The positive trend described above increased both the Tier 1 ratio, which rose to 15.2% compared to 14.4% at 30 September 2019, and the Total Capital ratio, which was 17.5% compared to 16.3% at 30 September 2019 and which benefits from the issue of the new Tier 2 capital instrument for the nominal amount of € 350 million made on 1 October 2019.

We can note that during January 2020 a new Tier 1 equity instrument was issued for a nominal amount of € 400 million, which generates a benefit at the level of Total Capital Ratio of approximately 61 bps.

BUSINESS OUTLOOK

The global macroeconomic scenario continues to show signs of a gradual slowdown of the expansive cycle, which in all the major economies affect in particular the industrial and manufacturing sector. The health emergency in China risks cooling the positive expectations arising from the reduction in trade disputes and the disappearance of the potential risks that were associated with a hard Brexit scenario. The deceleration of global GDP toward levels just above 3%, the lowest of the last ten years, and some ongoing geopolitical tensions are impacting the

[27] On the basis of the provisions of art. 26 paragraph 2 of Regulation (EU) no. 575/2013 of 26 June 2013 (CRR), the possible inclusion of year-end profits in Common Equity Tier 1 Capital (CET1) prior to the approval of the financial statements by the Shareholders' Meeting is subject to the authorisation of the competent authority (the ECB), for which the auditing firm is required to verify the profits. Alternatively, profits may be included after the approval of the financial statements by the Shareholders' Meeting.
With reference to the figures and to the capital ratios illustrated in this press release, in addition to the profit at 30 June 2019, included as a result of the authorisation obtained following the limited audit of the condensed consolidated half-year financial statements at 30 June 2019, the portion of profit has also been considered, relating to the second half of 2019, resulting from the draft consolidated financial statements of the Group at 31 December 2019 approved by the Board of Directors today, net of the portion for which the Board of Directors resolved to submit to the Shareholders' Meeting the proposal to distribute dividends and donations; this profit will formally become part of the CET 1 capital as soon as the Shareholders' Meeting approves the financial statements.

investment trends and are having repercussions on confidence levels and on consumers' propensity to spend, helping to keep non-negligible the risks of the emergence of financial turmoil, especially in the more fragile economies. In this context, the phase of stagnation that characterises our country seems destined to continue also this year, with still modest GDP growth (0.5%) thanks to the expansive effect generated by the maintenance of an accommodating monetary policy and a more favourable assessment of country risk. Given this scenario, the Group's operational focus will be on the initiatives characterizing the new Strategic Plan, which will be presented at the beginning of March and will focus on organic development of the core business. During the year, pressure on net interest income, mainly attributable to market conditions and the disappearance of the PPA (Purchase Price Allocation) contribution, is expected to be offset by commission growth. The containment of operating costs, by improving efficiency, will continue to be a major focus of attention, helping to mitigate the impacts of the renewal of the national category contract and the increase in investments, particularly concentrated in IT. Following the significant reduction in non-performing exposures and the current trend for new non-performing loans, the cost of credit is expected fall, against a high level of coverage. The Group's solid capital position, combined with its ability to generate capital organically, will enable sustainable shareholder remuneration and management of the potential future impacts of regulatory headwinds.

PROFIT ALLOCATION PROPOSAL

At today's meeting, the Board of Directors resolved to propose to the next Shareholders' Meeting the distribution of a cash dividend of €0.08 cents per share, gross of withholding taxes. More specifically, the proposal provides for a total distribution of € 121,214,570.08, resulting from a unit amount of €0.08 for each of the 1,515,182,126 ordinary shares; however, no distribution will be made to any treasury shares held by the Bank at the record date. This distribution, if approved by the Shareholders' Meeting, will take place on 22 April 2020 (payment date) with coupon detachment date on 20 April 2020 (ex date) and record date on 21 April 2020. The allocation will be subject to the ordinary tax regimen of dividend distribution.

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The financial reporting officer, Mr. Gianpietro Val, in compliance with Article 154, paragraph 2 of the Consolidated Act for Financial Intermediation, hereby states that the accounting information illustrated in this news release is consistent with documented evidence, accounting books and book-keeping entries.

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The Annual Financial Report at 31 December 2019 will be made available to the public, in accordance with the law, at the Company's registered office and at Borsa Italiana, as well as on the website www.bancobpm.it and on the website of the authorised storage mechanism www.emarketstorage.com.

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The Gruppo Banco BPM results at 31 December 2019 will be presented to the financial community in the conference call scheduled for today, 06 February 2020 at 18:30 (CET). The supporting documentation for the conference call is available on the authorised storage system's website (www.emarketstorage.com) and on the Bank's website (www.bancobpm.it), where you can also find the details for connecting to the call.

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Explanatory notes

The comments on the performance of the key balance sheet and P&L items illustrated in this press release refer to the reclassified consolidated balance sheet and income statement attached below and included in the consolidated Annual Report as at 31 December 2019, which has been approved today by the Board of Directors.
Please find below some explanatory notes that are deemed useful to better understand the approach followed in preparing the above-mentioned accounting statements, as well as the evolution of FY results contained in this press release.

1. Accounting policies and reference accounting standards

The balance sheet and income statement layouts contained in this news release have been reclassified along management criteria in order to provide an indication on the Group's overall performance based on easily and rapidly measurable operating and financial data. These layouts have been prepared based on the financial statement layouts indicated in the Bank of Italy's Circular no. 262/2005 (hereinafter "Circular no. 262), applying the same aggregation and classification criteria presented in the consolidated financial statements as at 31 December 2018, except for what specified below:

- a new line-item - "Lease debts" - was added to the reclassified financial statements, and it includes all liabilities recognized following the first-time adoption of the new standard "IFRS 16 – Leases". In the financial statements prepared under Circular no. 262 these liabilities are posted under the liabilities line-item "10. Financial liabilities measured at amortized cost";
- the income tied to the issue of financial liabilities held for trading represented by Group certificates, which in the income statement prepared based on Circular no. 262 is posted under the line-item "80. Profit (loss) on trading", has been partly transferred under the reclassified P&L line-item "Net fee and commission income". In detail, net commissions include, under a management viewpoint, the share of the product's profitability rebated to the Group for the distribution activity. For a like-for-like comparison against the above-mentioned classification standard, that was introduced on 30 June 2019, the data of the two periods under comparison have been restated;
- following the change in the accounting standard on the valuation of the Group's property and works of art to be first adopted in the accounts as at 31 December 2019, a new line-item has been added to the reclassified income statement "Profit (loss) on fair value measurement of tangible assets", showing the positive or negative balance resulting from the depreciation or appreciation of real estate assets, be it investment property or operational assets (Property, plant and equipment), measured at fair value or along the revaluation model. The effects produced by this change are described in the note below.

The accounting standards adopted to prepare the accounting position as at 31 December 2019 - with regard to the classification, recognition, measurement and derecognition of assets and liabilities, and for the recognition of costs and revenues - are the ones set forth in the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations by the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission and in force as at 31 December 2019, pursuant to EC Regulation no. 1606 of 19 July 2002.
To this respect, please note that the new accounting standard IFRS 16 "Leases" came into effect on 1 January 2019; for a description of the effects from the introduction of said standard, please see the Consolidated Half-yearly Report as at 30 June 2019 and the News Release on Results as at 30 June 2019.
The adoption of certain accounting standards necessarily calls for the use of estimates and assumptions that have an impact on the value of assets and liabilities recognized in the balance sheet. The assumptions used to calculate estimates take into account all available information upon preparing the annual report as at 31 December 2019, together with any scenarios considered reasonable based on past experience and the probable evolution of future reference scenarios. However, it cannot be ruled out that the estimates and assumptions, albeit reasonable, may fail to be confirmed in the future scenarios in which the Group may be operating. Therefore, future actual results may differ from the estimates generated to prepare the financial and operating situation as at 31 December 2019, calling for adjustments that cannot be predicted or estimated today against the carrying amount of assets and liabilities recognized in the balance sheet.

2. Change in the accounting standard for the valuation of the Group's property and works of art

Applicable from the annual report as at 31 December 2019, Gruppo Banco BPM has changed the valuation criteria for its property and valuable works of art. In summary, the change produced the following effects:

- changeover from the cost method to the revaluation model, based on IAS 16 "Property, plant and equipment" for operational tangible assets, represented by property and valuable works of art. Under this standard, write-ups due to the revaluation (fair value) must be recognized in a specific revaluation reserve, unless it is a write-back through profit or loss from a past write-down. In case of fair value decreases, the write-down must be carried at equity until the valuation reserve reaches a positive balance, and the surplus must be carried at income. The revaluation represents the depreciable value to be considered for the calculation of depreciation;
- changeover from the cost method to the fair value method for investment property, based on IAS 40 "Investment property". Under the fair value method, fair value gains or losses must be carried at income, and the property value is no longer depreciated.

The Group decided to adopt the valuation standard described above, based on current values, as it assumes that this method may allow investors to find more reliable and relevant information regarding the Group's actual financial and operating situation when analyzing our financial statements, in line with the information that the bank's top management took into consideration when examining the actions to rationalize and enhance its assets that were implemented in 2019.

At 31 December 2019, the market value of our property and art assets, measured based on specific appraisals carried out by qualified and independent third-party valuers, came in at €2.7 billion.

As to the accounting changeover representation examined by Gruppo Banco BPM, in line with IAS 8, it will take place as follows:

- for operating assets under IAS 16, the changeover from the cost model to the revaluation model came into effect on 31 December 2019, in view of its forward-looking representation;
- for investment assets under IAS 40, the changeover from the cost model to the fair value method came into effect on 1 January 2019, i.e. as of the first financial year in which the standard could be modified, through the restatement of opening balances, with any difference between the fair value measurement and the cost measurement recognized in a specific revaluation reserve in the equity section of the balance sheet.

In light of the above explanation, the adoption of the new valuation criteria for the property and valuable works of art at 31 December 2019 generated a total positive impact of €223 million (+€142.3 million net of tax effect). More specifically, this increase is the result of the combined effect of the following elements:

- fair value increase of +€367 million, connected to operating property (+€323.9 million) and works of art (+€43.1 million), resulting from the alignment between the carrying values and the higher fair values at 31 December 2019. An offsetting entry, net of tax effect, has been made to a revaluation reserve;
- fair value decrease of -€49 million, tied to operating property (-€47.1 million) and works of art (- € 1.9 million) resulting from the alignment between the carrying values and the lower fair values at 31 December 2019. The adjustments were debited to income under the line-item "Profit (loss) on fair value measurement of tangible assets". The change of the valuation criteria had no effect on the FY 2019 depreciation, as it is a forward-looking representation;
- investment property fair value adjustments giving rise to an overall decrease of -€12.6 million, recognized on 1 January 2019 as an offsetting entry to a change in the opening balances of the equity reserves, based on the fair values measured on that date;
- investment property fair value adjustments giving rise to an overall decrease of -€109.6 million, recognized under the P&L line-item "Profit (loss) on fair value measurement of tangible assets". This impact was strongly affected by a revision of the methodologies underlying calculations, assumptions, hypotheses and parameters used to measure the fair value at 31 December 2019 as compared to those used on 31 December 2018 to measure the investments' recoverable amounts;
- write-off of investment property depreciation recognized until 31 December 2019 (+€27.2 million), as no longer subject to depreciation, generating a consequent positive impact on the line-item "Depreciation and amortization of tangible and intangible assets".

Based on what explained above, it should be noted that balance sheet and income statement balances at 31 December 2019 referring to property and works of art (in particular the balances of the line-items "Property, Plant and Equipment", "Profit (loss) on fair value measurement of tangible assets", "Depreciation and amortization of tangible and intangible assets") are not readily comparable, on a like-for-like basis, to the balances of the previous year.
As to the 2019 income statement quarterly evolution tables, the adoption of the new standard called for the following changes:

- Impairment losses recognized up until the third quarter under the line-item "Depreciation and amortization of tangible and intangible assets", totaling -€27.5 million, as of Q4 have been posted under the new line-item "Profit (loss) on fair value measurement of tangible assets";
- The line-item "Depreciation and amortization of tangible and intangible assets", in addition to the above reclassification, was adjusted to write off the depreciation tied to investment property, amounting to - € 6.8 million for each quarter in 2019.

3. Disclosure on the application of the accounting standard IFRS 5 to data at 31 December 2019

Pursuant to IFRS 5, at 31 December 2019 the following items were entered under "Non-current assets held for sale and discontinued operations" and "Liabilities associated with discontinued operations":

- a portfolio of bad exposures, mainly represented by lease contracts, against which on 28 June 2019 a framework sale agreement was signed, that is expected to be finalized by June 2020 (L-ACE). At 31 December 2019 the net book value was € 94 million (GBV of € 313 million);
- tangible assets totaling € 33.4 million, mainly represented by property under disposal.

With respect to the above deals, since they are not discontinued operations under IFRS 5, the reclassification under non-current assets held for sale impacted only the balance sheet as at 31 December 2019 and not the income statement. The P&L contributions of the above assets continue to be represented in the consolidated income statement on a line-by-line basis.

Please note that in the accounting reports at 30 June 2019 and 30 September 2019, net assets, mainly represented by customer loans, associated with the subsidiary ProFamily, that absorbed the consumer credit business of the non-captive network (tied agents and own branches), had been classified under assets held for sale, as the Group had launched a process to sell the entire shareholding. At the end of the year, having ascertained that selling the subsidiary was unlikely, the conditions to apply IFRS 5 no longer existed and therefore the assets and liabilities of the subsidiary ProFamily were reconsolidated on a line-by-line basis in the balance sheet at 31 December 2019, and the subsidiary's net assets were no longer classified under "non-current assets held for sale and discontinued operations" and "liabilities associated with assets held for sale".

4. Impact of the PPA (*Purchase Price Allocation*) of the business combinations of the former Gruppo Banca Popolare di Milano and of the former Groups Banca Popolare Italiana and Banca Italease

In compliance with IFRS 3, the income statement of Gruppo Banco BPM includes the P&L effects caused by the allocation of the prices paid for the business combination with Gruppo Banca Popolare di Milano completed in FY 2017 and for the acquisitions of Gruppo Banca Popolare Italiana and Gruppo Banca Italease, completed in FY 2007 and 2009, respectively.

The impact from the reversal of value adjustments to net acquired assets (mainly tied to the former Gruppo Banca Popolare di Milano) on the consolidated income statement of FY 2019 was + € 16.9 million on NII, - € 38.8 million on other net operating income as a result of the amortization of intangible assets recognized under the PPA.

5. Charges generated by the contribution to resolution mechanisms

In FY 2018, the line-item “After-tax banking industry charges” has been added to the Reclassified Income Statement. It includes ordinary and extraordinary charges due by banks under the European and national resolution funds (SRF and NRF) and the Deposit Guarantee Scheme (DGS).

The banking industry charges charged to income in FY 2019, gross of tax effect, added up to € 137.6 million (€ 138.8 million in 2018). More specifically they break down as follows:

- ordinary contribution of € 61.7 million charged to income in Q1 and paid to the Single Resolution Fund for FY 2019 (€ 68.1 million had accrued in FY 2018). Please note that for 2019, as well as for the prior financial year, the Group did not exercise the option of fulfilling the contribution request through an irrevocable payment commitment (“IPC”);
- ordinary contribution of € 53.4 million to the Interbank Deposit Protection Fund – FITD, charged to income in Q3 and Q4, (€ 45.2 million for FY 2018);
- additional contributions to the National Resolution Fund, charged to income in Q2 2019, added up to € 22.6 million (€ 25.5 million in additional contributions had been called at 31 December 2018).

Net of the tax effect, the above charges came to € 92.9 million (€ 100.2 million in 2018).

6. Changes in consolidation scope

In 2019 the following changes in consolidation scope were reported: exit of the subsidiaries Liberty S.r.l., BPM Securitisation 3 S.r.l. and Beta S.r.l., Tiepolo Finance S.r.l. and of the associate Motia Compagnia di Navigazione S.p.A., following their cancellation from the competent Companies Registrars after the liquidation procedures had been completed. As a follow-through to their disposal, also the subsidiary Arena Broker S.r.l. and the associate Immobiliare Centro Milano S.p.A. exited the consolidation scope.
The following SPV companies accounted for under the full-consolidation method also exited the consolidation scope: Erice Finance S.r.l., and BPM Securitisation 2 S.r.l., once the related securitizations were completed, and Leviticus SPV S.r.l., after the finalization of the loan disposal under the “ACE” project and the resulting derecognition of the loans from the accounts.
The SPV CF Liberty Servicing S.p.A., previously fully owned by the Parent company and set up with the purpose of acting as servicer for the “ACE” project, now falls within the scope of associates carried at equity as a result of the sale of a 70% stake to Credito Fondiario S.p.A. finalized in May.

As part of the consumer credit reorganization process, in June Banco BPM finalized a spin-off, and as a result:

- the “new” ProFamily S.p.A., a newly incorporated company fully owned by Banco BPM, whose purpose is to take in the business unit in charge of consumer credit activities carried out through the “Non-captive Network”, now falls under the scope of the fully-consolidated companies
- the “old” ProFamily S.p.A, sold to Agos Ducato and renamed ProAgos, has exited the consolidation scope.

Moreover, over the period under examination there was the finalization of the mergers of the subsidiaries Holding di Partecipazioni Finanziarie Banco Popolare S.p.A., BP Property Management S.c.a r.l. and Società Gestione Servizi BP S.c.p.a. into the Parent company Banco BPM, as well as of the mergers of the subsidiaries Sviluppo Comparto 6 S.r.l., Sviluppo Comparto 8 S.r.l. and Manzoni 65 S.r.l. into Bipielle Real Estate. These transactions, whose accounting and tax effects started on 1 January 2019, were carried out under the simple-merger procedure for fully-owned subsidiaries.

The above changes had no material impact on the consolidated financial results.

7. Non-recurring items in the consolidated income statement of Gruppo Banco BPM

With Communication no. DEM/6064293 dated 28 July 2006, CONSOB invited companies that issue financial instruments listed on Italian regulated markets to provide a disclosure on the impact of non-recurring events and transactions.

Please note that under the general criterion followed by the Group, the following items are classified as non-recurring:

- gains or losses on the sale of all fixed assets (shareholdings, tangible fixed assets except financial assets held to maturity (that can be sold according to the materiality and frequency thresholds under IFRS9);
- gains and losses on non-current assets held for sale;
- P&L components with a large carrying amount tied to efficiency gain or reorganization actions, etc. (i.e., redundancy fund charges, voluntary redundancy schemes, merger/integration charges);
- P&L components with a large carrying amount that are not likely to occur frequently (e.g., fines, impairment of tangible assets, goodwill and other intangible assets, impact from regulatory changes, exceptional results);
- P&L impact generated by the fair value measurement of property and other tangible assets (works of art);
- tax effect tied to the above P&L impacts.

On the other hand, the following impacts are generally considered recurring:

- P&L impacts from the sale or valuation of all financial assets (other than loans), including held-to-maturity financial assets;
- barring exceptional cases, P&L impacts from valuation aspects (loan loss provisions, write-downs on other financial assets or provisions for risks and charges);

- P&L impacts from changes in reference valuation parameters implemented in valuation models adopted on an ongoing basis;
- P&L impacts whose single amount is not material or not measurable, meeting the definition of contingent assets and/or liabilities (e.g., costs and revenues and/or adjustment of costs and revenues accrued in other financial years);
- tax effect tied to the above P&L impacts.

Based on the criteria described above, the 2019 income statement contains the following non-recurring items

- the line-item "net interest income" includes the amount of € 4.7 million that the Voluntary Scheme of the Interbank Deposit Guarantee Fund paid out to the member banks on the back of the interest accrued on the Carige subordinated debt subscribed by the Scheme as part of Banca Carige's bailout;
- the line-item "net amortization and depreciation on tangible and intangible assets" includes an intangible asset amortization of € 4.4 million;
- the new line-item "gain or loss on the fair value measurement of tangible assets", amounting to € 158.5 million, includes the net balance of write-up and write-back entries made in the income statement of the year, relative to investment and operating property measured at fair value or based on the revaluation method, following the adoption of the new valuation standard described above;
- the line-item "net provisions for risks and charges" includes non-recurring allowances, of which € 12.5 million tied to the estimate of charges related to contract obligations tied to the sale of assets or shareholdings, and € 65.0 million to prudential allowances for charges related to disputes and complaints, even on a forward-looking basis, related to past referrals of clients interested in the purchase of diamonds that could give rise to compensation claims by clients that are deemed qualified to be managed along a customer-care approach;
- the line-item "gains on disposal of equity and other investments", amounting to € 333.2 million, mainly includes the 189.5 million capital gains generated by the reorganization of the consumer credit business, and the € 142.7 million capital gain from the sale to Credito Fondiario of a 70% stake in CF Liberty Servicing S.p.A.;
- the line-item "income tax for the period on continuing operations" includes the € 59.2 million positive tax effect of the above listed non-recurring items, as well as that of other negative non-recurring items totaling € 2.1 million;
- the line-item "after-tax banking industry charges" includes € 15.2 million represented by additional contributions paid to the National Resolution Fund (€ 22.6 million), net of the associated tax effect of € 7.4 million.

The minority interest effect amounts to € + 9.3 million.

As pertains FY 2018, the non-recurring items identified along similar criteria to those described above were:

- the line-item "other net operating income" included the € 113.6 million gain generated by the sale to Anima SGR of the sub-advisory mandates on insurance assets carried out on behalf of the insurance joint-ventures tied to the bancassurance network of former Banco Popolare, and the € 200.0 million capital gain generated by the sale of the depositary bank and fund administration business line to BNP Paribas Securities Services;
- the line-item "net financial result" included the depreciation of € 27.9 million of the investment in the FITD Voluntary Scheme to support Banca Carige's bailout;
- the line-item "other administrative expenses" included non-recurring items totaling € 22.6 million, mainly referred to integration charges of € 15.5 million and branch closing expenses of € 5.1 million;
- the line-item "amortization and depreciation of tangible and intangible assets" included a fixed asset depreciation totaling € 52.7 million;
- the line-item "net provisions for risks and charges" included € 351.6 million tied to: (i) prudential allowances to guarantee a full coverage against disputes and complaints, even on a forward-looking basis, related to past referrals of clients interested in the purchase of diamonds to the specialized company Intermarket Diamond Business S.p.A., which gave rise to compensation claims submitted by customers that were deemed qualified to be managed along a customer care approach; (ii) extraordinary allowances tied to the recalculation of terms and conditions applied to customers in previous years, along metrics based on more stringent regulations and interpretation notes issued recently by the Regulators;
- the line-item "Gains on disposal of equity and other investments" was equal to € 173.4 million. The main component (€ 170.7 million) was represented by the gain from the reorganization of the Bancassurance business with the sale to Cattolica of the two stakes in the insurance companies Popolare Vita (now Vera Vita) and Avipop Assicurazioni (now Vera Assicurazioni);
- the line-item "income tax on continuing operations" included the tax effect of the non-recurring items itemized above, totaling € 37.3 million, and the benefit generated by the recognition of € 64.0 million of IRAP deferred tax assets tied to loan loss provisions set aside on occasion of the IFRS 9 first time adoption;
- the line-item "after-tax banking industry charges" included € 18.4 million of additional contributions paid to the National Resolution Fund (amounting to € 25.5 million net of the related tax effect of € 7.1 million);
- the line-item "gain on disposal of assets" included € 0.9 million associated with residual assets under disposal that were sold during the period.

With regard to 2018 results, an adjusted result was calculated, to account for the impact of de- risking activities, reasonably deemed to be one-off, connected to the implementation of the actions set out in the Business Plan, in order to make it possible to assess also the operating results generated by the Group's business-as-usual activities.

To calculate the 2018 adjusted result, it was therefore necessary to take into account also the items included under the line-item "Net write-downs of customer loans" totaling € 713.9 million, referring to the effect reported throughout the year on ACE Leasing (€ 659.9 million) and Exodus (€ 54.0 million) deals. The related tax effect came to € 196.3 million.

8. Capital requirements regulation

On 1 January 2014, the new harmonized prudential rules for banks and investment firms contained in the Capital Requirements Regulation (EU) no. 575/2013 ("CRR") and in the Capital Requirements Directive 2013/36/EU (CRD IV") of 26 June

2013 have come into effect, transposing the banking supervisory standards defined by the Basel Committee (Basel 3 framework) in the European Union. The Regulation and its technical rules are directly applicable in national legislations and represent the so called "Single Rulebook".

The minimum capital requirements for 2019 are:

- minimum Common Equity Tier 1 ratio ("CET1 ratio"): 4.5% + 2.5% of Capital Conservation Buffer ("CCB");
- minimum Tier 1 ratio: 6.0% + 2.5% of CCB;
- minimum total capital ratio: 8% + 2.5% of CCB.

With communications sent on 21 December 2018, 22 March 2019, 21 June 2019 and 20 September 2019, the Bank of Italy confirmed the Countercyclical Capital buffer ratio at zero per cent for the first, second third and fourth quarter of 2019, respectively.

With communication of 30 November 2017, the Bank of Italy identified the banking group Banco BPM as an 'Other Systemically Important Institution' (O-SII). The 2019 O-SII reserve is equal to 0.06%, and it will have to be gradually built up through annual linear increments until it reaches 0.25% on 1 January 2022.

On 11 December 2019, the European Central Bank (ECB) notified Banco BPM its final decision on the minimum capital ratios that Banco BPM is required to comply with on an ongoing basis as of FY 2020.
The decision is based on the supervisory review and evaluation (SREP) conducted in accordance with art. 4(1)(f) of EU Regulation no. 1024/2013.
Hence, in compliance with art. 16(2)(a) of the same Regulation no. 1024/2013, which gives the ECB the power to require that supervised bank hold an amount of own funds greater than the minimum capital requirements provided for under the current regulations, the top-up to be added to the above requirements was reduced to 2.25% (from the previous 2.50%).
Taking the SREP requirements into account, in 2020 at consolidated level Gruppo Banco BPM must comply with the following capital ratios, pursuant to the phase-in criteria in force:

- *CET1 ratio*: 9.385%;
- *Tier 1 ratio*: 10.885%;
- *Total Capital ratio*: 12.885%.

Banco BPM elected to fully apply the transitional provision under the new article 473 bis of EU Regulation no. 575/2013, which phases in the impact on own funds generated by the adoption of the new impairment model introduced by IFRS9. Under the transitional provision, it is possible to include a transitional positive component to the Tier 1 capital by a percentage of the increase in expected loan loss provisions further to the adoption of IFRS 9. The percentage decreases over time over a 5-year period, as described below:

- period between 1 January and 31 December 2018: 95% of the increase in expected loan loss provision further to the adoption of IFRS 9;
- period between 1 January 2019 and 31 December 2019: 85% of the increase in expected loan loss provisions;
- period between 1 January 2020 and 31 December 2020: 70% of the increase in expected loan loss provisions;
- period between 1 January 2021 and 31 December 2021: 50% of the increase in expected loan loss provisions;
- period between 1 January 2022 and 31 December 2022: 25% of the increase in expected loan loss provisions.

From 1 January 2023 the impact from the first-time adoption of IFRS 9 will be fully recognized in the calculation of own funds.

The estimates of the Group's capital ratios, all other things being equal, had it not elected to exercise the above option, are called in brief "IFRS9 fully-loaded". The capital ratios called "IFRS9 phase-in" instead are calculated based on the above-mentioned transitional provisions.

9. Sovereign risk exposure represented by debt securities

The table below provides an illustration of the Group's sovereign risk exposure at 31 December 2019, represented by debt securities, broken down by single Country and by category of the classification accounting portfolio:

31 December 2019 *(in million euro)* **Countries/Accounting portfolios**	**Fin. ass. measured at amortized cost**	**Fin. ass. measured at fair value through other comprehensive income**	**Fin. ass. measured at fair value through profit or loss**	**Total**
Italy	10,006	4,635	884	15,525
USA	2,385	581	-	2,966
France	1,366	1,508	-	2,874
Germany	389	331	7	727
Spain	1,253	1,916	733	3,902
Other countries	336	107	-	443
Total	**15,735**	**9,078**	**1,624**	**26,437**

At 31 December 2019, the Group's sovereign debt exposure totaled € 26.4 billion (€ 27.5 billion at 31 December 2018), of which 59.6% were classified in the portfolio of financial assets measured at amortized cost, 34.3% under financial assets measured at fair value through other comprehensive income, and 6.1% in the portfolio of financial assets measured at fair value through profit or loss, as they were held for trading.
Out of this exposure, about 88% refers to securities issued by members of the European Union; notably about 59% by Italy.
As regards financial assets measured at fair value through other comprehensive income, at 31 December 2019 the reserves generated by the fair value measurement totaled € 70.7 million, gross of tax effect; of which € 52.4 million were related to Italian Government bonds.

As to financial assets measured at amortized cost, the book value came out at € 15.7 billion, of which € 10.0 billion represented by Italian Government bonds. For information purposes only, note that the fair value of the government bonds classified in this accounting category, measured based on the market prices at 31 December 2019 (level 1 in the fair value classification) totaled € 16.2 billion (€ 10.3 billion being the fair value of the Italian govies alone).
Finally, note that in FY 2019, Gruppo Banco BPM did not change its business model, hence no financial assets reclassification has been reported across the different accounting categories.

10. Other explanatory notes

The reclassified balance sheet and income statement reflect on a consolidated basis the financial accounts of Banco BPM and its subsidiaries with respect to 31 December 2019, or, when not available, to the most recently approved financial reports. Similarly, the equity method-based treatment of associates was carried out based on the accounting information submitted to Banco BPM as at 31 December 2019, or, if not available, on the most recent financial reports prepared by the associates.

Attachments

- Reclassified consolidated balance sheet
- Reclassified consolidated income statement
- Reclassified consolidated income statement – 2019 and 2018 quarterly evolution
- Reclassified consolidated income statement ex-PPA – 2019 and 2018 quarterly evolution
- 2019 Statement of comprehensive income

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BANCO BPM GROUP

Reclassified consolidated balance sheet

(in euro thousand)	31/12/2019	31/12/2018	Chg. vs 31/12/2018	Chg. % vs 31/12/2018
Cash and cash equivalents	912,742	922,017	-9,275	-1.0%
Financial assets at amortised cost	115,889,891	108,207,732	7,682,159	7.1%
- Due from banks	10,044,427	4,193,119	5,851,308	139.5%
- Customer loans (*)	105,845,464	104,014,613	1,830,851	1.8%
Other financial assets	37,069,089	36,852,942	216,147	0.6%
- Financial assets designated at FV through P&L	7,285,091	5,869,106	1,415,985	24.1%
- Financial assets designated at FV through OCI	12,526,772	15,351,561	-2,824,789	-18.4%
- Financial assets at amortised cost	17,257,226	15,632,275	1,624,951	10.4%
Equity investments	1,386,079	1,434,163	-48,084	-3.4%
Property and equipment	3,624,312	2,775,885	848,427	30.6%
Intangible assets	1,269,360	1,277,941	-8,581	-0.7%
Tax assets	4,619,636	5,012,477	-392,841	-7.8%
Non-current assets held for sale and discontinued operations	131,082	1,592,782	-1,461,700	-91.8%
- Customer loans	93,744	1,576,159	-1,482,415	-94.1%
- Other assets and group of assets	37,338	16,623	20,715	124.6%
Other assets	2,136,010	2,388,852	-252,842	-10.6%
Total Assets	**167,038,201**	**160,464,791**	**6,573,410**	**4.1%**
Direct funding	109,506,299	105,219,691	4,286,608	4.1%
- Due to customers	93,375,026	90,197,859	3,177,167	3.5%
- Debt securities issued and financial liabilities designated at FV	16,131,273	15,021,832	1,109,441	7.4%
Due to banks	28,515,685	31,633,541	-3,117,856	-9.9%
Leasing debts	732,536		732,536	
Other financial liabilities designated at fair value	10,919,429	7,228,829	3,690,600	51.1%
Liability provisions	1,486,683	1,704,866	-218,183	-12.8%
Tax liabilities	619,269	505,402	113,867	22.5%
Liabilities associated with assets held for sale	5,096	3,043	2,053	67.5%
Other liabilities	3,366,122	3,864,345	-498,223	-12.9%
Total Liabilities	**155,151,119**	**150,159,717**	**4,991,402**	**3.3%**
Minority interests	26,076	45,599	-19,523	-42.8%
Shareholders' equity	11,861,006	10,259,475	1,601,531	15.6%
Consolidated Shareholders' Equity	**11,887,082**	**10,305,074**	**1,582,008**	**15.4%**
Total Liabilities and Shareholders' Equity	**167,038,201**	**160,464,791**	**6,573,410**	**4.1%**

2019 figures are not fully comparable to 2018 figures as a result of IFRS16 first adoption and for the change in the accounting standard for the valuation of the Group's property and works of art.

(*) Include the Senior notes for those the Italian government has issued the State guarantee on the securitization of bad loans, pursuant to the Decree Law 18/2016 ("GACS")

BANCO BPM GROUP

Reclassified consolidated income statement

(in euro thousand)	2019	2018	Change	Chg. %
Net interest income	1,997,952	2,292,562	-294,610	-12.9%
Income (loss) from investments in associates carried at equity	131,255	159,457	-28,202	-17.7%
Net interest, dividend and similar income	**2,129,207**	**2,452,019**	**-322,812**	**-13.2%**
Net fee and commission income	1,794,423	1,860,941	-66,518	-3.6%
Other net operating income	37,245	389,771	-352,526	-90.4%
Net financial result	332,080	70,179	261,901	373.2%
Other operating income	**2,163,748**	**2,320,891**	**-157,143**	**-6.8%**
Total income	**4,292,955**	**4,772,910**	**-479,955**	**-10.1%**
Personnel expenses	-1,696,531	-1,732,805	36,274	-2.1%
Other administrative expenses	-638,566	-816,478	177,912	-21.8%
Net value adjustments on property and equipment and intangible assets	-268,949	-243,498	-25,451	10.5%
Operating costs	**-2,604,046**	**-2,792,781**	**188,735**	**-6.8%**
Profit (loss) from operations	**1,688,909**	**1,980,129**	**-291,220**	**-14.7%**
Net adjustments on loans to customers	-778,530	-1,941,116	1,162,586	-59.9%
Profit (loss) on fair value measurement of tangible assets	-158,533		-158,533	
Net adjustments on other assets	5,759	3,291	2,468	75.0%
Net provisions for risks and charges	-71,025	-345,341	274,316	-79.4%
Profit (loss) on the disposal of equity and other investments	333,151	173,358	159,793	92.2%
Income (loss) before tax from continuing operations	**1,019,731**	**-129,679**	**1,149,410**	
Tax on income from continuing operations	-145,417	162,835	-308,252	
Systemic charges after tax	-92,877	-100,218	7,341	-7.3%
Income (loss) after tax from discontinued operations	-	936	-936	
Income (loss) attributable to minority interests	15,564	9,623	5,941	61.7%
NET INCOME (LOSS) for the period excluding Impairment on client relationship	**797,001**	**-56,503**	**853,504**	
Impairment on client relationship after tax		**-2,929**	**2,929**	
NET INCOME (LOSS) FOR THE PERIOD	**797,001**	**-59,432**	**856,433**	

2019 figures are not fully comparable to 2018 figures as a result of IFRS16 first adoption and for the change in the accounting standard for the valuation of the Group's property and works of art.

As a result of the new accounting criteria of Certificates upfront fees, Q1 2019 and 2018 figures have been restated in order to allow a comparison on a like for like basis, as illustrated in the Explanatory notes.

BANCO BPM GROUP

Reclassified consolidated income statement - Quarterly evolution

(in euro thousand)	Q4 2019	Q3 2019 restated	Q2 2019 restated	Q1 2019 restated	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	477,930	500,024	514,846	505,152	554,694	557,759	584,998	595,111
Income (loss) from investments in associates carried at equity	33,917	27,952	32,628	36,758	50,668	32,791	33,413	42,585
Net interest, dividend and similar income	**511,847**	**527,976**	**547,474**	**541,910**	**605,362**	**590,550**	**618,411**	**637,696**
Net fee and commission income	462,167	444,065	453,673	434,518	474,374	451,372	457,274	477,921
Other net operating income	6,339	7,994	8,292	14,620	21,061	214,531	130,029	24,150
Net financial result	207,370	41,668	10,697	72,345	-78,397	46,768	73,901	27,907
Other operating income	**675,876**	**493,727**	**472,662**	**521,483**	**417,038**	**712,671**	**661,204**	**529,978**
Total income	**1,187,723**	**1,021,703**	**1,020,136**	**1,063,393**	**1,022,400**	**1,303,221**	**1,279,615**	**1,167,674**
Personnel expenses	-437,052	-415,622	-417,984	-425,873	-422,177	-431,479	-437,060	-442,089
Other administrative expenses	-149,780	-158,632	-163,135	-167,019	-205,705	-196,184	-203,102	-211,487
Net value adjustments on property and equipment and intangib	-69,289	-68,586	-67,745	-63,329	-97,096	-49,456	-49,020	-47,926
Operating costs	**-656,121**	**-642,840**	**-648,864**	**-656,221**	**-724,978**	**-677,119**	**-689,182**	**-701,502**
Profit (loss) from operations	**531,602**	**378,863**	**371,272**	**407,172**	**297,422**	**626,102**	**590,433**	**466,172**
Net adjustments on loans to customers	-220,499	-208,387	-197,692	-151,952	-987,260	-267,405	-360,212	-326,239
Profit (loss) on fair value measurement of tangible assets	-131,012	-739	-19,306	-7,476				
Net adjustments on other assets	1,596	4,138	3,996	-3,971	3,968	-1,312	-1,593	2,228
Net provisions for risks and charges	-62,633	-2,712	-10,102	4,422	-227,805	-71,865	-20,707	-24,964
Profit (loss) on the disposal of equity and other investments	-3,638	-24	336,646	167	5,109	-10,301	-1,104	179,654
Income (loss) before tax from continuing operations	**115,416**	**171,139**	**484,814**	**248,362**	**-908,566**	**275,219**	**206,817**	**296,851**
Tax on income from continuing operations	-24,396	-43,219	-25,229	-52,573	322,430	-72,338	-61,320	-25,937
Systemic charges after tax	-4,495	-31,521	-15,240	-41,621	-668	-32,122	-18,391	-49,037
Income (loss) after tax from discontinued operations	-	-	-	-	-	932	18	-14
Income (loss) attributable to minority interests	9,247	1,846	3,225	1,246	5,777	256	2,160	1,430
NET INCOME (LOSS) for the period excluding Impairment on client relationship	**95,772**	**98,245**	**447,570**	**155,414**	**-581,027**	**171,947**	**129,284**	**223,293**
Impairment on client relationship after tax	**-**	**-**	**-**	**-**	**-2,929**	**-**	**-**	**-**
NET INCOME (LOSS) FOR THE PERIOD	**95,772**	**98,245**	**447,570**	**155,414**	**-583,956**	**171,947**	**129,284**	**223,293**

2019 figures are not fully comparable to 2018 figures as a result of IFRS16 first adoption and for the change in the accounting standard for the valuation of the Group's property and works of art.

Q1, Q2 and Q3 2019 figures have been restated for the application in Q4 of the new valuation model.

As a result of the new accounting criteria of Certificates upfront fees, Q1 2019 and 2018 figures have been restated in order to allow a comparison on a like for like basis, as illustrated in the Explanatory notes, paragraph 1.

BANCO BPM GROUP

Reclassified consolidated income statement without PPA line-by-line - Quarterly evolution

(in euro thousand)	Q4 2019	Q3 2019 restated	Q2 2019 restated	Q1 2019 restated	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	473,959	495,805	512,117	499,188	534,304	537,227	541,685	536,030
Income (loss) from investments in associates carried at equity	33,917	27,952	32,628	36,758	50,668	32,791	33,413	42,585
Net interest, dividend and similar income	**507,876**	**523,757**	**544,745**	**535,946**	**584,972**	**570,018**	**575,098**	**578,615**
Net fee and commission income	462,167	444,065	453,673	434,518	474,374	451,372	457,274	477,921
Other net operating income	16,129	17,785	17,928	24,182	31,635	225,104	140,539	34,604
Net financial result	207,370	41,668	10,697	72,345	-78,397	46,768	73,901	27,907
Other operating income	**685,666**	**503,518**	**482,298**	**531,045**	**427,612**	**723,244**	**671,714**	**540,432**
Total income	**1,193,542**	**1,027,275**	**1,027,043**	**1,066,991**	**1,012,584**	**1,293,262**	**1,246,812**	**1,119,047**
Personnel expenses	-437,052	-415,622	-417,984	-425,873	-422,177	-431,479	-437,060	-442,089
Other administrative expenses	-149,780	-158,632	-163,135	-167,019	-205,705	-196,184	-203,102	-211,487
Net value adjustments on property and equipment and intangible	-69,289	-68,586	-67,745	-63,329	-94,597	-46,543	-46,126	-45,056
Operating costs	**-656,121**	**-642,840**	**-648,864**	**-656,221**	**-722,479**	**-674,206**	**-686,288**	**-698,632**
Profit (loss) from operations	**537,421**	**384,435**	**378,179**	**410,770**	**290,105**	**619,056**	**560,524**	**420,415**
Net adjustments on loans to customers	-220,499	-208,387	-197,692	-151,952	-987,260	-267,405	-360,212	-326,239
Profit (loss) on fair value measurement of tangible assets	-131,012	-739	-19,306	-7,476				
Net adjustments on other assets	1,596	4,138	3,996	-3,971	3,968	-1,312	-1,593	2,228
Net provisions for risks and charges	-62,633	-2,712	-10,102	4,422	-227,805	-71,865	-20,707	-24,964
Profit (loss) on the disposal of equity and other investments	-3,638	-24	336,646	167	5,109	-10,301	-1,104	179,654
Income (loss) before tax from continuing operations	**121,235**	**176,711**	**491,721**	**251,960**	**-915,883**	**268,173**	**176,908**	**251,094**
Tax on income from continuing operations	-26,565	-44,949	-27,436	-53,709	324,810	-69,946	-51,347	-10,742
Systemic charges after tax	-4,495	-31,521	-15,240	-41,621	-668	-32,122	-18,391	-49,037
Income (loss) after tax from discontinued operations	-	-	-	-	-	932	18	-14
Income (loss) attributable to minority interests	9,247	1,846	3,225	1,246	5,777	256	2,160	1,430
NET INCOME (LOSS) for the period excluding PPA and Impairment on goodwill and client relationship	**99,422**	**102,087**	**452,270**	**157,876**	**-585,964**	**167,293**	**109,348**	**192,731**
Purchase Price Allocation (PPA) after tax	**-3,650**	**-3,842**	**-4,700**	**-2,462**	**4,937**	**4,654**	**19,936**	**30,562**
Impairment on goodwill and client relationship after tax	**-**	**-**	**-**	**-**	**-2,929**	**-**	**-**	**-**
NET INCOME (LOSS) FOR THE PERIOD	**95,772**	**98,245**	**447,570**	**155,414**	**-583,956**	**171,947**	**129,284**	**223,293**

2019 figures are not fully comparable to 2018 figures as a result of IFRS16 first adoption and for the change in the accounting standard for the valuation of the Group's property and works of art.

Q1, Q2 and Q3 2019 figures have been restated for the application in Q4 of the new valuation model.

As a result of the new accounting criteria of Certificates upfront fees, Q1 2019 and 2018 figures have been restated in order to allow a comparison on a like for like basis, as illustrated in the Explanatory notes, paragraph 1.

BANCO BPM GROUP

Statement of consolidated Comprehensive Income (*)

(in euro thousand)	2019	Q4 2019	Q3 2019 restated	Q2 2019 restated	Q1 2019 restated
Income for the period	**797,001**	**95,772**	**98,245**	**447,570**	**155,414**
Other comprehensive income items	**526,739**	**243,515**	**159,193**	**13,519**	**110,512**
Income items not recognized through P&L	**334,300**	**350,883**	**23,921**	**-56,073**	**15,569**
- Equity securities designated at fair value through other comprehensive income	119,809	105,847	26,309	-31,877	19,530
- Tangible assets	249,658	249,658			
- Other items	-35,167	-4,622	-2,388	-24,196	-3,961
Income items recognzied through P&L	**192,439**	**-107,368**	**135,272**	**69,592**	**94,943**
- Debt securities measured at fair value through other comprehensive income	178,775	-103,009	126,009	64,314	91,461
- Other items	13,664	-4,359	9,263	5,278	3,482
TOTAL COMPREHENSIVE INCOME	**1,323,740**	**339,287**	**257,438**	**461,089**	**265,926**

Q1, Q2 and Q3 2019 figures have been restated for the application in Q4 of the accounting standard for the valuation of

(*) not inclusive of minority interest

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