



# SPAFID CONNECT

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*Testo del comunicato*

Vedi allegato.



## PRESS RELEASE

### BANCO BPM INITIATIVES TO TACKLE THE COVID-19 EMERGENCY:

- IMPLEMENTED PAYMENT SUSPENSION AND MORATORIA MEASURES ENVISAGED BY THE "CURA ITALIA" DECREE
- SUBSIDISED LOANS OF UP TO € 25,000 FROM THE GUARANTEE FUND AVAILABLE FOR SMES
  - BUSINESS LOANS OF UP TO € 5 MILLION WITH STATE GUARANTEE MADE AVAILABLE
- MAXIMUM OF € 5 BILLION MADE AVAILABLE TO ASSIST COMPANIES, TRADERS AND PROFESSIONALS
- MORE THAN € 3.5 MILLION ALLOCATED FROM THE BANK AND FROM TOP MANAGEMENT FOR DONATIONS TO LOCAL COMMUNITIES, HOSPITALS AND RESEARCH INSTITUTES TO TACKLE THE COVID-19 EMERGENCY

### RESULTS AS AT 31 MARCH 2020

NET PROFIT OF € 152 MILLION, UP 58.3% AGAINST Q4 2019 AND IN LINE WITH Q1 2019

#### SOUND EQUITY AND LIQUIDITY POSITION CONFIRMED

- "FULLY-PHASED" CET1 RATIO AT 12.9% AND "FULLY-PHASED"
  - MDA BUFFER AT 307 BPS<sup>1</sup>
  - LCR 148% AND NSFR >100%<sup>2</sup>

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<sup>1</sup> The MDA buffers do not consider the benefits of the temporary measures introduced by the ECB.

<sup>2</sup> LCR and NSFR referred to Q1 2020; NSFR based on management accounting data.

The results<sup>3</sup> of the first quarter of 2020 were positive:

- growth in operating profit (€ 526 million, +27.9% compared to Q1 2019)
- growth in operating income (€ 1,160 million, +8.8% compared to Q1 2019)

Core performing loans<sup>4</sup> to customers increased (€ 94.0 billion, +3.1%) as did core direct funding<sup>5</sup> (€ 90.2 billion, +2.7%) compared to December 2019:

- Net loans to customers € 108.0 billion (+2.1% compared to December 2019)
- Net performing loans € 102.6 billion (+2.3% compared to December 2019)
  - Net NPE € 5.4 billion (-2.1% compared to December 2019)
- Direct funding<sup>6</sup> from customers € 111.5 billion (+2.4% compared to December 2019)

Derisking actions continue: Net NPE ratio down to 5.0%, from 5.2% at the end of 2019

Texas Ratio<sup>7</sup> significantly improved at 50.1% (52.3% in December 2019)

The cost of risk at 53 bps (73 bps in 2019)<sup>8</sup>. Including the higher adjustments to performing loans (€ 70 million), made to anticipate the possible impact of the crisis linked to Covid-19, the cost of risk rises to 79 bps

Maintenance of a solid equity base:

- CET1 ratio<sup>9</sup>: phased-in at 14.4%; IFRS 9 fully-phased at 12.9%
- MDA buffer: 490 bps phased-in and 307 bps fully-phased

Excellent liquidity position, with unencumbered eligible assets of € 22.6 billion<sup>10</sup>

**The first quarter of 2020 was characterised by the Covid-19 health emergency. In this context, Banco BPM recorded a net income of € 152 million.**

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<sup>3</sup> From the financial report as at 31 March 2020, the reclassified income statement includes a separate item, called "Purchase Price Allocation after tax", the impact of the reversal effects of the PPA, recognised following the business combinations completed in previous years, relating to the loans portfolio and to the Client Relationship. The amounts of previous periods used for comparison have been restated on a like-for-like basis.

<sup>4</sup> Mortgages, loans, current accounts and personal loans.

<sup>5</sup> Current accounts and deposits.

<sup>6</sup> 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.

<sup>7</sup> The Texas Ratio measures the ratio between the net value of impaired loans and the Group's tangible equity.

<sup>8</sup> 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.

<sup>9</sup> Ratios calculated including the profit for the first quarter of 2020 net of the impact attributed to its credit rating.

<sup>10</sup> Amount updated to 31 March 2020.

***This good result was achieved in parallel with the constant monitoring of credit quality, and a further reduction of non-performing exposures and a further decline in the net NPE ratio to 5.0% (5.2% at the end of 2019 and 6.5% at the end of 2018).***

***In addition to these trends, a sound equity position was maintained with a phased-in CET1 Ratio and fully-loaded CET1 of 14.4% and 12.9% respectively, despite the impact of the crisis on the financial markets.***

***The Group's good performance is confirmed by the development of its commercial business, as shown by the trend in lending, which saw the disbursement of € 5.3 billion in new loans in the quarter. Also in terms of direct core funding (current accounts and deposits), an increase of € 2.4 billion was recorded, corresponding to +2.7% against the end of the previous year.***

***This result was achieved in a negative macroeconomic and interest-rate scenario that continues to be heavily penalising for banks. The Group's constant efficiency improvement also continued through the decrease in operating expenses (-3.2% yoy).***

### **Key balance sheet items**

- Net loans to customers € 108.0 billion, of which performing loans up +2.3% and impaired loans down by -2.1% compared to 31 December 2019;
- Direct customer funding of € 111.5 billion<sup>11</sup> (€ 108.9 billion at the end of December 2019): during the period, the growth trend in the core funding from current accounts and deposits was confirmed (+€ 2.4 billion compared to the end of 2019);
- Indirect customer funding<sup>12</sup> € 82.2 billion (compared to € 89.7 billion at 31 December 2019), of which:
  - asset management € 54.1 billion;
  - assets under administration € 28.1 billion.

### **Key income statement items**

- Interest margin € 474.1 million against € 499.2 million in the first quarter of 2019 and € 474.0 million in the fourth quarter of 2019;
- Net fee and commission income € 440.6 million against € 434.5 million in the first three months of 2019 and € 462.2 million in the fourth quarter of 2019;
- Operating expenses € 635.0 million against € 656.2 million as at 31 March 2019 and € 656.1 million in the fourth quarter of 2019;

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<sup>11</sup> Direct funding includes certificates with unconditional capital protection (€ 3.0 billion at 31 March 2020 compared to € 3.2 billion at the end of 2019), but excludes repurchase agreements.

<sup>12</sup> Management accounting data net of certificates with unconditional capital protection included under "direct funding".

- Profit from operations € 525.5 million against € 410.8 million as at 31 March 2019 and € 537.4 million in the fourth quarter of 2019;
- Net adjustments to customer loans of € 213.2 million against € 152.0 million in the first three months of 2019 and € 220.5 million in the fourth quarter of 2019;
- Net profit of € 151.6 million, compared to a profit of € 155.4 million in the first quarter of 2019 and € 95.8 million in the fourth quarter of 2019.

### **Capital position<sup>13</sup>:**

- CET1 ratio "IFRS9 fully-phased" 12.9% (13.0% as at 31 December 2019), with an MDA buffer of 307 bps;
- CET1 ratio "IFRS9 phased-in" 14.4% (14.8% as at 31 December 2019), with an MDA buffer of 490 bps;

### **Credit quality**

- Net non-performing loan stock of € 5.4 billion, with a decrease of € 0.1 billion compared to the end of 2019 (-2.1%) and € 1.2 billion compared to 31 March 2019 (-17.6%)

#### Coverage:

- Bad loans: 55.3% (56.2% at 31 December 2019); considering also write-offs, the coverage was 62.5%;
- Unlikely to pay: 39.6% (39.1% at 31 December 2019);
- Non-performing loans: 45.0% (like at 31 December 2019); considering also write-offs, the coverage was 48.5%.

### **Liquidity profile**

- Unencumbered eligible assets of € 22.6 billion at 31 March 2020;
- LCR 148% and NSFR >100%<sup>14</sup>

Verona, 7 May 2020 – At today's meeting, the Board of Directors of Banco BPM, chaired by Mr. Massimo Tononi, approved the balance sheet and income statement as at 31 March 2020 of the Banco BPM Group.

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<sup>13</sup> Ratios calculated also including the profit for the first quarter of 2020. The ratios relating to 31 December 2019 have been restated to take into account the fact that a dividend was not paid and the consequent allocation of the entire profit for 2019 to reserves.

<sup>14</sup> LCR and NSFR related to Q1 2020; NSFR based on management accounting data.

The first quarter of the year was influenced by the international emergency for the Coronavirus epidemic.

In this context, characterised by considerable repercussions on the global economy, as well as on business operations, the Group set in motion a comprehensive set of measures to protect its customers and employees, as well as provide solid support to businesses, households and the communities the Group operated in, in compliance with the legislation in force.

The Bank has continued to guarantee the highest level of safety for its employees and its customers by adopting a smart-working approach and an interaction model based on increasing the use of digital channels. In this way, proximity to customers was assured through new tools and solutions able to guarantee the service while complying with the Government's lockdown provisions.

The Bank also organised for the measures adopted by the Government to be implemented, which entailed granting moratoria on payments, suspending mortgage instalments, granting or renegotiating loans with state guarantees, and advancing lay-off benefits.

Furthermore, additional supportive measures were implemented through the establishment of a maximum ceiling of € 5 billion to provide liquidity to companies, traders and freelancers and by extending the beneficiaries of the subsidies envisaged by Government provisions (simplified bilateral moratoria for private customers and companies, extension of advances in Italy and abroad and suspension of payments for all type of instalment arrangements).

At the beginning of May, around 70,000 requests relating to the moratoria and payment suspensions envisaged by Government decrees have already been received, along with more than 35,000 requests relating to loans guaranteed by the state and around 4,000 requests relating to the ceiling made available by the Bank.

Special attention has been paid to guaranteeing the continuity of essential services and to assisting customers by strengthening online and digital banking transactions, managing customer relations with an "omnichannel" approach (through telephone contact, internet and email) and by developing new IT procedures to accelerate the stages of approving and disbursing loans.

Moreover, Banco BPM has implemented the recommendations of the European Central Bank dated 27 March 2020, which proposed that supervised banks should not pay dividends (not yet resolved) and should not make any irrevocable commitment for their payment for FY 2019 and FY 2020, at least until 1 October 2020, in order to strengthen their equity base and to have greater funds available to sustain households and businesses in the economic situation resulting from the current medical emergency.

Lastly, over € 3.5 million was allocated by the Bank and by top management for donations addressed to a series of initiatives to support local communities, hospitals and research institutes to tackle the Covid-19 health emergency.

On 3 March, the 2020-2023 Strategic Plan was approved, based on assumptions and objectives established prior to the adoption of the restrictive measures relating to the Coronavirus emergency (lockdown).

As better explained in the paragraph on the business outlook, the Bank will prepare a new business plan once there is more certainty as to the future scenario.

During the quarter, the Group has continued to work on its projects and conducted important capital management transactions. In January, the Group finalised a second issue of Additional Tier 1 instruments (the first was made in April 2019) for the amount of € 400 million, addressed to institutional investors.

This operation was followed, in February, by a new issue of non-preferred senior notes for € 750 million, with a 5-year maturity, which are part of the Group's EMTN Programme.

In this context, characterised by high elements of uncertainty on the global and Italian economies, directly or indirectly related to the Coronavirus epidemic, the Group achieved good operating and financial performance, recording an operating profit of € 525.5 million and a net profit of € 151.6 million. This result includes the positive effect resulting from the valuation at fair value of liabilities issued consequent to the deterioration of Banco BPM's credit rating.

### **Economic performance of operations**<sup>15</sup>

**Net interest income** stood at € 474.1 million, compared to € 499.2 million in the corresponding period of the previous year. The performance of the above was negatively influenced by the interest rate trend and by the lower contribution of non-commercial activities, as well as a lower contribution from interest on non-performing exposures related to the derisking plan set in place in previous years. Net interest income is in line with the figure of € 474.0 million recorded in the fourth quarter of 2019, recording, however, a greater contribution from interest rating to commercial activities.

**The result for investees measured with the equity method** shows a profit of € 22.3 million, down compared both to the figure of € 36.8 million recorded in the corresponding period of last year, and compared to the contribution of the fourth quarter of 2019, amounting to € 33.9 million. Within this aggregate, the main contribution was provided by consumer credit of € 17.3 million conveyed by the shareholding in Agos Ducato.

**Net fee and commission income** amounted to € 440.6 million, up 1.4% compared to € 434.5 million recorded in the same period of last year. The increase mostly related to management, brokerage and advisory services, which recorded a rise of € 16.0 million against the first quarter of last year. Commissions on credit availability fell (€ -3.2 million), as did current account maintenance and management (€ -2.9 million).

Compared to the fourth quarter of 2019, instead, this item shows a decrease of 4.7%, mostly related to commercial banking commission, which recorded a decrease of 7.2%, due to the lower contribution of commission on pool and structured finance operations. Furthermore, less investment products were placed in the first quarter, also due to the lockdown measures consequent to the Covid-19 epidemic.

**Other net operating income** totalled € 16.7 million, down € 7.4 million compared to the first quarter of 2019, mainly due to the gradual fall in fast-track commissions (-22.8%) and the lower contribution of rental income (-15.3%). A comparison with the figure for the fourth quarter of 2019 (€ 16.1 million) shows an increase of 3.8%.

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<sup>15</sup> From the financial report as at 31 March 2020, the reclassified income statement includes a separate item, called "Purchase Price Allocation after tax", the impact of the reversal effects of the PPA, recognised following the business combinations completed in previous years, relating to the loans portfolio and to the Client Relationship. The amounts of previous periods used for comparison have been restated on a like-for-like basis.

The **net financial result** was € 206.8 million, compared to € 72.3 million in the same period of the previous year. This result was influenced by the impact of the change in its credit rating, triggered by the crisis due to the Covid-19 epidemic, on the valuation at fair value of the certificates issued by Banca Akros, which led to the recognition of income amounting to € 206.0 million (€ 171.3 million net of the reabsorption of the negative impact deriving from the change in the credit rating charged against the P&L in the previous year). This effect was contrasted by the fall in the prices of securities in the portfolio, which led to the recognition of valuation losses of € 31.5 million (€ 36.8 million in March alone). Note that in the first quarter of 2019, capital gains totalling € 68.2 million were recognised on the securities in the portfolio of financial assets that must be measured at fair value, of which € 59.8 million related to Nexi S.p.A..

The net financial result is substantially in line with the fourth quarter of 2019, which included profits resulting from the sale of securities for € 124.4 million and capital gains resulting from the valuation of assets relating to Sorgeria for € 44.6 million.

By virtue of the trends described, total **operating income** amounted therefore to € 1,160.5 million, up 8.8% compared to the first quarter of 2019, mainly due to the effect of the above-illustrated components relating to commissions and to the net financial result. Compared to the figure for the fourth quarter of 2019, operating income was down 2.8% due mainly to a lower contribution from investees and lower commissions.

**Personnel expenses**, amounting to € 419.0 million showed a decrease of 1.6% compared to € 425.9 million recorded in the corresponding period of last year, and 4.1% compared to € 437.1 million recorded in the fourth quarter of 2019, which included the charges relating to the renewal of the national labour agreement (CCNL). The total number of employees was 21,884 at 31 March 2020, compared to 21,941 at the end of 2019.

**Other administrative expenses**<sup>16</sup> amounted to € 154.6 million, a drop of 7.4% drop compared to the first quarter of 2019, thanks to strict cost control.

Compared to the fourth quarter of 2019, the aggregate shows an increase of 3.2%.

**Write-downs of property, plant and equipment and intangible assets** amounted to € 61.4 million, compared to € 63.3 million at 31 March 2019, and include amortisation of intangible assets of € 1.5 million. The comparison with the fourth quarter of 2019 shows a significant fall in the depreciation of property, plant and equipment (€ -6.6 million), due to the process of rationalisation of the property segment launched by the Group.

Total **operating expenses** therefore amounted to € 635.0 million, falling by 3.2% both compared to the first quarter of 2019 and to the fourth quarter of 2019.

**Net adjustments to customer loans** amounted to € 213.2 million, up € 61.3 million compared to the same period of the previous year, but down against the figure of € 220.5 million recorded in the fourth quarter of 2019. This amount includes adjustments to performing loans resulting from the consideration of the impacts of the post-Covid-19 macroeconomic scenario, of around € 70 million. Due to the above, the cost of credit, measured by the ratio of net value adjustments on loans to net loans, was 79 basis points, compared with 57 basis points recorded for the same period of the

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<sup>16</sup> The aggregate does not include the "systemic 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 the relative tax.

previous year (73 bps as at 31 December 2019). Net of this effect, the cost of credit would have been 53 bps.

The **loss on the fair value measurement of tangible assets** amounts to € 0.3 million as at 31 March 2020.

In the income statement for the first quarter, **net write-backs on securities and other financial assets** for € 4.7 million were recognised (against net write-backs of € 4.0 million at 31 March 2019).

**Net provisions for risks and charges** entailed a net release of € 2.2 million; in the same period of the previous year, provisions of € 4.4 million were released.

In the first quarter of 2020, as in the corresponding period of the previous year, no **gains on the disposal of equity and other investments** of any significant amount were recorded.

As a result of the trends described above, the **income from continuing operations before taxes and before systemic charges** showed a profit of € 309.6 million compared to the profit of € 252.0 million recorded in the same period of the previous year.

**Income tax for the period on continuing operations** as at 31 March 2020 was € -93.8 million (€ -53.7 million as at 31 March 2019).

The income statement for the period included **charges related to the banking system, net of taxes** of € 57.5 million (€ 41.6 million in the first quarter of 2019), related to the ordinary contribution to the Single Resolution Fund (SRF) (€ 85.2 million before tax, compared to € 61.7 million as at 31 March 2019).

The new item of the reclassified income statement, called **Purchase Price Allocation after tax** amounted to € -6.6 million and includes the reversal effect of the PPA relating to the loans portfolio and to Client Relationship, after the relative tax. The figure for the corresponding period of the previous year amounted to € -2.5 million.

Given the share of the profit or loss attributable to non-controlling interests, the first quarter of 2020 ended with a **net profit for the period** of € 151.6 million, compared to the net result of € 155.4 million recorded in the same period of last year.

### **Key balance sheet items**

As at 31 March 2020, **direct funding**<sup>17</sup> totalled € 111.5 billion, showing an increase of 2.4% compared to the € 108.9 billion as at 31 December 2019. In comparison with the figures at the end of 2019 an increase of € 2.5 billion was recorded for the segment represented by current accounts and demand deposits of the commercial network (+2.9%). The trend in bonds issued also increased (+3.2%) following the new issue of non-preferred senior notes made in the quarter. With regard to funding guaranteed by the stock of certificates, the balance at 31 March 2020 was € 3.0 billion, down compared to the € 3.2 billion at 31 December 2019 (-6.8%).

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<sup>17</sup> 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.

**Indirect funding** net of capital-protected certificates totalled € 82.2 billion, down 8.4% compared to 31 December 2019, substantially due to negative market trends.

The component of managed funding amounted to € 54.1 billion, with a decrease of 7.3% compared to the figure of € 58.3 billion of 31 December 2019, due to the above-mentioned market trends. The decrease mainly regards the funds and SICAV segment, which recorded a drop of € 4.1 billion in the quarter (-10.5%); portfolio and bancassurance management also recorded a slight decrease.

Administered assets were also down, recording € 28.1 billion, with decrease of € 3.3 billion compared to the end of 2019, also due to market volatility.

**Financial assets** totalled € 39.5 billion and were up by 6.5% compared to € 37.1 billion at 31 December 2019; the increase mostly regards debt securities measured at amortised cost. The item at 31 March 2020 is made up of debt securities of € 34.5 billion, equity securities and UCITS units of € 1.7 billion and derivatives and other financial assets of € 3.3 billion. Exposures in debt securities issued by Sovereign States were € 29.6 billion, of which € 18.2 billion related to Italian government bonds; the proportion of the latter in the segment of government bonds was 61.3% at 31 March 2020 compared to 58.7% in December 2019, with an increase related to positions included in both the trading and HTC portfolios.

**Net loans to customers**<sup>18</sup> totalled € 108.0 billion at 31 March 2020, up by € 2.2 billion compared to the figure of 31 December 2019; the increase is entirely due to performing exposures, which rose by € 2.3 billion (+2.3%), with a volume of new loans to households and businesses of € 5.3 billion in the quarter, while non-performing exposures fell further compared to the end of 2019 (€ -0.1 billion, corresponding to -2.1%).

**Net non-performing loans** (bad loans, unlikely to pay and past due and/or over-the-limit exposures) amounted to € 5.4 billion at 31 March 2020 and show a decrease of € 115 million (-2.1%) compared to 31 December 2019. The comparison with the previous year reflects the continuation of derisking efforts: year on year, the reduction of net non-performing exposures is € 1.2 billion, corresponding to 17.6%.

An analysis of the individual items shows the following dynamics:

- Net bad loans of € 1.6 million, in line with the figure at 31 December 2019 and 31 March 2019;
- Net unlikely-to-pay loans of € 3.8 million, down by 3.4% compared to € 3.9 million at 31 December 2019 (€ 4.9 billion at 31 March 2019, -22.5%);
- Net past-due exposures of € 81 million, slightly up compared to € 73 million at 31 December 2019 (€ 78 million at 31 March 2019).

The coverage ratio for the entire non-performing loans aggregate was 45.0%, in line with 31 December 2019 (43.6% at 31 March 2019).

More specifically, at 31 March 2020, the coverage ratio was as follows:

- Bad loans 55.3% (56.2% at 31 December 2019, while it was 59.6% at 31 March 2019);
- Unlikely-to-pay 39.6% (39.1% at 31 December 2019 and 35.3% at 31 March 2019);
- Unlikely-to-pay 23.7% (25.9% at 31 December 2019 and 18.1% at 31 March 2019).

The coverage ratio of performing loans was 0.36%, compared to 0.33% at 31 December 2019 (0.37% at 31 March 2019).

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<sup>18</sup> The aggregate does not include customer loans which, following the application of IFRS 9, must be measured at fair value. These loans, corresponding to € 0.4 billion, are included in financial assets measured at fair value.

## **Group capital ratios<sup>19</sup>**

As at 31 March 2020, the Common Equity Tier 1 phased-in ratio was 14.44% compared to 14.76% as at 31 December 2019 (including the entire profit for 2019 following the carrying forward of the same). The slight fall in the ratio is mainly due to the reduction in valuation reserves of financial assets measured at fair value through comprehensive income caused by the negative market trend recorded in March at the time of the emergence of the Covid-19 health emergency, partly compensated by a slight fall in risk-weighted assets.

This ratio benefits from the exercise 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 afore-mentioned transitional rules, the CET1 IFRS 9 fully-phased ratio was 12.89%, also slightly lower than that of 31 December 2019 (equal to 13.05%).

The Tier 1 ratio was 15.67% compared to 15.42% as at 31 December 2019, also due to the issue of an Additional Tier 1 bond for a nominal € 400 million in January. The Total Capital Ratio was 17.78% compared to 17.73% as at 31 December 2019.

The buffer related to the limit envisaged for the distribution of dividends (Maximum Distributable Amount or MDA buffer) was 490 bps (307 bps on a fully-phased basis).

## **BUSINESS OUTLOOK**

In a scenario characterised by the worst global recession in post-war history, given the structure of the Italian economy, its already high public debt and the relative weight of industries such as tourism, which have been particularly hit by the current health crisis, it risks being one of the most fragile in Europe. The time horizon for the recovery of what was lost in 2020 in the coming years is currently uncertain. Given this context, the objectives of the 2020-2023 strategic plan, announced at the beginning of March, are no longer considered relevant to the current scenario, as they were drawn up on the basis of assumptions formulated before the outbreak of the global Covid-19 pandemic, in a macroeconomic scenario that is very different to that which is emerging from day to day. The Group will therefore prepare a new business plan once there is more certainty as to the future scenario, so that it can be based on new and more updated assumptions, both in macroeconomic and industry terms. During the year, pressure on net interest income, mainly attributable to market conditions, is expected to be offset by the volume trend, which will benefit from the effects of the measures set in place to contrast the depressive effects of the pandemic, and by the particularly favourable lending conditions guaranteed by the ECB. Turbulence in the financial markets and the recession will instead have repercussions on investee companies and on the commission trend, both that related to investment products and those with drivers related to economic activity. The containment of operating costs, by improving efficiency, will therefore continue to be one of the major focus areas of attention, helping to mitigate the pressure on results from operations. As regards credit quality, although the natural trend of its costs in the quarter is in line with expectations and the incoming flows of non-performing loans, as at April, does not appear to have accelerated, the

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<sup>19</sup> The figures and the capital ratios illustrated in this press release include the profit for the year recorded as at 31 March 2020 resulting from the consolidated balance sheet and income statement of the Group approved by the Board of Directors on today's date. This result, however, does not take into account the positive effect of the worsening of the credit rating on own liabilities issued. The ratios as at 31 December are restated to take account of the suspension in the dividend distribution and the resulting allocation to reserves of the full net income generated in 2019.

Group has anticipated the potential impact resulting from the worsening of the scenario, suitably adjusted to take into account the mitigating effects of the supportive measures granted to customers (state guarantees and moratoria), by increasing provisions on the performing loans portfolio (see point 2 of the Explanatory Notes). The effects of these valuations will be constantly monitored on the basis of the current and future economic scenario, and, if necessary, appropriately adjusted. Barring the further deterioration of the scenario which, given the exceptional nature and uncertainty of the current context, cannot be ruled out, the Group's solid capital position, combined with its ability to generate capital organically, could enable sustainable shareholder remuneration subject to the instructions received from the ECB as regards the distribution of dividends after 1 October.

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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 Gruppo Banco BPM results as at 31 March 2020 will be presented to the financial community in the conference call scheduled for today, 7 May 2020 at 18:30 (CET). The supporting documentation for the conference call is available on the authorised storage system's website ([www.emarketstorage.com](http://www.emarketstorage.com)) and on the Bank's website ([www.bancobpm.it](http://www.bancobpm.it)), where the details for connecting to the call can also be found.

## Explanatory notes

This Press Release is the document through which Banco BPM has decided, on a voluntary basis, to make additional periodic information with respect to the half-year and annual information (the "quarterly disclosures"), available to the public and market, in compliance with the communication policy disclosed to the market, as required by art. 82-ter of the Issuers' Regulation in force as of 2 January 2017<sup>20</sup>. For the sake of completeness, note that the quarterly disclosure also comprises the document presenting the results, prepared as support for the conference call with the financial community, to be held after this Press Release has been issued.

The quarterly disclosure contained in this document includes comments on operating performance for the quarter, focusing on the trends of the main economic, equity and financial figures, calculated with reference to the reclassified balance sheet and income statement schedules.

Please find below some explanatory notes that are deemed useful to better understand the approach followed in preparing the above-mentioned accounting statements as at 31 March 2020 and those referring to the previous year, as well as the trend of the quarterly results reported in this press release.

### 1. Accounting policies and reference accounting standards

The balance sheet and income statement schedules contained in this press release have been reclassified according to 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 schedules have been prepared based on the financial statements envisaged by the Bank of Italy Circular no. 262/2005.

From the financial report as at 31 March 2020, the reclassified income statement includes a separate item, called "Purchase Price Allocation after tax", the impacts of the reversal effects of the PPA, recognised following the business combinations completed in previous years, relating to the loans portfolios and to Client Relationships. The amounts of previous periods used for comparison have been restated on a like-for-like basis.

Furthermore, reference should be made to the Press Release dated 6 February 2020, relating to the presentation of the results for FY 2019, for an illustration of the reclassifications made during the course of 2019 following the adoption of the new

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<sup>20</sup> The quarterly disclosure, the relative approval deadlines and the method of publication were disclosed to the public in a press release of Banco BPM entitled "2017 Corporate Events Calendar" dated 30 January 2017.

valuation criterion for property and artwork and the adoption of a different representation of remuneration relating to the placement of certificates.

The accounting standards adopted to prepare the financial report as at 31 March 2020 - with regard to the classification, recognition, measurement and derecognition of assets and liabilities, and for the recognition of costs and revenues - are those 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 March 2020, pursuant to EC Regulation no. 1606 of 19 July 2002.

Lastly, please note that the information contained in this document has not been prepared on the basis of accounting standard IAS 34 on interim financial reporting and is not subject to any audit.

## **2. Elements of uncertainty relating to the health emergency (Covid-19) and impact on the Group's results as at 31 March 2020**

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 recognised in the balance sheet. The assumptions used to calculate estimates take into account all information available on the date of preparation of the quarterly disclosure as at 31 March 2020, together with any scenarios considered reasonable based on past experience and the likely development of future reference scenarios. However, it cannot be ruled out that the estimates and the 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 March 2020, calling for adjustments that cannot be predicted or estimated today against the carrying amount of assets and liabilities recognized in the balance sheet.

For an illustration of Gruppo Banco BPM's accounting policies and of the main uncertainties on the use of estimates in the preparation of this interim periodic disclosure, reference should be made to the Consolidated annual financial report as at 31 December 2019 (Part A - Accounting policies").

With reference to the financial report as at 31 March 2020, the estimates and assumptions that have been developed are also influenced by the high uncertainty as to the negative effects, directly or indirectly resulting from the current health emergency (hereinafter also "Covid-19").

More specifically, the spread of the Covid-19 pandemic and its implication for public health, economic activity and trade, may have a significant negative impact on the growth of the Italian and global economies. At present, however, the extent of the phenomenon is not clear, as it will depend on the development of the pandemic and the resumption of production activities in so-called "Phase 2", namely the phase in which production activities are gradually resumed after the lockdown phase. Said recovery will also depend on the effectiveness of the monetary, tax and social policies set in motion by the relevant authorities (Governments, ECB, European Union ...).

Until such time as the extent of the crisis and of the national and European measures have become clearer, incorporating the effects of the Covid-19 emergency into the financial report as at 31 March 2020 is extremely difficult, as said effects depend on a series of variables that cannot be predicted at present, unless with large margins of uncertainty.

Therefore, it cannot be ruled out that the assumptions underlying the estimates made as at 31 March 2020 may have to be revised, following changes in the circumstances they were based on or following new information or greater past experience recorded. Consequently, it cannot be ruled out that the scenarios in which the Group will have to operate may be different, also significantly, from those considered in the estimates made to draw up the financial report as at 31 March 2020, leading to the need to make adjustments to the values of the assets and liabilities recognised in the financial statements, which at present cannot be predicted or estimated.

The exceptional nature of the current crisis is confirmed in the documents and statements published, from the beginning of March, by the ECB, EBA, Basel Committee, ESMA, CONSOB, IASB (hereinafter for the sake of simplicity, the Authorities), with a view to providing interpretations on how to apply the provisions of accounting principles in the context of the current crisis, also with the aim of avoiding excessively pro-cyclical assumptions. The above-cited statements also draw attention to the need to provide updated information on the risks linked to Covid-19, which may have an impact on the economic-equity and financial situation, on any action undertaken or planned to mitigate said risks, and an indication of the potential significant impacts on estimates of future performance.

Even in a context characterised by absolute uncertainty as to the development of the Covid-19 risk and by government provisions *in fieri*, the paragraphs below provide greater detail on how the Covid-19 emergency has influenced and could influence the Group's results.

### **Determining the impairment of performing credit exposures**

In the current crisis situation, the measurement of credit exposure, in terms of the quality and recoverability of the same, is a particularly complicated exercise as to determine expected losses, accounting standard IFRS 9 requires not only historic and current information to be considered, but also forward-looking information on the main macroeconomic factors, related to the recoverability of the credit exposures.

The block of economic and social activities caused by the Covid-19 pandemic will have a significant impact on the above-cited macroeconomic factors, even if said impact could be contained by the measures implemented by Governments, European institutions and central banks to sustain businesses and households.

At present, however, there is no agreement on forecasts as to the extent of the crisis and on the time needed for recovery. More specifically, while a negative impact on the economic activities of the Eurozone is expected, at least in the short term, the extent and the gravity of the impacts in the medium-long term is absolutely uncertain. The high dispersion of the forecasts in circulation is such that the "reasonableness and demonstrability" of any assumption is shrouded in doubt.

Aware of the exceptional uncertainty of the situation, the above-cited Authorities emphasise how important it is for company management to use their own professional judgement when updating the macroeconomic scenario underlying the calculation of expected losses, also through adjustments with respect to the results shown by the impairment models of IFRS 9 (known as "post-model overlay and adjustment"). More specifically, the Authorities (*in primis* IASB, Basel Committee, ECB, ESMA) emphasise the need to incorporate the deterioration of the economic situation provoked by the Covid-19 scenario but, at the same time, given the current climate of uncertainty, they point to the need to apply the margins of flexibility

envisaged by accounting standard IFRS 9. The cited margins would allow - where there is no supportable information for macroeconomic forecasts - expected losses to be estimated giving a greater weight to historic information on long-term macroeconomic forecasts. In the presence of reasonable estimates, the above-cited Authorities highlight the need for the expected losses to reflect the positive impact of the supportive measures granted by the public sector and the banks.

In the light of the above, for the valuation of its performing loans as at 31 March 2020, Banco BPM considered both a macroeconomic Covid-19 scenario updated to take the effects of the Covid-19 crisis into account - also using the forecasts made by external providers as reference - and a long-term macroeconomic scenario. Said information has been appropriately adjusted to take into account the mitigating effects of the various supportive measures granted to customers (state guarantees and moratoria).

Overall, the approaches adopted by the Group as at 31 March 2020 to update the macroeconomic scenarios of the Covid-19 crisis have entailed value adjustments amounting to around € 70 million, incorporated also through "post-model adjustments".

With regard to credit quality, as illustrated in this press release, the Group has granted various measures to support households and businesses, both by virtue of the provisions of government provisions and based on the initiatives set in place on a voluntary basis. The purpose of these measures is to provide support to the counterparties who have been hit by the interruption or restriction of economic activities, by suspending or postponing payments.

The vast majority of the moratoria are represented by moratoria ex lege, for which, in accordance with the indications of the Supervisory Authorities, there is no obligation to automatically classify them as "forborne" exposures.

The supportive measures were granted in any event following adequate due diligence to verify the sustainability of the same, namely taking into account the ability of the counterparties to meet their obligations at the end of the period of moratorium.

The granting of moratoria, from March, therefore did not lead to a deterioration of the creditworthiness of the counterparties. These exposures will be constantly monitored.

For the purposes of the preparation of the financial report as at 31 March 2020, the rules and the functioning of the stage assignment model are the same used for the financial statements as at 31 December 2019.

### **Determining the fair value of financial assets and liabilities**

Given the spread of the epidemic, the financial markets reacted with pronounced volatility, even in the presence of sound fundamentals, leading to a sudden and swift collapse of share prices, unprecedented in the history of financial markets.

Bond prices also fell, due to the aggressive widening of the credit spreads of Government and corporate securities, also characterised by high volatility.

The net financial result recorded for the first quarter of 2020, a profit of € 206.8 million, was influenced by the effect of valuation gains of € 206.0 million recorded on financial liabilities measured at fair value (issues of certificates), whose value fell following the downgrade of the Group's credit rating. As it cannot be foreseen whether the Group can realise the above-mentioned gains by repurchasing the liabilities issued, the gains recorded due to the fall in the fair value of financial liabilities will be reasonably allocated to future income statements, with a consequent negative impact on the net financial result, if credit spreads should improve or simply due to the passing of time.

In contrast, the net financial result as at 31 March 2020 suffered the overall fall of the prices of financial assets measured at fair value through profit or loss. In the month of March 2020 alone, the update of market prices actually led to net losses totalling € 36.8 million.

Until there is greater clarity on the time needed to overcome the crisis and the package of measures to contain the potential effects has been fully outlined and made known to the financial markets, the situation of significant volatility of the market prices of financial instruments is expected to continue, and could lead to a similar level of volatility in the financial results that will be recorded by the Group.

### **Estimating the recoverability of intangible assets with an indefinite useful life and of deferred tax assets**

For the purpose of the financial report as at 31 March 2020, tests on the recoverability of intangible assets with an indefinite useful life (goodwill and trademarks) and deferred tax assets, are based on the estimated forecasts of income flows available as at 31 December 2019, which took into account the preliminary information then used in the "2020-2023 Business Plan" approved on 3 March 2020.

The assumptions underlying the Business Plan, announced on 3 March 2020, were formulated before the adoption of the restrictive measures related to the spread of Covid-19 throughout the country and the global spread of the epidemic, and, therefore, in a national and international macroeconomic scenario unlike that which has emerged following the restrictive provisions due to the spread of the pandemic. This new scenario, which is worse than the previous one, makes the forecasts and the objectives set in the Business Plan no longer viable. For this reason, the Group will prepare a new business plan once there is more certainty as to the future scenario, so that it can be based on new and more updated assumptions, both in macroeconomic and industry terms, setting the relative targets based on reasonable assumptions. The result of the future update of the impairment test on intangible assets with an indefinite useful life and of the probability test on the recoverability of deferred tax assets resulting from prior tax losses and of those resulting from temporary differences than cannot be converted into tax credit, will depend on the entity of the expected changes in income flows and of the changes of the other reference parameters used to conduct the test, such as for example the cost of capital. It cannot be ruled out that said changes may lead to the recognition of value adjustments of intangible assets with an indefinite useful life and of deferred tax assets recognised in the financial statements as at 31 March 2020. The sensitivity analyses contained in the 2019 Annual Financial Report represent an important and useful reference to appreciate the extent of the uncertainty represented.

### **Determining the fair value of owned property**

The valuations of the property owned by the Group as at 31 March 2020 reflect the amounts estimated in the financial statements as at 31 December 2019, with the exception of some limited adjustments that were required to account for sales negotiations undertaken in the first quarter. In this regard, note that, from the 2019 financial statements, the Group changed the valuation criterion for property, passing from the cost criterion to the fair value criterion for property held for investment

purposes (IAS 40) and of the revalued amount for property used for the administrative and commercial activities (IAS 16). With regard to the application of the new valuation criteria, for the 2019 financial statements, the Group determined the market value of all owned property, using a specific appraisal issued by a leading company, based on "RICS Valuation" standards. The Group's accounting policies for property held for investment purposes envisage that, unless there are impairment indicators, the update of the estimated fair value is made on an annual basis. For property used for operations, the frequency of updates of the fair value depends on the emergence of any significant variances in the property market prices, resulting from a scenario analysis, or due to the distinctive features of certain properties. At present, it cannot be ruled out that the change in the scenario resulting from the pandemic may have negative impacts on the recoverable value of the owned property assets of the Group.

### **3. 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, the business combination of the Banco Popolare di Verona e Novara and Banca Popolare Italiana Groups in 2007 and the acquisition of Gruppo Banca Italease in 2009.

As illustrated above, from the financial report as at 31 March 2020, this impact has been recognised, after the relative tax, in a separate item of the reclassified income statement called "Purchase Price Allocation after tax".

More specifically, 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 for the first quarter of 2020 was € -0.9 million on NII, € -9.0 million on other net operating income as a result of the amortisation of intangible assets recognized under the PPA. After the relative tax, the overall impact as at 31 March 2020 amounts to € -6.6 million (€ -2.5 million in the first quarter of 2019).

### **4. Charges generated by the contribution to resolution mechanisms**

In the first quarter of 2020, the amount of the ordinary contribution to be paid to the Single Resolution Fund for 2020 was charged to the income statement, recognised as "After-tax banking industry charges", which, after the relative tax, amounted to € 57.5 million (the ordinary contribution for the first quarter of 2019 booked to the income statement was € 41.6 million). Before tax, the charge was € 85.2 million (€ 61.7 million in the first quarter of 2019).

Please note that for 2020, as well as for the prior financial year, the Group does not intend to exercise the option of paying the contribution request through irrevocable payment commitments ("IPC"), set at a maximum of 15%.

### **5. Changes in consolidation scope**

In the first quarter of 2020, the only change in consolidation scope was the exit of the associated company Leasimpresa Finance S.r.l, due to its cancellation from the competent Company Register after the liquidation procedure had been completed, and did not have a significant impact on the consolidated financial statements.

### **6. Non-recurring items in the aggregate 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.

In this regard, we report that both in the first quarter of 2020 and in the first quarter of 2019, there were no recurring items of a significant amount.

### **7. Capital requirements regulation**

From 1 January 2014, the new harmonised regulations for banks and investment companies contained in (EU) Regulation no. 575/2013 ("CRR") and in directive no. 2013/36/EU ("CRD IV") dated 26 June 2013 came into force. These transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 framework) to 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.

The Bank of Italy confirmed that the countercyclical capital buffer for the first and second quarter of 2020 was set at zero percent.

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 2020 O-SII reserve is equal to 0.13%, 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% in 2018).

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%.

In a letter dated 8 April 2020, the ECB decided to amend the decision made in December 2019 cited above, following the health emergency linked to Covid-19, establishing that the SREP requirement of 2.25% must be maintained by Banco BPM with 56.25% as Common Equity Tier 1 (CET1) and 75% as Tier 1 Capital (Tier 1). Therefore, the minimum requirements that Banco BPM must comply with in 2020, from 12 March 2020 and until a new announcement, are as follows:

- CET1 ratio: 8.401%;
- Tier 1 ratio: 10.323%;
- Total Capital ratio: 12.885%.

Banco BPM elected to fully apply the transitional provision envisaged by 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 phased-in" instead are calculated based on the above-mentioned transitional provisions.

## 8. Sovereign risk exposure represented by debt securities

The table below provides an illustration of the Group's sovereign risk exposure (debt securities in portfolios of financial assets) at 31 March 2020, broken down by country and by category of the classification accounting portfolio:

<b>31 March 2020</b> <i>(in million euro)</i>	<b>Fin. ass. measured at amortised cost</b>	<b>Fin. ass. measured at fair value through other comprehensive income</b>	<b>Fin. ass. measured at fair value through profit or loss</b>	<b>Total</b>
<b>Countries/Accounting portfolios</b>				
Italy	10,863	5,046	2,254	18,163
USA	2,521	322	-	2,843
France	1,633	1,889	2	3,524
Germany	537	372	-	909
Spain	1,324	1,972	171	3,467
Other countries	514	208	-	722
<b>Total</b>	<b>17,392</b>	<b>9,809</b>	<b>2,427</b>	<b>29,628</b>

At 31 March 2020, the Group's sovereign debt exposure totalled € 29.6 billion (€ 26.4 billion at 31 December 2019), of which 58.7% were classified in the portfolio of financial assets measured at amortised cost, 33.1% under financial assets measured at fair value through other comprehensive income, and 8.2% 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 90% refers to securities issued by members of the European Union; notably about 61% by Italy.

As regards financial assets measured at fair value through other comprehensive income, at 31 March 2020 the reserves generated by the fair value measurement totalled a negative € 198.0 million, before tax; of which € 15.6 million were related to Italian Government bonds.

As to financial assets measured at amortised cost, the book value came out at € 17.4 billion, of which € 10.9 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 March 2020 (level 1 in the fair value classification) totalled € 17.8 billion (€ 11.1 billion being the fair value of the Italian Government bonds alone).

## 9. 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 March 2020, 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 March 2020, or, if not available, on the most recent financial reports prepared by the associates.

### Attachments

- Reclassified consolidated balance sheet at 31 March 2020 compared to the figures as at 31 December 2019
- Reclassified consolidated income statement for the first quarter of 2020 compared to the figures for the first quarter of 2019
- Reclassified consolidated income statement – 2020 and 2019 quarterly evolution

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# BANCO BPM GROUP

## Reclassified consolidated balance sheet

<i>(in euro thousand)</i>	31/03/2020	31/12/2019	Chg. vs 31/12/2019	Chg. % vs 31/12/2019
Cash and cash equivalents	755,463	912,742	-157,279	-17.2%
Financial assets at amortised cost	116,021,361	115,889,891	131,470	0.1%
- Due from banks	8,003,647	10,044,427	-2,040,780	-20.3%
- Customer loans (*)	108,017,714	105,845,464	2,172,250	2.1%
Other financial assets	39,484,630	37,069,089	2,415,541	6.5%
- Financial assets designated at FV through P&L	7,301,011	7,285,091	15,920	0.2%
- Financial assets designated at FV through OCI	13,205,744	12,526,772	678,972	5.4%
- Financial assets at amortised cost	18,977,875	17,257,226	1,720,649	10.0%
Equity investments	1,329,105	1,386,079	-56,974	-4.1%
Property and equipment	3,584,605	3,624,312	-39,707	-1.1%
Intangible assets	1,269,747	1,269,360	387	0.0%
Tax assets	4,697,532	4,619,636	77,896	1.7%
Non-current assets held for sale and discontinued operations	138,683	131,082	7,601	5.8%
- Customer loans	93,215	93,744	-529	-0.6%
- Other assets and group of assets	45,468	37,338	8,130	21.8%
Other assets	2,057,465	2,136,010	-78,545	-3.7%
<b>Totale dell'attivo</b>	<b>169,338,591</b>	<b>167,038,201</b>	<b>2,300,390</b>	<b>1.4%</b>
Direct funding	111,659,764	109,506,299	2,153,465	2.0%
- Due to customers	95,018,435	93,375,026	1,643,409	1.8%
- Debt securities issued and financial liabilities designated at FV	16,641,329	16,131,273	510,056	3.2%
Due to banks	21,873,329	28,515,685	-6,642,356	-23.3%
Leasing debts	707,071	732,536	-25,465	
Other financial liabilities designated at fair value	16,900,136	10,919,429	5,980,707	54.8%
Liability provisions	1,417,325	1,486,683	-69,358	-4.7%
Tax liabilities	669,105	619,269	49,836	8.0%
Liabilities associated with assets held for sale	4,885	5,096	-211	-4.1%
Other liabilities	3,965,064	3,366,122	598,942	17.8%
<b>Total Liabilities</b>	<b>157,196,679</b>	<b>155,151,119</b>	<b>2,045,560</b>	<b>1.3%</b>
Minority interests	26,097	26,076	21	0.1%
Shareholders' equity	12,115,815	11,861,006	254,809	2.1%
<b>Consolidated Shareholders' Equity</b>	<b>12,141,912</b>	<b>11,887,082</b>	<b>254,830</b>	<b>2.1%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>169,338,591</b>	<b>167,038,201</b>	<b>2,300,390</b>	<b>1.4%</b>

(\*) 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

<i>(in euro thousand)</i>	31/03/2020	31/03/2019 restated	Change	Chg. %
Net interest income	474,114	499,188	-25,074	-5.0%
Income (loss) from investments in associates carried at equity	22,266	36,758	-14,492	-39.4%
<b>Net interest, dividend and similar income</b>	<b>496,380</b>	<b>535,946</b>	<b>-39,566</b>	<b>-7.4%</b>
Net fee and commission income	440,563	434,518	6,045	1.4%
Other net operating income	16,744	24,182	-7,438	-30.8%
Net financial result	206,798	72,345	134,453	185.8%
<b>Other operating income</b>	<b>664,105</b>	<b>531,045</b>	<b>133,060</b>	<b>25.1%</b>
<b>Total income</b>	<b>1,160,485</b>	<b>1,066,991</b>	<b>93,494</b>	<b>8.8%</b>
Personnel expenses	-419,025	-425,873	6,848	-1.6%
Other administrative expenses	-154,580	-167,019	12,439	-7.4%
Net value adjustments on property and equipment and intangible assets	-61,379	-63,329	1,950	-3.1%
<b>Operating costs</b>	<b>-634,984</b>	<b>-656,221</b>	<b>21,237</b>	<b>-3.2%</b>
<b>Profit (loss) from operations</b>	<b>525,501</b>	<b>410,770</b>	<b>114,731</b>	<b>27.9%</b>
Net adjustments on loans to customers	-213,243	-151,952	-61,291	40.3%
Profit (loss) on fair value measurement of tangible assets	-322	-7,476	7,154	-95.7%
Net adjustments on other assets	-4,655	-3,971	-684	17.2%
Net provisions for risks and charges	2,195	4,422	-2,227	-50.4%
Profit (loss) on the disposal of equity and other investments	91	167	-76	-45.5%
<b>Income (loss) before tax from continuing operations</b>	<b>309,567</b>	<b>251,960</b>	<b>57,607</b>	<b>22.9%</b>
Tax on income from continuing operations	-93,823	-53,709	-40,114	74.7%
Systemic charges after tax	-57,515	-41,621	-15,894	38.2%
Income (loss) attributable to minority interests	-29	1,246	-1,275	
<b>NET INCOME (LOSS) before PPA</b>	<b>158,200</b>	<b>157,876</b>	<b>324</b>	<b>0.2%</b>
<b>Purchase Price Allocation (PPA) net of tax</b>	<b>-6,565</b>	<b>-2,462</b>	<b>-4,103</b>	<b>166.7%</b>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>151,635</b>	<b>155,414</b>	<b>-3,779</b>	<b>-2.4%</b>

2019 figures are restated due to the change in the accounting standard for the valuation of the Group's property and works of art.

# BANCO BPM GROUP

## Reclassified consolidated income statement - Quarterly evolution

<i>(in euro thousand)</i>	Q1 2020	Q4 2019	Q3 2019 restated	Q2 2019 restated	Q1 2019 restated
Net interest income	474,114	473,959	495,805	512,117	499,188
Income (loss) from investments in associates carried at equity	22,266	33,917	27,952	32,628	36,758
<b>Net interest, dividend and similar income</b>	<b>496,380</b>	<b>507,876</b>	<b>523,757</b>	<b>544,745</b>	<b>535,946</b>
Net fee and commission income	440,563	462,167	444,065	453,673	434,518
Other net operating income	16,744	16,129	17,785	17,928	24,182
Net financial result	206,798	207,370	41,668	10,697	72,345
<b>Other operating income</b>	<b>664,105</b>	<b>685,666</b>	<b>503,518</b>	<b>482,298</b>	<b>531,045</b>
<b>Total income</b>	<b>1,160,485</b>	<b>1,193,542</b>	<b>1,027,275</b>	<b>1,027,043</b>	<b>1,066,991</b>
Personnel expenses	-419,025	-437,052	-415,622	-417,984	-425,873
Other administrative expenses	-154,580	-149,780	-158,632	-163,135	-167,019
Net value adjustments on property and equipment and intangible assets	-61,379	-69,289	-68,586	-67,745	-63,329
<b>Operating costs</b>	<b>-634,984</b>	<b>-656,121</b>	<b>-642,840</b>	<b>-648,864</b>	<b>-656,221</b>
<b>Profit (loss) from operations</b>	<b>525,501</b>	<b>537,421</b>	<b>384,435</b>	<b>378,179</b>	<b>410,770</b>
Net adjustments on loans to customers	-213,243	-220,499	-208,387	-197,692	-151,952
Profit (loss) on fair value measurement of tangible assets	-322	-131,012	-739	-19,306	-7,476
Net adjustments on other assets	-4,655	1,596	4,138	3,996	-3,971
Net provisions for risks and charges	2,195	-62,633	-2,712	-10,102	4,422
Profit (loss) on the disposal of equity and other investments	91	-3,638	-24	336,646	167
<b>Income (loss) before tax from continuing operations</b>	<b>309,567</b>	<b>121,235</b>	<b>176,711</b>	<b>491,721</b>	<b>251,960</b>
Tax on income from continuing operations	-93,823	-26,565	-44,949	-27,436	-53,709
Systemic charges after tax	-57,515	-4,495	-31,521	-15,240	-41,621
Income (loss) after tax from discontinued operations	-	-	-	-	-
Income (loss) attributable to minority interests	-29	9,247	1,846	3,225	1,246
<b>NET INCOME (LOSS) before PPA</b>	<b>158,200</b>	<b>99,422</b>	<b>102,087</b>	<b>452,270</b>	<b>157,876</b>
<b>Purchase Price Allocation (PPA) net of tax</b>	<b>-6,565</b>	<b>-3,650</b>	<b>-3,842</b>	<b>-4,700</b>	<b>-2,462</b>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>151,635</b>	<b>95,772</b>	<b>98,245</b>	<b>447,570</b>	<b>155,414</b>

The first three quarters of 2019 figures are restated due to the change in the accounting standard for the valuation of the Group's property and works of art.

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