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Testo del comunicato

Vedi allegato.

E-MARKET SDIR CERTIFIED

BANCO BPM

PRESS RELEASE

RESULTS AS AT 31 DECEMBER 2020

- **PROFIT NET OF COSTS RELATED TO THE VOLUNTARY REDUNDANCY PLAN AND THE CLOSURE OF 300 BRANCHES AS WELL AS OTHER NON-RECURRING COMPONENTS[1]: € 330 MILLION**
- **PROPOSED DISTRIBUTION OF A DIVIDEND OF 6 CENTS PER SHARE, IN LINE WITH ECB GUIDELINES**

PROFIT FROM OPERATIONS[2] AT € 1,722 MILLION:

- **ESSENTIALLY STABLE (-1.4%) WITH RESPECT TO 2019, DESPITE THE NEGATIVE EFFECTS OF THE PANDEMIC CRISIS WHICH EXPLODED AT THE START OF 2020 AND IS STILL ONGOING;**
- **SIGNIFICANT GROWTH IN THE SECOND HALF (+43.5% COMPARED TO THE FIRST HALF) THANKS TO THE STRONG SALES RECOVERY, DESPITE THE SECOND WAVE OF THE PANDEMIC**

CORE REVENUES[3] AT € 1,876 MILLION IN THE SECOND HALF, + 5.9% H/H

OPERATING EXPENSES AT € 1,181 MILLION IN THE SECOND HALF, -5.4% H/H

THE EXCELLENT OPERATING RESULTS MADE IT POSSIBLE TO SUPPORT:

[1] Result net of non-recurring components detailed in point 6 of the explanatory notes of this press release.
[2] Effective from the closure of the accounting period as at 31 December 2020, the reclassified income statement is presented in a format that shows the profit (loss) before tax from continuing operations, by excluding not only the accounting impacts relating to the PPA, amounting to € -41.5 million, and the change in the company's creditworthiness on certificate issues, amounting to € -11.7 million, but some extraordinary components involving a significant amount, which have a notable influence on the economic results of the periods being compared, preventing a full understanding of the actual operating performance. These components are shown, net of the associated tax effect, in separate items of the reclassified income statement and are attributable to expenses related to the company restructuring for € 187.0 million, systemic charges of € 138.9 million, income deriving from the impact of the realignment of tax values to book values for € 128.3 million and the impairment of goodwill of € 25.1 million. For more details, please refer to the explanatory notes of this press release.
[3] Aggregate represented by net interest income and net fee and commission income.

- **THE ACCELERATION OF DERISKING: DISPOSAL OF € 1.3 BILLION IN NON-PERFORMING LOANS**
- **THE STRENGTHENING OF NPE COVERAGE TO 50% (+500 BASIS POINTS Y/Y)**
- **THE COSTS RELATING TO THE VOLUNTARY REDUNDANCY PLAN AND THE CLOSURE OF 300 BRANCHES (€ 259 MILLION PRE-TAX)**

COST OF RISK AT 122 BASIS POINTS OF WHICH ROUGHLY 50 BASIS POINTS RELATING TO THE COVID-19 EMERGENCY[4]

CONFIRMATION OF THE SOLID EQUITY POSITION WITH A CET 1 RATIO FULLY PHASED AT 13.3% AND AN MDA BUFFER FULLY PHASED AT 449[5] BASIS POINTS

IMPORTANT ACCELERATION IN CUSTOMER DIGITAL TRANSACTIONS, WITH AN EXPANSION IN THE RANGE OF PRODUCTS AND SERVICES OFFERED (TRANSACTIONS ON ON-LINE CHANNELS +26%)

CORE NET PERFORMING LOANS[6] TO CUSTOMERS AT € 98.4 BILLION (+8.0% Y/Y)

CORE DIRECT FUNDING[7] AT € 100.0 BILLION (+13.9% Y/Y)

NEW DISBURSEMENTS TO CUSTOMERS AMOUNTED TO € 27.6[8] BILLION, UP BY 29.2% COMPARED TO 2019, OF WHICH € 10.2 BILLION RELATING TO THE MEASURES SECURED BY STATE GUARANTEES

SIGNIFICANT REDUCTION IN MORATORIA TO € 12.2 BILLION, DOWN BY ROUGHLY € 4 BILLION COMPARED TO AN ORIGINAL € 16.1 BILLION, WITH A VERY LOW DEFAULT RATE ON EXPIRED MORATORIA, EQUAL TO 0.5%

DECREASE IN NON-PERFORMING LOANS CONTINUES:

- **NET NON-PERFORMING LOANS OF € 4.3 BILLION (-22.6% COMPARED TO DECEMBER 2019)**
- **NET NPE RATIO[9] DOWN TO 3.9% FROM 5.2% AT THE END OF 2019 AND GROSS NPE RATIO OF 7.5%, (9.1% AT THE END OF 2019), WHICH FALLS TO 6.7% IF CALCULATED USING THE METHODOLOGY ADOPTED BY THE EBA**
- **TEXAS RATIO[10] IMPROVED TO 39.0% (52.3% IN DECEMBER 2019)**

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[4] Management estimate.
[5] Includes the issue of AT1 financial instruments for € 400 million finalised in January 2021.
[6] Mortgages, loans, current accounts and personal loans.
[7] Current accounts and deposits.
[8] Management figure.
[9] Ratio obtained from the relationship between net non-performing exposures and total exposures relating to the capital aggregate of "Loans to customers measured at amortised cost".

EXCELLENT LIQUIDITY POSITION, WITH UNENCUMBERED ELIGIBLE ASSETS OF ROUGHLY € 20 BILLION

MAJOR PUSH ON THE INTEGRATION OF SUSTAINABILITY POLICIES

- **INCORPORATION OF THE ESG MANAGERIAL COMMITTEE CHAIRED BY THE CHIEF EXECUTIVE OFFICER AND OF THE SUSTAINABILITY ORGANISATIONAL STRUCTURE**
- **ADOPTION OF ESG PARAMETERS IN THE TOP MANAGEMENT REMUNERATION POLICIES**
- **100% USE OF RENEWABLE ENERGIES**
- **CAP OF € 5 BILLION FOR COMPANIES THAT INVEST IN SUSTAINABILITY**

OTHER INITIATIVES TO TACKLE THE COVID-19 EMERGENCY:

- **PROTECTION OF THE SAFETY OF CUSTOMERS AND PERSONNEL WITH CONTINUOUS INFORMATION, FURTHER DEVELOPMENT OF SMART WORKING AND THE PROVISION OF PPE TO OFFICE AND NETWORK PERSONNEL**
- **SUPPORT FOR THE LOCAL COMMUNITY WITH SOCIAL PROJECTS CONNECTED WITH THE PANDEMIC EMERGENCY FOR MORE THAN € 6 MILLION**

During the year, despite the difficult macroeconomic scenario, still impacted by the Covid-19 health crisis, the Group's commercial and organisational efforts enabled a robust recovery in operating results. In particular, in the second half, the core operating income (net interest income and commissions) rose by 5.9% and operating costs fell by 5.4%. As a result, the profit from operations in the second part of the year came to € 1.015 billion (+43.5% compared to the first half of 2020), reaching € 1,722 million for the whole year.

This level of profitability allowed the Group, among other things, to:

- ***significantly ramp up the derisking process, with transfers of non-performing loans totalling € 1.3 billion;***
- ***further strengthen the level of coverage of non-performing positions, bringing it to 50% (+500 basis points compared to the previous year);***
- ***expense the costs relating to the strategy of further boosting the efficiency of the cost structure through the rationalisation of the sales network (planned closure of 300 branches in the first half of 2021) and the stipulation of an agreement relating to the solidarity fund to support the retirement of around 1,500 people.***

[10] The Texas Ratio measures the ratio between the net value of impaired loans and the Group's tangible equity.

Net of non-recurring effects, the year closed with an adjusted net profit of € 330 million. Also considering non-recurring components, 2020 closed with a profit of € 21 million.
These results enabled the Board of Directors to propose, in line with the guidelines of the ECB, the distribution of a dividend of € 6 cents per share, totalling € 90.9 million.

Extremely healthy equity and liquidity positions confirmed:

- ***CET1 Ratio phased-in and CET1 Ratio fully phased at 14.6% and 13.3%, respectively;***
- ***MDA buffer on TCR phased-in and fully phased respectively of 553 basis points and 388 basis points, respectively at 614 and 449 at adjusted level, including the issue of AT1 financial instruments carried out in January 2021; both well above the long-term targets***
- ***LCR 191% and NSFR >100%[11].***

The substantial coverage of the loan portfolio also continued, through a constant process of monitoring of the customer's credit profile, with special attention on the moratorium positions granted.

DIGITAL BANKING

In 2020, the outbreak and the persistence of the Covid-19 pandemic has strongly accelerated the demand for digital services. On the back of the project developments already undertaken in prior years under the Group's Digital Omnichannel Transformation Programme, Banco BPM could respond to this trend, and has also developed new products and tools that allowed customers and employees to make greater use of digital channels.
All the main Digital Adoption indicators reported a sharp increase over the previous year: transactions completed online grew by 26%, contributing to driving the share of remote transactions by Individuals above 80%.
The growth reported by the mobile channel was even greater (+25% of Banco BPM users and + 65% of transactions), also thanks to the launch of the new banking APP – designed based on a new mobile-first approach – which was immediately well received by Group customers.
Even our commercial approach to customers has been geared toward a greater use of the omnichannel logic:

- the introduction of a wide set of Customer Journeys, based on the use of advanced analytics and on the full integration of remote contact channels linked to the activities of the Branch/Manager Network, sustained the commercial performance, driving more than 20% of total retail sales[12]
- new offering modes have been launched during the year to strengthen our service in areas with a greater value added, for example:
    - financial advisory and wealth management propositions can now rely on the Remote Advisory service for which all Personal managers have been authorized;
    - management of the new opportunities offered by the green initiatives put in place by the government for small and medium enterprises, i.e.

[11] Monthly LCR in December 2020 and management NSFR relating to the fourth quarter of 2020.
[12] Data referring to Individuals.

Ecobonus/Superbonus, thanks to the launch of a dedicated full digital platform, whose development leveraged the existing partnership with the Teamsystem group (some 3,000 transactions in the pipeline a few weeks after its launch).

ESG

Banco BPM Group has undertaken an ambitious journey to integrate sustainability in its activities starting from its governance:

- supervision assigned to the Internal Control and Risk Board Committee;
- creation of the ESG managerial Committee chaired by the CEO;
- launch of the Sustainability organizational structure;
- integration of ESG criteria into the top management remuneration policies.

As to environment:

- we have already met the target of using 100% renewable energy (the electric power we used was generated 100% from certified renewable sources, avoiding the emission of more than 32,000 tons of CO_2 equivalents into the environment in 2020);
- in 2020, the Group successfully completed the necessary implementation activities to adopt an ISO Management System in compliance with current laws and regulations (energy and environment but also safety and security on the workplace).

With regard to products and services connected with sustainability:

- the 110% ecobonus product was launched for households (about 3,000 procedures are being processed) and a green mortgage offer will soon be launched;
- as of last December, a € 5 billion credit line named "2020-2023 Sustainable Investments" has been opened in favour of companies that wish to invest in sustainability and green transition;
- assets under management with integrated ESG investment processes at the end of 2020 added up to € 17.5 billion, thanks also to the integration of the investment policies adopted by our partner Anima SGR.

Standard Ethics analysts looked with favour on these initiatives, and they assigned a positive outlook to Banco BPM's rating.

Key balance sheet items

- Net loans to customers € 109.3 billion, of which performing loans up +4.7% and non-performing loans down by -22.6% compared to 31 December 2019;
- Direct customer funding of € 120.1 billion[13] (€ 108.9 billion at the end of December 2019): during the period, the growth trend in the core funding was confirmed (€ +12.2 billion compared to the end of 2019);
- Indirect customer funding[14] € 91.6 billion (compared to € 89.7 billion as at 31 December 2019), of which:

[13] Direct funding includes certificates with unconditional capital protection (€ 3.7 billion as at 31 December 2020 compared to € 3.2 billion at the end of 2019), and excludes repurchase agreements.
[14] Management accounting data net of certificates with unconditional capital protection included under "direct funding".

- asset management € 59.6 billion;
- asset administration € 32.0 billion.

Key income statement items

- Net interest income:
  - € 509.0 million in the 4th quarter of 2020 (€ 519.9 million in the 3rd quarter of 2020; -2.1%)
  - € 1,982.6 million as at al 31 December 2020 (€ 1,981.1 million in 2019; +0.1%)
- Net fee and commission income:
  - € 429.2 million in the 4th quarter of 2020 (€ 417.7 million in the 3rd quarter of 2020; +2.8%)
  - € 1,663.8 million as at 31 December 2020 (€ 1,794.4 million in 2019; -7.3%).
- Operating expenses:
  - € 600.0 million in the 4th quarter of 2020 (€ 581.5 million in the 3rd quarter of 2020; +3.1%)
  - € 2,430.1 million as at 31 December 2020 (€ 2,604.0 million in 2019; -6.7%)
- Net adjustments to loans to customers:
  - € 536.2 million in the 4th quarter of 2020 (€ 324.3 million in the 3rd quarter of 2020; +65.3%)
  - € 1,336.8 million as at 31 December 2020 (€ 778.3 million in 2019; +71.7%).
- Profit (loss) before tax from continuing operations[15]:
  - € -143.1 million in the 4th quarter of 2020 (€ +239.5 million in the 3rd quarter of 2020)
  - € 306.1 million as at 31 December 2020 (€ 1,076.4 million in 2019 which included, however, extraordinary income deriving from the transfer of equity investments and business units)
- Profit from current operating activities before tax, net of non-recurring items:
  - € 165.4 million in the 4th quarter of 2020 (€ 207.2 million in the 3rd quarter of 2020)
  - € 589.7 million as at 31 December 2020 (€ 979.0 million in 2019).
- Net result:
  - € -241.7 million in the 4th quarter of 2020 (€ +157.3 million in the 3rd quarter of 2020)
  - € 20.9 million as at 31 December 2020 (€ 797.0 million in 2019, which, however, included positive non-recurring elements of € 148.4 million)
- Result net of non-recurring components:

[15] See note 1.

- € 66.6 million in the 4th quarter of 2020 (€ 135.5 million in the 3rd quarter of 2020)
- € 330.5 million as at 31 December 2020 (€ 648.6 million in 2019).

Capital position[16]**:**

- CET1 ratio "IFRS9 fully-phased" 13.3% (13.0% as at 31 December 2019);
- CET 1 ratio "IFRS9 phased-in" 14.6% (14.8% as at 31 December 2019);
- MDA buffer on TCR "IFRS9 fully phased"[17] 449 basis points;
- MDA buffer on TCR "IFRS9 phased-in"[18] 614 basis points.

Credit quality

- Net non-performing loan stock of € 4.3 billion, marking a decrease of € 1.3 billion compared to the end of 2019 (-22.6%%).

  Coverage:
  - Bad loans: 59.1% (up compared to 56.2% as at 31 December 2019); considering also write-offs, the coverage was 65.2%;
  - Unlikely to pay: 43.7% (39.1% as at 31 December 2019);
  - Total non-performing loans: 50.0% (45.0% as at 31 December 2019); considering also write-offs, the coverage was 53.4%.

Liquidity profile

- Unencumbered eligible assets of roughly € 20 billion as at 31 December 2020;
- LCR 191% and NSFR >100%[19].

Verona, 9 February 2021 – The Board of Directors of Banco BPM met today, chaired by Mr. Massimo Tononi, which approved the draft separate and consolidated financial statements for the year ended 31 December 2020 of the Banco BPM Group.

The year 2020 was influenced by the international emergency related to the Coronavirus epidemic. In this context, characterised by heavy repercussions on the global economy as well as on business operations, the Group has put a detailed series of measures into place in order to protect customers

[16] Ratios calculated also including the profit for 2020, deducting the amount that the Board of Directors resolved to submit to the Shareholders' Meeting in the form of dividend distribution.
[17] Includes the issue of AT1 financial instruments for € 400 million finalised in January 2021.
[18] See previous note.
[19]Monthly LCR in December 2020 and management NSFR relating to the fourth quarter of 2020.

and employees, as well as provide concrete support to businesses, households and the communities in which the Group operates, in observance of regulations in force.

In particular, during the first lockdown, the Group implemented a series of organisational and IT solutions aimed at guaranteeing the continuity of normal banking operations.

These solutions are based on the development of a relationship with customers geared towards strengthening of the digital channels and of "smart working" modes, with a special focus on the controls targeted at ensuring people's physical safety and the IT security of transactions.

On the customer relations side, special attention has been paid to simplifying operations to guarantee, by strengthening on-line and digital banking transactions, the management of customer relations with an "omnichannel" approach (through telephone contact, internet and e-mail) and the development of new IT procedures to accelerate the stages of approving and disbursing loans.

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.

Based on the management figures, the total amount of loans in respect of which the Bank agreed the moratorium measures set out in the Cura Italia Decree and the ABI Protocol came to € 16.1 billion (of which € 12.2 billion as at 31 December).
In addition, as part of government measures to support the economy, the Bank has granted € 13.9 billion in loans to companies (already approved or in the process of being approved) covered by the guarantees provided for by the Government decrees, of which € 10.2 billion already disbursed.

The Group also decided to restructure and rationalise its sales network through the definition of a plan to close 300 small branches, to be implemented in the first half of 2021.
The transaction, which does not jeopardise the bank's strong roots in the local areas, is aimed at strengthening the more structured branches to offer customers more effective consulting and better services, also thanks to the significant development of digital banking set against a decrease in purely transactional activity.
This initiative is incorporated in the agreement concluded with the Trade Union Organisations in December which makes provision for support for the voluntary retirement of 1,500 people, also by using the extraordinary benefits of the solidarity fund, promoting the generational handover and youth employment, with 750 staff to be hired in the 2021-2023 period.

In terms of derisking activities, in December, the Parent Company finalised the so-called "Django" project, which provides for the non-recourse transfer to AMCO and Credito Fondiario of two separate portfolios of non-performing loans and of some single name positions to other counterparties, for a total amount of € 1 billion. Again, December saw the completion of the multi-originator securitisation "Titan", in which Banco BPM e Release participated, for an amount of roughly € 140 million, relating to loans, assets and legal relations deriving from the non-performing lease agreements. Adding together the bulk transfers indicated above and additional single name transfers, total non-performing loans transferred in 2020 came to € 1.3 billion.

During the year, the Group also carried out significant capital management transactions. In January, the Group finalised a second issue of Additional Tier 1 instruments (the first was made in April 2019) for an amount of € 400 million, addressed to institutional investors.

This transaction was followed, in February, by a non-preferred senior bond issue of € 750 million, expiring in 5 years, which is incorporated in the Group's EMTN programme, and two new 10-year Tier 2 subordinated issues: the first in September, for € 500 million, the second in December, for an amount of € 350 million.
If we also consider the placement, at the beginning of January 2021, of an additional issue of € 400 million of Additional Tier 1 financial instruments, the total amount of public issues launched by Banco BPM during the year reaches € 2.4 billion.

In this context, characterised by significant elements of uncertainty in the global and Italian economies, directly or indirectly related to the Coronavirus epidemic, the Group achieved an operating profit [20]of € 1,721.7 million and a net profit of € 20.9 million.

Economic performance of operations in Q4 2020 compared to Q3 2020

Net interest income amounted to € 509.0 million, down by 2.1% compared to the figure in Q3 2020 (€ 519.9 million), mainly due to the decrease in commercial spreads. The quarterly trend in the margin highlights the recovery in the second half of the year, with an increase of 7.9% compared to the first half, also due to the higher contribution made by TLTRO III financing operations which, in consideration of the net lending objectives reached by the Group, starting from 24 June 2020, make provision for the payment of special interest, equal to 0.5%, in addition to the rate applicable for the entire duration of the loan.[21]

The **result of the investee companies carried at equity** shows a profit of € 23.7 million, with a decreased contribution compared to that of the third quarter, amounting to € 36.8 million. Within this aggregate, the main contribution was provided by consumer credit brought in by the shareholding in Agos Ducato for € 14.4 million, down compared to € 27.2 million in the third quarter.

Net fee and commission income in the third quarter totalled € 429.2 million, marking growth of 2.8% compared to the third quarter. This trend is attributable to the contribution from both commercial banking services (+3.8%), and the management, brokerage and advisory services segment (+1.7%).
The increase in this aggregate marks further growth when the trend in the second half of the year is compared to the first (+3.7%).

Other net operating income totalled € 12.7 million, compared to the figure of € 11.7 million for the third quarter 2020.

The net financial result[22] in the fourth quarter was a positive € 77.8 million compared to € 157.3 million in the third quarter which, however benefitted from the recognition of a capital gain from the measurement of the SIA and Nexi investments for € 151.2 million which, on the contrary, had

[20] See note 2.
[21] If, as at 31 March 2021, the amount of eligible loans is at least equal to the existing amount as at 1 March 2020, the interest rate (negative) applicable to TLTRO III refinancing operations for the period from 24 June 2020 to 23 June 2021 (so-called special interest period) will be increased by a further 0.50% compared to the average rate applicable to Deposit facilities. If, as at 31 March 2021, the amount of eligible loans is at least equal to the amount as at 1 October 2020, the special interest (increase of 0.50% outlined above) will also be applied to the period from 24 June 2021 to 23 June 2022. As at 31 December 2020, Banco BPM presents a considerably higher amount of eligible loans than the amount as at 1 March and 1 October 2020.
[22] The item does not include the accounting effect, shown in a separate item of the reclassified income statement, deriving from the change in the company's creditworthiness in relation to the fair value measurement of its own liabilities issued (certificates), which led to the recognition of a charge of € -61.4 million in the quarter, compared to the positive impact recorded in the third quarter of € +3.3 million.

recorded valuation losses of € 21.5 million.

By virtue of the trends described, the **total operating income** therefore amounted to € 1,052.5 million, down compared to € 1,143.3 million recorded in the third quarter (-7.9%).

Personnel expenses, amounting to € 407.2 million, show an increase of 14.1% compared to € 356.9 million in the third quarter, which benefitted from both savings related to the health emergency situation, and lower expenses connected with the Group personnel incentive system with respect to the amount envisaged initially.

Other administrative expenses[23], amounting to € 125.3 million, recorded a drop of 21.6% compared to € 159.8 million in the third quarter of 2020.

Adjustments to property, plant and equipment and intangible assets totalled € 67.2 million, compared with € 64.8 million in the third quarter.

Total **operating expenses** therefore amounted to € 599.8 million, up by 3.1% compared to € 581.5 million in the third quarter.

Profit from operations in the fourth quarter came to € 452.8 million, down by 19.4% compared to € 561.8 million in the third quarter.

Net adjustments to loans to customers in the fourth quarter came to € 536.2 million, marking an increase of 65.3% compared to the third quarter. The growth was primarily determined by the adoption of a more conservative approach in terms of the forward-looking evaluation of both performing and non-performing credit exposures, which also took the form of an increase in the coverage of non-performing loans (+500 basis points Y/Y).

Fair value gains (losses) on property, plant and equipment in the fourth quarter showed capital losses of € 31.0 million, as a result of the annual update of property appraisals; the result in the previous quarter was not, by contrast, of a significant amount.

The item **net adjustments to securities and other financial assets** includes net recoveries of € 7.2 million; by contrast, the figure relating to the third quarter was not significant.

Net provisions for risks and charges in the fourth quarter amounted to € 35.6 million, while no significant allocations were recognised in the previous quarter.

In the fourth quarter, no significant **profits (losses) on disposal of investments in associates and companies subject to joint control and other investments** were recorded; in the third quarter, profits totalled € 1.3 million.

Due to the trends described, the **loss before tax from continuing operations** came to € -143.1 million, compared to a profit of € 239.5 million in the third quarter.

Taxes on income from continuing operations were a positive € 47.9 million (€ -22.5 million in the third

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[23] 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.

quarter).

The loss after tax from continuing operations therefore totalled € -95.2 million, compared to a figure of € 217.0 million in the previous quarter.

The item **expenses relating to the company restructuring, net of taxes** includes an amount of costs that are expected to be incurred in connection with staff redundancy incentives, also through the voluntary use of the extraordinary benefits of the industry Solidarity Fund, and for the rationalisation of the network of branches for a total of € 187.0 million, net of the associated tax effects.

Charges related to the banking system, net of taxes, of € 10.2 million were also charged to the income statement for the quarter.

The item **Impact of the realignment of tax values to book values** includes the positive impact on the income statement for € 128.3 million, resulting from the exercise of the right of realignment of the tax values to book values of the intangible assets acquired as part of the business combination between the Banco Popolare Group and the Banca Popolare di Milano Group.

The annual impairment test conducted on intangible assets led to the recognition of **impairment on goodwill** of € 25.1 million.

In the third quarter, the **change in the credit rating on Certificates issued by the Group, net of taxes**, generated a negative impact of € 41.1 million (€ 61.4 million before taxes), compared to the income of € 2.2 million in the third quarter (€ 3.3 million gross).

In the fourth quarter, the impact of the **Purchase Price Allocation net of taxes** came to € -11.5 million, compared to a figure of € -11.4 million in the third quarter of 2020.

Given the portion of the profit attributable to non-controlling interests (€ 0.2 million compared to € 2.5 million in the third quarter), the fourth quarter of 2020 closed with a **net loss for the period** of € -241.7 million, compared to the net profit of € 157.3 million recorded in the third quarter.

The **result net of non-recurring components** in the fourth quarter came to € 66.6 million, compared to € 135.5 million in the third quarter of 2020.

Economic performance of operations in financial year 2020 compared to financial year 2019

Net interest income stood at € 1,982.6 million, stable when compared to € 1,981.1 million in the previous year. The trend in net interest income was negatively impacted by the trend in interest rates and the lower contribution from non-commercial activities, as well as a lower contribution from non-performing loans resulting from the de-risking plan implemented in previous years, offset by the positive contribution from TLTRO loans.

The result of the investee companies carried at equity was positive for € 130.8 million, essentially in line with € 131.3 million in the previous year.

Net fee and commission income amounted to € 1,663.8 million, down 7.3% compared with € 1,794.4 million in the previous year. The decrease was generalised across all components of the aggregate (management, brokerage and consulting services -9.1%; services related to commercial banking activities -5.6%) and is attributable to the impacts on transactions of the lockdown measures, whose impact was concentrated in the second quarter of the year. The organisational and commercial actions quickly implemented made it possible, from the third quarter, to obtain excellent sales results, despite the further lockdowns imposed in autumn to contain the second wave of the pandemic.

Other net operating income totalled € 56.0 million, down € 20.0 million compared to 2019, mainly due to the gradual fall in "*commissioni di istruttoria veloce*" (fast-track fees) (-38.7%) and the lower contribution of rental income (-12.8%).

The **net financial result**[24] was € 318.6 million, compared to € 366.8 million in the previous year. The capital gain deriving from the fair value measurement of the equity interest held in SIA S.p.A. for € 155.2 million contributed to this result. It should be noted that the figure for the previous year included capital gains from valuation and disposal relating to the equity interest held in Nexi S.p.A., recoveries on securities recorded in the portfolio of financial assets mandatorily measured at fair value and profits from the sales of HTC portfolio securities for more than € 230 million.

By virtue of the trends described, total **operating income** amounted to € 4,151.8 million, a decrease of 4.5% compared to € 4,349.6 million in 2019.

Personnel expenses totalled € 1,581.1 million, marking a reduction of 6.8% compared to € 1,696.5 million last year, due to the revision of expenses relating to the incentive system and other cost reductions related to the effects of the health emergency. The total number of employees was 21,663 as at 31 December 2020, compared to 21,941 at the end of 2019.

Other administrative expenses[25] amounted to € 593.8 million, down by 7.0% compared to 2019, thanks to the strict control of costs, despite the higher charges deriving from the management of the Covid-19 emergency.

Adjustments to property, plant and equipment and intangible assets amounted to € 255.1 million, compared to € 268.9 million as at 31 December 2019, and include write-downs of € 2.2 million. The comparison with 2019 shows a significant fall in the depreciation of property, plant and equipment (€ -19.1 million), due to the process of rationalisation of the property segment launched by the Group.

Total **operating expenses** came to € 2,430.1 million, a decrease of 6.7% compared to 31 December 2019, due to the constant efficiency actions implemented.

The **profit from operations** therefore stood at € 1,721.7 million, down by € 23.8 million (-1.4%) compared to the previous year.

Net adjustments to loans to customers amounted to € 1,336.8 million, up by € 558.3 million compared to the previous year. This amount includes both higher write-downs of performing loans, deriving from the consideration of the deterioration in the macroeconomic scenario caused by the pandemic, and higher write-downs of non-performing loans, aimed at increasing coverage. In addition, the write-downs of non-performing loans include the effect of the sale of UTP loans and bad loans completed in December, totalling € 251.4 million. The cost of credit, measured by the ratio of net

[24] The figure includes the negative impact of € 17.5 million deriving from the change in the credit rating on the valuation of certificates issued by the Group, shown in a separate item of the reclassified income statement.
[25] 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.

value adjustments on loans to net loans, was 122 basis points, compared with 74 basis points as at 31 December 2019. Net of extraordinary losses relating to the disposals of the Django and Titan portfolios completed at the end of the year and all the other adjustments on loans directly or indirectly attributable to the Covid-19 emergency, the cost of risk would fall by 50 basis points[26].

The **Fair value losses on property, plant and equipment** came to € 36.7 million; in the previous year, capital losses of € 158.5 million had been recorded.

The income statement for 2020 recorded **net adjustments to securities and other financial assets** of € 1.0 million (net recoveries for € 5.8 million as at 31 December 2019).

Net provisions for risks and charges amounted to € 42.3 million (€ 71.0 million in the previous year).

In 2020, **profits on disposal of investments in associates and companies subject to joint control and other investments** were limited to € 1.2 million. By contrast, in 2019, capital gains were recognised totalling € 333.2 million, deriving from the reorganisation of the consumer loan segment (€ 189.5 million) and establishment of the partnership with Credito Fondiario to manage recovery activities for non-performing loans (€ 142.7 million).

Due to the trends described, **profit before tax from continuing operations** stood at € 306.1 million compared to a profit of € 1,076.4 million recorded in the previous year, which, however, included gains on the disposal of equity investments and business units indicated above.

Taxes on income from continuing operations came to € -13.5 million (€ -164.2 million as at 31 December 2019), bringing the **profit after tax from continuing operations** to € 292.6 million (€ 912.2 million in the previous year).

The item **expenses relating to the company restructuring, net of taxes** includes an amount of costs that are expected to be incurred in connection with staff redundancy incentives, also through the voluntary use of the extraordinary benefits of the industry Solidarity Fund, and for the rationalisation of the network of branches for a total of € 187.0 million, net of the associated tax effects.

Charges relating to the banking system, net of taxes, amounting to € 138.9 million (€ 92.9 million in 2019) were charged to the income statement for the year, relating to the ordinary contribution paid to the Single Resolution Fund (SRF), the contribution paid to the Interbank Deposit Protection Fund and the additional contribution to the National Resolution Fund (totalling € 192.0 million before tax compared to € 137.6 million as at 31 December 2019).

The item **Impact of the realignment of tax values to book values** includes the positive impact on the income statement for € 128.3 million, resulting from the exercise of the right of realignment of the tax values of intangible assets to book values.

The annual impairment test conducted on intangible assets led to the recognition of **impairment on goodwill** of € 25.1 million.

The impact of the **change in the credit rating on the Certificates issued by the Group, net of taxes**, shown in a separate item of the reclassified income statement, was a negative € 11.7 million (€ -17.5

[26] Management estimate.

million before taxes) and is in contrast to a negative figure of € -23.4 million (€ -34.8 million before taxes) in the previous year.

The item of the reclassified income statement, called **Purchase Price Allocation net of taxes** came to € -41.5 million. The figure for 2019 amounted to € -14.7 million.

Considering the share of income attributable to minority interests (amounting to € 4.2 million as at 31 December 2020 compared to € 15.6 million as at 31 December 2019), the year 2020 closed with a **net profit** of € 20.9 million, compared to a net result of € 797.0 million as at 31 December 2019.

The **result net of non-recurring components** came to € 330.5 million, compared to € 648.6 million as at 31 December 2019.

Key balance sheet items

As at 31 December 2020, **direct funding**[27] totalled € 120.1 billion, showing an increase of 10.3% compared to the € 108.9 billion as at 31 December 2019. More specifically, in comparison with the figures at the end of 2019 an increase of € 12.3 billion was recorded for the segment represented by current accounts and demand deposits of the commercial network (+14.3%). As regards bonds issued, the stock as at 31 December came to € 14.7 billion, down by € 1.4 billion compared to last 31 December, due to the reimbursements of securities that had matured, which offset the new issues. Funding guaranteed by the stock of certificates with unconditional capital protection as at 31 December 2020 was € 3.7 billion, up compared to the € 3.2 billion as at 31 December 2019 (+14.2%).

Indirect funding, net of capital-protected certificates, totalled € 91.6 billion, up 2.0% compared to 31 December 2019.
The component of managed funding amounted to € 59.6 billion, up compared to € 58.3 billion as at 31 December 2019 (+2.2%), thanks to the contribution of funds and Sicavs, which offset the decrease in the bancassurance segment.
Administered assets stood at € 32.0 billion, marking an increase of € 0.6 billion (1.8%) compared to the end of 2019.

Financial assets amounted to € 41.2 billion, an increase of 11.1% compared to € 37.1 billion as at 31 December 2019; the increase was mainly concentrated in debt securities (+€ 2.6 billion) and, in particular, in the portfolio of securities held to maturity measured at amortised cost. The breakdown as at 31 December 2020 is made up of debt securities of € 33.9 billion, equity securities and UCITS units of € 2.4 billion, derivatives for € 2.7 billion and other financial assets, mainly represented by repurchase agreements of € 2.3 billion. Exposures in debt securities issued by sovereign States amounted to € 29.0 billion, of which € 19.3 billion relating to Italian Government bonds. Investments in Italian Government bonds are classified under financial assets measured at amortised cost for € 13.6 billion, in the portfolio of financial assets measured at fair value through other comprehensive income for € 4.3 billion and, for € 1.4 billion in the portfolio of financial assets at fair value through profit and loss as they are held for trading.

[27]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 and excludes repurchase agreements.

Net loans to customers[28] totalled € 109.3 billion as at 31 December 2020, up by € 3.5 billion compared to the figure of 31 December 2019; the increase is entirely due to performing exposures, which rose by € 4.7 billion (+4.7%), with a volume of new loans to households and businesses of € 27.6[29]billion in the year, while non-performing exposures fell further compared to the end of 2019 (€ -1.3 billion, corresponding to -22.6%), thanks to the transfers completed in December.

Net non-performing loans (bad loans, unlikely to pay and past due and/or overdue exposures) amounted to € 4.3 billion as at 31 December 2020.
An analysis of the individual items shows the following dynamics:

- net bad loans of € 1.5 billion, with a decrease of 6.2% compared to 31 December 2019;
- net unlikely to pay of € 2.8 billion, down by 28.8% compared to € 3.9 billion as at 31 December 2019;
- net past due exposures amounting to € 46 million (€ 73 million as at 31 December 2019).

The coverage level for the entire non-performing loans aggregate was 50.0% (45.0% as at 31 December 2019).
More specifically, as at 31 December 2020, the coverage ratio was as follows:

- Bad Loans 59.1% (56.2% as at 31 December 2019);
- Unlikely to Pay: 43.7% (39.1% as at 31 December 2019);
- Past Due 26.4% (25.9% as at 31 December 2019).

The coverage ratio of performing loans came in at 0.44%, compared to 0.33% as at 31 December 2019.

Group capital ratios[30]

As at 31 December 2020, the Common Equity Tier 1 ratio phased-in stood at 14.6%, compared to 15.4% as at 30 September 2020 (and 14.8% as at 31 December 2019). The decrease in the ratio in the quarter is attributable primarily to the increase in risk-weighted assets (RWA) due to the acknowledgement of the regulatory headwinds relating to market risk and operational risk, (which on the whole led to roughly € 2.3 billion in higher RWAs), and to a lesser extent, to the decrease in Common Equity Tier 1 capital due to the result for the period and the proposed distribution of a dividend, illustrated below.
The phased-in 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 transitional rules cited above, the CET 1 ratio IFRS 9 fully phased stands at 13.3%, down compared to the figure as at 30 September 2020, equal to 14.1%, but up compared to the previous year (13.0%).

The Tier 1 ratio phased-in stands at 15.9% compared to 16.7% as at 30 September 2020, while the Total Capital ratio stands at 18.8% compared to 19.3% as at 30 September 2020.

[28] The aggregate does not include customer loans which, following the application of IFRS 9, must be measured at fair value. These loans, amounting to € 0.3 billion, are included in financial assets measured at fair value.
[29] Operating data.
[30]Ratios calculated also including the profit for 2020, deducting the amount that the Board of Directors resolved to submit to the Shareholders' Meeting in the form of dividend distribution.
It should be noted that the profit for the period will formally be incorporated in Common Equity Tier 1 capital from the moment of approval of the financial statements by the Shareholders' Meeting.

The buffer with respect to the limit set on the possibility of distributing dividends (Maximum Distributable Amount or MDA buffer) stands at 553 basis points (388 basis points on a fully phased basis), which rises to 614 basis points if we consider the issue of AT1 financial instruments for € 400 million in January 2021 (449 basis points on a fully-phased basis).

OPERATIONAL OUTLOOK

The global scenario continues to be affected by the fallout of the ongoing pandemic, with prospects that are closely dependent on both its evolution and the measures adopted to counter it and contain its impact on economic activity.

In this challenging environment, the Italian economy, after the expected fall in GDP in the last quarter of 2020, should gradually recover, thanks also to the use of the first Next Generation EU funds and the persistence of favourable monetary conditions.

With reference to the Group's operating performance in 2021, the external context will inevitably continue to be a significant conditioning factor.

At present, core revenues, represented by net interest income and net fees and commissions, are expected to grow compared to the previous year's data, driven above all by the greater contribution made by TLTRO operations and by the distribution of investment products.

The actions aimed at curbing the dynamics of operating costs will continue, with the aim of mitigating the negative impacts deriving from the uncertain recurrence of certain cost recoveries and reductions that characterized last year, especially relating to personnel expenses, as well as the increases tied to the application of the national collective bargaining agreement and the growth of investments in IT.

With regard to the cost of credit, it is deemed possible to confirm the level reached in 2020 net of Covid-related impacts. Nevertheless, considering the persisting uncertainties hovering over the external context and the confirmation of the conservative approach for the forward-looking assessment already adopted in 2020, at present it cannot be ruled out that also 2021 could be affected by an additional non-core component tied to the still ongoing emergency, but in any case the estimated level should be below the 50 bps[31] reported in 2020.

Barring a new significant worsening of the scenario, which in light of the unprecedented nature and the uncertainty of the present situation cannot be ruled out, the Group's solid capital position, combined with its internal capital generation capacity, should not preclude the creation of shareholders value subject to any new guidelines on dividend distribution to be issued by the Supervisory Authorities.

As to the medium to long-term development of operations, in the coming months the Group will prepare new three-year projections, taking the evolution of the pandemic context into account, so as to base them on new and more updated macroeconomic and sector assumptions.

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NET INCOME ALLOCATION PROPOSAL

In today's meeting, the Board of Directors decided to propose to Shareholders the distribution of a cash dividend per share of € 0.06, before withholding taxes. More specifically, the proposal provides for the distribution of a total amount of € 90.9 million, calculated on a unit amount of € 0.06 for each of the no. 1,515,182,126 ordinary shares; any treasury shares held by the Bank at the record date shall not be distributed. If approved by the Shareholders at the general meeting, the distribution will take place on 21 April 2021 (payment date), the ex-date will fall on 19 April 2021 and the record date on 20 April 2021. The allocation will be subject to the ordinary dividend distribution taxation.

RESOLUTIONS OF THE BOARD OF DIRECTORS

[31] Management estimate.

The Board of Directors of Banco BPM has also approved the merger plans of the ProFamily S.p.A. and Bipielle Real Estate S.p.A.

Following the latest communication to the market on 21 December 2020, in keeping with the agreements entered with the Crédit Agricole Group aimed at further consolidating our consumer credit business partnership in Italy, the merger of ProFamily into the Parent company Banco BPM has been initiated for liquidation purposes.

Instead, the merger of Bipielle Real Estate S.p.A. – a real estate company with mainly operating assets – into Banco BPM aims at concentrating all real estate assets directly into the Parent company, to which the organizational structures in charge of managing the assets would also report.

Both mergers will take place in compliance with the simplified procedures for fully owned companies, and their execution, subject to ECB's prior authorization, should be completed by the month of July 2021. In any case these deals fall within the set of measures aimed at rationalizing the corporate and operational structure of Gruppo Banco BPM, as they meet the need to simplify and rationalize the structure, optimize personnel and unleash their value, and to reduce costs, and they will have no impact on capital ratios and on the consolidated financial statements of Gruppo Banco BPM.

With regard to the applicability of the current provisions on "Related Party Transactions", under Consob's Regulation no. 17221 of 12 March 2010, as subsequently amended ("Consob TPT Regulation") and to the related corporate policy adopted by Banco BPM ("Banco BPM Procedure", available on the website www.bancobpm.it, Corporate Governance section, Corporate documents), the mergers under examination fall within the category of "intragroup" transactions and therefore they can benefit from the exemptions provided for under the Consob TPT Regulation and the Banco BPM Procedure, as it was ascertained that no other significant related-party interest exists.

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The financial reporting officer, Mr. Gianpietro Val, in compliance with Article 154 *bis*, 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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In compliance with Italian law, the Annual Financial report as at 31 December 2020 will be made available to the public at the company's registered offices and at Borsa Italiana, as well as on the corporate website at www.bancobpm.it and on the website of authorized central storage mechanism at www.emarketstorage.com.

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Gruppo Banco BPM's results as at 31 December 2020 will be presented to the financial community on a conference call scheduled for today, 9 February 2021, at 18.00 (C.E.T.). The supporting documentation for the conference call is available on the website of the authorized central storage mechanism (www.emarketstorage.com) and on the Bank's website www.bancobpm.it, where the details for connecting to the call are also available.

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 31 December 2020, 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 standard

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 more readily understandable aggregate 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, applying the same aggregation and classification criteria presented in the consolidated financial statements as at 31 December 2019, except for what specified below.
The balance sheet line-item "30. Financial liabilities designated at fair value" is linked to the reclassified balance sheet item "Other financial liabilities measured at fair value" with respect to the component represented by certificates issued by the Parent company as of June 2020, while the other components of line-item 30 are still linked to the reclassified aggregate under "Direct funding".
As to the income statement, as of 31 December 2020, the reclassified statement includes a number of ad hoc line-items, following the aggregate line-item "Income (loss) from continuing operations", to allow a swifter understanding of the results of continuing operations.
More specifically, they cover those items that are recognized under IAS/IFRS but that from a management viewpoint are not deemed representative of the Group's actual profitability, i.e. the impact from changes in creditworthiness tied to the issuance of certificates[32], and the Purchase Price Allocation reversal, following business combinations closed in prior years.
Moreover, also particularly significant non-recurring items, stemming from extraordinary decisions (restructuring charges for the use of redundancy funds, early retirement plans, branch closures, or benefits from the decision to realign tax amounts to the key accounting amounts) are entered in separate line-items.
Accordingly, to the above items we should add the line-items posted after the income/loss from continuing operations in prior financial years when appropriate, such as "Banking industry charges after of tax", "Goodwill impairment".

In light of the new classification criteria, the P&L data from prior periods under comparison have been restated on a like-for-like basis.

With reference to the comparative income statement tables contained in the annexes, please note that certain balances have been reclassified/restated with respect to those originally published to reflect the effect of the adoption of the new real estate valuation criterion on the first three months of 2019 and of the method of disclosure of the remuneration tied to the distribution of certificates on the first quarter of 2019. For further details, please see the News Release on 2019 results of 6 February 2020.

The accounting standards adopted to prepare the accounting position as at 31 December 2020 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 2020, pursuant to EC Regulation no. 1606 of 19 July 2002 (including the SIC and IFRIC interpretation documents).
Moreover, the communications of the Regulators (Bank of Italy, Consob, ESMA, EBA, ECB) were taken into consideration, insofar as applicable, which provide some clarifications on how to interpret certain accounting standards or on the accounting treatment of specific transactions.

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 information available on the date of preparation of the annual report as at 31 December 2020, together with any scenarios considered reasonable based on past experience and the likely development of future reference scenarios. Owing to their nature, it is therefore not possible to rule out that the presumed scenarios, as far as reasonable, may not match future scenarios the Group will operate in. Therefore, future actual results may differ from the estimates generated to prepare the annual report as at 31 December 2020, calling for adjustments that cannot be predicted or estimated today with respect to the carrying amount of assets and liabilities recognized in the balance sheet.
Among the main uncertainty factors that could affect future scenarios in which the Group operates, we should not underestimate the negative effects on the global and Italian economies directly or indirectly connected with the evolution of the Covid-19 pandemic, which will depend on the rapidity and effectiveness of the vaccine campaign. As long as the outline of the health crisis and of the national and European interventions put in place to contrast it remain fuzzy and unclear, the exercise of including the Covid-19 impact in financial estimates will be extremely difficult, as these effects will depend upon a gamut of variables that to date are still unforeseeable.

2. Covid–19: impact on full-year operating results

As already described, the FY 2020 results have been significantly affected by the consequence of the pandemic which is still underway. Illustrated below are the main impacts the pandemic had on the operating results.

Net fees and commissions
The pandemic had a significant negative P&L impact in terms of reduction in operating income as a direct consequence of the lower business volumes caused by the lockdowns, especially in Q2, and of the change in the savers' propensity to carry out financial investments. This impact is more clearly reflected by the drop in net fees and commissions, amounting to € - 130.6 million (-7,3%) compared to the previous financial year.

[32]The P&L effect tied to the changes in creditworthiness related to the issuance of certificates classified in the "Trading financial liabilities" portfolio – that up until Q3 2020 was included in the line-item "Net financial result" –- as of 30 September 2020 is posted under the ad hoc line-item "Change in creditworthiness on Certificates issued by the Group, after tax". This choice stems from the need to isolate the income effect from the volatility of the above creditworthiness, reported in 2020, as from a management viewpoint it is not deemed representative of the Group's actual profitability.

Net financial result
The Covid-19 pandemic involved a high level of volatility on financial markets, which did not impact only financial assets, but also financial liabilities issued by the Group and measured at fair value, whose valuations have been strongly affected by the volatility of Banco BPM's creditworthiness.
More specifically, at 31 March 2020, the worsening of Banco BPM's creditworthiness and the consequent reduction in fair value of its financial liabilities measured at fair value led to the recognition of unrealized capital gains posted under the line-item "Net financial result" and amounting to € 206.0 million. After the 31 March, the improvement of the credit rating led to a progressive reduction in the above capital gain and a consequent significant negative P&L impact in Q2, totaling € - 165.4 million. € 3.3 million of capital gains were recognized in Q3, which reported limited variations. The credit rating improvement reported at the end of the year led to the recognition in Q4 of a capital loss of € -61.4 million.
As a whole, the P&L effect recognized in FY 2020 as a result of changes in creditworthiness gave rise to a loss of € -17.5 million.
At balance sheet level, at 31 December 2020 the cumulative effect tied to own-credit gave rise to a loss of € 52.3 million (€ -34.8 million at 31 December 2019).

Operating expenses
Expenses recognized for the year came as a result of certain contingency actions, tied to property management, operational support services and security and safety services, at the bank's head office and branches, in order to guarantee the safety and security of employees and clients.
On the other hand, personnel expenses benefitted from various savings, at times marked and non-recurring in nature, as well as from the lower charges tied to the incentive scheme that was revised during the year.

Net adjustments to customer loans
When measuring loan impairment, IFRS 9 requires that non only historical and current information be considered, but also forward-looking information that could influence the recoverability of the credit exposure, in keeping with the guidelines of the Supervisory Authorities.
During 2020, the expected credit loss estimation methodologies were enhanced by using a more conservative approach when assessing forward looking factors, and to incorporate more updated macroeconomic scenarios. This led to an increase in performing and non-performing loan provisions as compared to the previous year.

Furthermore, the Covid-19 crisis has made it critically important to update the valuation of assets whose recoverability is based on future financial flows, which could be strongly impacted by the crisis. To this regard, it should be pointed out that the analyses conducted as at 31 December 2020 to verify the recoverability of intangible assets (goodwill, trademarks, client relationship), equity investments and DTAs highlighted the overall reliability of the accounting data, with the only exception of the need to impair the goodwill assigned to the CGU Bancassurance Vita by € 25.1 million.

Finally, it should be pointed out that the Group did not change its reclassified financial statements, nor has it introduced alternative ad hoc performance indicators to separately highlight the effect of the Covid-19 crisis, in line with the indications set forth in the update of the "*ESMA 32_51_370 – Question and answer – ESMA Guidelines on Alternative Performance Measures (APMS)*" document published on 17 April 2020.

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 between Gruppo Banco Popolare and Gruppo Banca Popolare di Milano completed in FY 2017 and between the Groups of Banco Popolare di Verona e Novara and Banca Popolare Italiana, completed in FY 2007.

As described above, as of the financial report as at 31 March 2020, this impact has been recognized, after tax, under the separate line-item of the reclassified income statement "Purchase Price Allocation after tax".

More specifically, the 2020 consolidated P&L impact from the reversal effect of value adjustments of acquired net assets (mainly tied to the former Gruppo Banca Popolare di Milano) came in at € -26.0 million on NII (in connection with the evolution of the various valuations of purchased assets) and at € -36.0 million on other net operating income (due to the depreciation of intangibles recognized under the PPA). Net of the tax effect, the overall impact at 31 December 2020 totaled € -41.5 million (€ -14.7 million in FY 2019).

4. Charges generated by the contribution to resolution mechanism

In 2020, the P&L line-item "After-tax banking industry charges" was charged with the amount of ordinary and additional charges due by banks to the Resolution Funds and the Interbank Deposit Guarantee Fund for the year, which, net of the tax effect, totaled € 138.9 million (€ 92.9 million ordinary and extraordinary contributions were charged to income at 31 December 2019). Gross of the tax effect, the total charge added up to € 192.0 million (€ 137.6 million in 2019).

5. Changes in consolidation scope

The following changes in consolidation scope were reported during the year: exit of the subsidiary Leasimpresa Finance S.r.l. following the cancellation from the competent Companies Registrar after the liquidation procedure had been completed.
The vehicles Italfinance Securitisation 2 S.r.l. and ProFamily Securitisation S.r.l., exited the scope of companies accounted for under the full-consolidation method as a result of the early closing of the underlying securitization; furthermore, there was the entrance of the vehicle ProFamily SPV S.r.l. tied to a new securitization carried out by the Group.

In Q2 the company Anima Holding S.p.A., in which Banco BPM holds a 19.385% stake, entered the scope of consolidation under the equity method. This stake is considered strategic and is set to be held permanently. Considering the governance changes introduced by the associate, the shareholding meets the definition of significant influence by Banco BPM. Please note that since Anima Holding will approve its draft financial statements after Banco BPM, the associate's P&L 2020 contribution covers only 6 months (from 1 April 2020 to 30 September 2020). The contribution recognized in Q4 refers to the associate's third quarter.

6. Non-recurring items in the 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 according to the policy adopted 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.

Whenever deemed significant, disclosure is given of the impact of P&L components that are classified as recurring under the Group's policy, through the comments that describe the evolution of balance sheet and P&L items.

Based on the criteria described above, the following non-recurring items were reported in FY 2020:

- the line-item "personnel expenses" includes one-off savings of wage components as an indirect result of the pandemic of € 31.6 million;
- the line-item "net amortization and depreciation on tangible and intangible assets" includes the amortization due to fixed assets impairment of € 2.2 million;
- the line-item "Customer loan loss provisions" includes losses of € 251.4 million related to loan disposals completed in December;
- the line-item "gain or loss on the fair value measurement of tangible assets" includes a capital loss of € 36.7 million, tied to the adjustment of the fair value of investment property further to the annual update of appraisals;
- "net provisions for risks and charges" included allowances for € 26.0 million, set aside against the estimate of charges tied to contract obligations tied to the disposal of equity investments;
- the line-item "gain (loss) on disposal of equity and other investments", by definition non-recurring, posts a positive amount of € 1.2 million;
- "income tax for the period on continuing operations" include the tax impact of the above non -recurring items totaling € 77,0 million;
- the line-item "Restructuring charges, after tax" of € 187.0 million includes the costs for early retirement schemes and for the rationalization of the Group's branch network;
- the line-item "after-tax banking industry charges" includes additional contributions paid to the National Resolution Fund of € 19.4 million (gross € 26.9 million, net of a tax effect of € 8.7 million);
- the line-item "Clearing of tax misalignments" posts the € 128.3 million gain from opting to realign the tax base of intangible assets with their carrying amount;
- the impairment tests on intangible assets with indefinite useful life generated a goodwill impairment of € 25.1 million, posted under the line-item "Goodwill impairment".

As a whole, considering also the minority interest effect (€ + 0.3 million), non-recurring items in 2020 posted a negative amount of € 309.6 million.

Excluding the above effects, the (adjusted) net income for the year would come to € 330.5 million (€ 349.0 million before tax)

In the income statement of the previous year, restated for a like-for-like comparison, the following non-recurring items had been recognized i:

- the line-item "net interest income" included 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 “impairment of tangible and intangible assets” included a € 4.4 million write-off as a result of the impairment of fixed assets
- I the fair value measurement of tangible assets generated the recognition of capital losses for € 158.5 million as a result of the change in real estate valuation criteria;
- the line-item “net provisions for risks and charges” included 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 included the € 189.5 million capital gain 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 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 for a grand total of € 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.

As a whole, considering also the minority interest effect (€ + 9.3 million), non-recurring items in FY 2019 posted a positive amount € 148.4 million.

Taking the above impacts into account, the (adjusted) net income came to € 648.6 million (€ 813.7 million before tax).

7. 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 2020 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 the Countercyclical Capital Buffer ratio for exposures to Italian counterparties at zero per cent also for the fourth quarter 2020.

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 2.50%, that was the required top-up under the previous decision valid for FY 2019).
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*: 12.882%.

Following the Covid-19health emergency, with letter dated 8 April 2020 the ECB decided to amend the decision made in December 2019 illustrated above, establishing that the 2.25% SREP requirement must be maintained by Banco BPM as follows: 56.25% as Common Equity Tier 1 (CET1) and 75% as Tier 1 Capital (Tier 1). Therefore, taking also into account the reduction in the countercyclical capital buffer established by the competent national authorities for exposures towards countries where the Group operates from 0.005% in December 2019 to the current 0.003%i, the minimum requirements Banco BPM must comply with in 2021 and until a new communication is issued, are:
- *CET1 ratio*: 8.459%;
- *Tier 1 ratio*: 10.380%;
- *Total Capital ratio*: 12.943%.

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. Without prejudice to the impacts from the above transitional provision, Banco BPM does not benefit from any Tier 1 capital impact as at 30 September 2020 as a result of the new transitional regime under the changes made to Regulation 873/2020 article 473 bis regarding the higher provisions set aside in the current year for expected losses on performing loans as compared to their amount on 1 January 2020.

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.

8. Sovereign risk exposure represented by debt securities

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

31 December 2020 *(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	13.633	4.285	1.399	19.317
USA	2.002	358	0	2.360
France	1.659	1.309	0	2.967
Germany	536	365	0	901
Spain	1.319	951	421	2.691
Other Countries	532	256	0	788
Total	**19.681**	**7.524**	**1.819**	**29.025**

At 31 December 2020, the Group's sovereign debt exposure totaled € 29.0 billion (€ 26.4 billion at 31 December 2019), of which 67.8% were classified in the portfolio of financial assets measured at amortized cost, 25.9% under financial assets measured at fair value through other comprehensive income, and 6.3% 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 94% refers to securities issued by members of the European Union; notably about 69% by Italy.
As regards financial assets measured at fair value through other comprehensive income, at 31 December 2020 the reserves generated by the fair value measurement of debt securities totaled € 197.6 million, gross of tax effect, of which €126.9 million refer to government bonds (€ 72.4 million related to Italian government bonds).
As to financial assets measured at amortized cost, the book value came out at € 19.7 billion, of which € 13.6 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 2020 (level 1 in the fair value classification) totaled € 20.5 billion (€ 14.2 billion being the fair value of the Italian government bonds alone).
Finally, note that debts securities management still follows the same choices of the prior financial years, hence no financial assets reclassification has been reported across the different accounting categories.

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 December 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 30 September 2020, 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 – 2020 and 2019 quarterly evolution
- FY 2020 Reclassified consolidated income statement net of non-recurring items

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BANCO BPM GROUP

Reclassified consolidated balance sheet

(in euro thousand)	31/12/2020	31/12/2019	Chg.	Chg. %
Cash and cash equivalents	8,858,079	912,742	7,945,337	N.M.
Financial assets at amortised cost	120,455,666	115,889,891	4,565,775	3.9%
- Due from banks	11,120,681	10,044,427	1,076,254	10.7%
- Customer loans (*)	109,334,985	105,845,464	3,489,521	3.3%
Other financial assets	41,175,632	37,069,089	4,106,543	11.1%
- Financial assets designated at FV through P&L	9,118,571	7,285,091	1,833,480	25.2%
- Financial assets designated at FV through OCI	10,710,796	12,526,772	-1,815,976	-14.5%
- Financial assets at amortised cost	21,346,265	17,257,226	4,089,039	23.7%
Equity investments	1,664,772	1,386,079	278,693	20.1%
Property and equipment	3,552,482	3,624,312	-71,830	-2.0%
Intangible assets	1,218,632	1,269,360	-50,728	-4.0%
Tax assets	4,704,196	4,619,636	84,560	1.8%
Non-current assets held for sale and discontinued operations	72,823	131,082	-58,259	-44.4%
- Customer loans	11,374	93,744	-82,370	-87.9%
- Other assets and group of assets	61,449	37,338	24,111	64.6%
Other assets	1,982,900	2,136,010	-153,110	-7.2%
Total assets	**183,685,182**	**167,038,201**	**16,646,981**	**10.0%**
Direct funding	116,936,669	109,506,299	7,430,370	6.8%
- Due to customers	102,162,461	93,375,026	8,787,435	9.4%
- Debt securities issued and financial liabilities designated at FV	14,774,208	16,131,273	-1,357,065	-8.4%
Due to banks	33,937,523	28,515,685	5,421,838	19.0%
Leasing debts	760,280	732,536	27,744	3.8%
Other financial liabilities designated at fair value	14,015,427	10,919,429	3,095,998	28.4%
Liability provisions	1,415,473	1,486,683	-71,210	-4.8%
Tax liabilities	464,570	619,269	-154,699	-25.0%
Liabilities associated with assets held for sale	-	5,096	-5,096	-100.0%
Other liabilities	3,928,139	3,366,122	562,017	16.7%
Total Liabilities	**171,458,081**	**155,151,119**	**16,306,962**	**10.5%**
Minority interests	1,894	26,076	-24,182	-92.7%
Shareholders' equity	12,225,207	11,861,006	364,201	3.1%
Consolidated Shareholders' Equity	**12,227,101**	**11,887,082**	**340,019**	**2.9%**
Total Liabilities and Shareholders' Equity	**183,685,182**	**167,038,201**	**16,646,981**	**10.0%**

(*) Include the Senior notes coming from the securitizations of Non-performing Loans

BANCO BPM GROUP

Reclassified consolidated income statement

(in euro thousand)	2020	2019	Chg.	Chg. %
Net interest income	1,982,561	1,981,069	1,492	0.1%
Income (loss) from investments in associates carried at equity	130,799	131,255	-456	-0.3%
Net interest, dividend and similar income	**2,113,360**	**2,112,324**	**1,036**	**0.0%**
Net fee and commission income	1,663,810	1,794,423	-130,613	-7.3%
Other net operating income	56,005	76,024	-20,019	-26.3%
Net financial result	318,642	366,847	-48,205	-13.1%
Other operating income	**2,038,457**	**2,237,294**	**-198,837**	**-8.9%**
Total income	**4,151,817**	**4,349,618**	**-197,801**	**-4.5%**
Personnel expenses	-1,581,141	-1,696,531	115,390	-6.8%
Other administrative expenses	-593,812	-638,566	44,754	-7.0%
Net value adjustments on property and equipment and intangible assets	-255,114	-268,949	13,835	-5.1%
Operating costs	**-2,430,067**	**-2,604,046**	**173,979**	**-6.7%**
Profit (loss) from operations	**1,721,750**	**1,745,572**	**-23,822**	**-1.4%**
Net adjustments on loans to customers	-1,336,807	-778,530	-558,277	71.7%
Profit (loss) on fair value measurement of tangible assets	-36,721	-158,533	121,812	-76.8%
Net adjustments on other assets	-1,030	5,759	-6,789	
Net provisions for risks and charges	-42,294	-71,025	28,731	-40.5%
Profit (loss) on the disposal of equity and other investments	1,190	333,151	-331,961	-99.6%
Income (loss) before tax from continuing operations	**306,088**	**1,076,394**	**-770,306**	**-71.6%**
Tax on income from continuing operations	-13,518	-164,153	150,635	-91.8%
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**292,570**	**912,241**	**-619,671**	**-67.9%**
Restructuring costs, after tax	-187,030	-	-187,030	
Systemic charges after tax	-138,901	-92,877	-46,024	49.6%
Realignment of fiscal values to accounting values	128,324	-	128,324	
Godwill impairament	-25,100	-	-25,100	
Impact from the change in Own Credit Risk on certificates issued, net of tax	-11,739	-23,273	11,534	-49.6%
Purchase Price Allocation (PPA) net of tax	-41,492	-14,654	-26,838	183.1%
Income (loss) attributable to minority interests	4,248	15,564	-11,316	-72.7%
NET INCOME (LOSS) FOR THE PERIOD	**20,880**	**797,001**	**-776,121**	**-97.4%**

BANCO BPM GROUP

Reclassified consolidated income statement - Quarterly trend

(in euro thousand)	IV Q 2020	III Q 2020	II Q 2020	I Q 2020	IV Q 2019	III Q 2019 restated	II Q 2019 restated	I Q 2019 restated
Net interest income	509,019	519,921	479,507	474,114	473,959	495,805	512,117	499,188
Income (loss) from investments in associates carried at equity	23,729	36,768	48,036	22,266	33,917	27,952	32,628	36,758
Net interest, dividend and similar income	**532,748**	**556,689**	**527,543**	**496,380**	**507,876**	**523,757**	**544,745**	**535,946**
Net fee and commission income	429,225	417,651	376,371	440,563	462,167	444,065	453,673	434,518
Other net operating income	12,731	11,675	14,855	16,744	16,129	17,785	17,928	24,182
Net financial result	77,845	157,325	82,712	760	223,037	61,363	722	81,725
Other operating income	**519,801**	**586,651**	**473,938**	**458,067**	**701,333**	**523,213**	**472,323**	**540,425**
Total income	**1,052,549**	**1,143,340**	**1,001,481**	**954,447**	**1,209,209**	**1,046,970**	**1,017,068**	**1,076,371**
Personnel expenses	-407,212	-356,950	-397,954	-419,025	-437,052	-415,622	-417,984	-425,873
Other administrative expenses	-125,341	-159,797	-154,094	-154,580	-149,780	-158,632	-163,135	-167,019
Net value adjustments on property and equipment and intangible assets	-67,229	-64,796	-61,710	-61,379	-69,289	-68,586	-67,745	-63,329
Operating costs	**-599,782**	**-581,543**	**-613,758**	**-634,984**	**-656,121**	**-642,840**	**-648,864**	**-656,221**
Profit (loss) from operations	**452,767**	**561,797**	**387,723**	**319,463**	**553,088**	**404,130**	**368,204**	**420,150**
Net adjustments on loans to customers	-536,225	-324,340	-262,999	-213,243	-220,499	-208,387	-197,692	-151,952
Profit (loss) on fair value measurement of tangible assets	-30,989	-316	-5,094	-322	-131,012	-739	-19,306	-7,476
Net adjustments on other assets	7,249	104	-3,728	-4,655	1,596	4,138	3,996	-3,971
Net provisions for risks and charges	-35,587	907	-9,809	2,195	-62,633	-2,712	-10,102	4,422
Profit (loss) on the disposal of equity and other investments	-354	1,324	129	91	-3,638	-24	336,646	167
Income (loss) before tax from continuing operations	**-143,139**	**239,476**	**106,222**	**103,529**	**136,902**	**196,406**	**481,746**	**261,340**
Tax on income from continuing operations	47,946	-22,464	-13,293	-25,707	-31,745	-51,460	-24,138	-56,810
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**-95,193**	**217,012**	**92,929**	**77,822**	**105,157**	**144,946**	**457,608**	**204,530**
Restructuring costs	-187,030	-	-	-	-	-	-	-
Systemic charges after tax	-10,216	-53,001	-18,169	-57,515	-4,495	-31,521	-15,240	-41,621
Realignment of fiscal values to accounting values	128,324	-	-	-	-	-	-	-
Godwill impairament	-25,100	-	-	-	-	-	-	-
Impact from the change in Own Credit Risk on certificates issued, net of tax	-41,116	2,194	-110,739	137,922	-10,487	-13,184	6,677	-6,279
Purchase Price Allocation (PPA) net of tax	-11,543	-11,422	-11,962	-6,565	-3,650	-3,842	-4,700	-2,462
Income (loss) attributable to minority interests	220	2,520	1,537	-29	9,247	1,846	3,225	1,246
NET INCOME (LOSS) FOR THE PERIOD	**-241,654**	**157,303**	**-46,404**	**151,635**	**95,772**	**98,245**	**447,570**	**155,414**

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

BANCO BPM GROUP

Reclassified consolidated income statement net of Non-Recurring items

(migliaia di euro)	2020	2019	Chg.	Chg. %
Net interest income	1,982,561	1,976,384	6,177	0.3%
Income (loss) from investments in associates carried at equity	130,799	131,255	-456	-0.3%
Net interest, dividend and similar income	**2,113,360**	**2,107,639**	**5,721**	**0.3%**
Net fee and commission income	1,663,810	1,794,423	-130,613	-7.3%
Other net operating income	56,005	76,024	-20,019	-26.3%
Net financial result	318,642	366,847	-48,205	-13.1%
Other operating income	**2,038,457**	**2,237,294**	**-198,837**	**-8.9%**
Total income	**4,151,817**	**4,344,933**	**-193,116**	**-4.4%**
Personnel expenses	-1,612,770	-1,696,531	83,761	-4.9%
Other administrative expenses	-593,812	-638,566	44,754	-7.0%
Net value adjustments on property and equipment and intangible assets	-252,876	-264,500	11,624	-4.4%
Operating costs	**-2,459,458**	**-2,599,597**	**140,139**	**-5.4%**
Profit (loss) from operations	**1,692,359**	**1,745,336**	**-52,977**	**-3.0%**
Net adjustments on loans to customers	-1,085,363	-778,530	-306,833	39.4%
Rettifiche nette su titoli ed altre attività finanziarie	-1,030	5,759	-6,789	
Net provisions for risks and charges	-16,294	6,475	-22,769	
Profit (loss) on the disposal of equity and other investments	-	-	-	
Income (loss) before tax from continuing operations	**589,672**	**979,040**	**-389,368**	**-39.8%**
Tax on income from continuing operations	-90,491	-221,209	130,718	-59.1%
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**499,181**	**757,831**	**-258,650**	**-34.1%**
Systemic charges after tax	-119,455	-77,637	-41,818	53.9%
Impact from the change in Own Credit Risk on certificates issued, net of tax	-11,739	-23,273	11,534	-49.6%
Purchase Price Allocation (PPA) net of tax	-41,492	-14,654	-26,838	183.1%
Income (loss) attributable to minority interests	3,970	6,301	-2,331	-37.0%
RISULTATO NETTO (SENZA COMPONENTI NON RICORRENTI)	**330,465**	**648,568**	**-318,103**	**-49.0%**

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