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<i>Testo del comunicato</i>

Vedi allegato.



PRESS RELEASE

RESULTS AS AT 30 JUNE 2022

ADJUSTED NET PROFIT UP AT € 497 MILLION ¹(+30.1% YOY): BEST RESULT SINCE THE FORMATION OF THE BANCO BPM GROUP

STATED NET PROFIT UP AT € 384 MILLION (+6.3% YOY)

PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS² AT € 688 MILLION, +30.8% ON THE FIRST HALF OF 2021

GROSS NPE RATIO AT 4.8%³: 2024 TARGET OF THE PLAN ALREADY ACHIEVED

SOUND CAPITAL POSITION: "FULLY-PHASED" CET 1 RATIO AT 12.8%⁴

POSITIVE OUTLOOK:

- **EXCELLENT PROSPECTS FOR INCREASE IN REVENUES: OVER € 440 MILLION POTENTIAL ANNUAL INCREASE IN THE NET INTEREST INCOME IN THE EVENT OF AN INCREASE OF 100 B.P. IN INTEREST RATES⁵**
- **EARNINGS PER SHARE (EPS) FY 2022 FORECAST > € 0.40, WITH A PAYOUT AT 50%**
- **TARGETS OF THE 2021-2024 STRATEGIC PLAN CONFIRMED**

¹ Amount net of non-recurring items as indicated in section 5 of the Explanatory Notes to this press release.

² This interim result does not include banking industry charges of -€ 74.6 million, value adjustments to goodwill, equal to € 8.1 million, the accounting effects of Purchase Price Allocations (PPA) carried out in previous years of -€ 15.7 million, or effects of the change in the Group credit risk on its certificate issues, equal to +€ 25.7 million. These components are stated, net of taxes, in separate items of the reclassified income statement.

³ Ratio of gross non-performing exposures to total exposures relating to the balance sheet item "Loans to customers measured at amortised cost".

⁴ For more details on the calculation methods for capital ratios, please refer to paragraph no. 6 of the Explanatory Notes of this press release.

⁵ Expresses the impact in terms of the increase in the net interest income in the event of a parallel shift in the interest rate curve of +100 basis points, with all other conditions being equal.

- **CORE OPERATING INCOME⁶ AT € 2,097 MILLION, +1.4% ON THE FIRST HALF OF 2021, DUE TO THE CONTRIBUTION OF NET INTEREST INCOME OF € 1,039 MILLION (+2.0% YoY) AND NET FEE AND COMMISSION INCOME OF € 967 MILLION (+1.8% YoY)**
- **COST/INCOME RATIO⁷ AT 54.5%, IMPROVING ON 54.9% IN THE FIRST HALF OF 2021 AND 55.8% OVER 2021**
 - **COST OF RISK⁸ AT 55 BPS AND “CORE” COST OF RISK⁹ AT 35 BPS**

BANCASSURANCE: ACQUISITION OF 100% OF BIPIEMME VITA AIMED AT FINALISING THE STRENGTHENING OF THE BUSINESS MODEL COMPLETED, PRESERVING THE STRATEGIC OPTIONS

THE STRATEGY OF REDUCING THE NON-PERFORMING PORTFOLIO CONTINUES, WHICH RESULTED IN A FURTHER DECREASE IN THE GROSS NPE RATIO¹⁰ TO 4.8% (3.6% IF CALCULATED ACCORDING TO EBA METHODOLOGY¹¹)

- **DERISKING IN H1 2022 TALLING €1.4 BILLION (INCLUDING THE DISPOSAL OF A LOAN PORTFOLIO CLASSIFIED AS UNLIKELY TO PAY AND BAD LOANS WITH A TOTAL GROSS BOOK VALUE OF APPROXIMATELY € 700 MILLION - “ARGO PROJECT”), EXCEEDING THE TARGET OF € 1 BILLION ANNOUNCED TO THE MARKET**
- **TARGET FOR SALES OF GROSS NON-PERFORMING LOANS INCREASED, BRINGING IT TO OVER € 500 MILLION, TO BE REALISED OVER THE TIME HORIZON OF THE PLAN¹²**

CORE NET PERFORMING LOANS¹³ TO CUSTOMERS EQUAL TO € 102.8 BILLION (+3.4% COMPARED TO THE END OF 2021)

NEW DISBURSEMENTS TO CUSTOMERS AMOUNTED TO € 13.7¹⁴ BILLION, UP BY 13.5% YOY

CORE DIRECT FUNDING¹⁵ EQUAL TO € 107.4 BILLION (+2.3% COMPARED TO THE END OF 2021)

⁶ Aggregate consisting of net interest income, gains (losses) on interests in associates and joint ventures carried at equity and net fee and commission income.

⁷ Calculated as the ratio of operating expenses to operating income resulting from the Reclassified Income Statement.

⁸ Calculated as the ratio of net value adjustments on loans (annualised figure) to total on-balance sheet exposures to customers net of value adjustments.

⁹ Cost of credit calculating by excluding extraordinary impacts due to the increase in the targets for sales of non-performing loans.

¹⁰ Ratio of gross non-performing exposures to total exposures relating to the balance sheet item "Loans to customers measured at amortised cost".

¹¹ Methodology used by EBA for the presentation of data in the context of the EU Transparency Exercise.

¹² The planned sales have been considered in valuing the exposures as at 30 June 2022 and, thus in the cost of credit charged to the income statement in the first half, in compliance with the provisions of IFRS 9.

¹³ Mortgages, loans, current accounts and personal loans.

¹⁴ Management data.

¹⁵ Current accounts and deposits.

CONFIRMATION OF THE SOLID EQUITY POSITION WITH A FULLY-PHASED CET 1 RATIO AT 12.8%¹⁶ AND A FULLY-PHASED MDA BUFFER AT 424 BASIS POINTS¹⁷

SOLID LIQUIDITY POSITION: LCR AT 208%, NSFR > 100% AND CASH AND UNENCUMBERED ASSETS AT € 45.1 BILLION

FURTHER PROGRESS IN DIGITAL AND MULTI-CHANNEL OPERATIONS OF CUSTOMERS, IN LINE WITH THE TARGETS OF THE STRATEGIC PLAN:

- **SHARE OF REMOTE TRANSACTIONS EQUAL TO 84%**
- **REMOTE & MULTI-CHANNEL SALES EXCEEDING 23%**
- **~ 600,000 CUSTOMERS WITH DIGITAL IDENTITIES**

THE USE OF THE MOBILE CHANNEL CONTINUES TO GROW, WITH A NUMBER OF OPERATIONS EXECUTED VIA APP EXCEEDING THOSE CARRIED OUT AT BRANCHES

SUMMARY OF ESG INTEGRATION RESULTS:

- **GREEN FINANCING, NEW DISBURSEMENTS AT € 4.6 BILLION DURING THE HALF¹⁸**
- **ESG BONDS PRESENT IN THE BANCO BPM PROPRIETARY PORTFOLIO AT 19.1%**
- **PERCENTAGE OF WOMEN IN MANAGERIAL POSITIONS RISES TO 25.6% (FROM 23.4% AS AT 31 DECEMBER 2021)**
 - **YOUNG PEOPLE AGED 20 TO 30 COMPRISING 88% OF NEW HIRES¹⁹**
- **OVER 7,400 HOURS DEDICATED TO CORPORATE VOLUNTEERING, ESG TRAINING AND FINANCIAL EDUCATION**
- **SIGNIFICANT YOY DECREASE IN ENERGY CONSUMPTION DURING THE HALF -7.3% (SCOPES 1 AND 2) AND IN EMISSIONS -7.3% (SCOPES 1 AND 2)**
 - **STANDARD ETHICS CONFIRMS THE SUSTAINABILITY RATING ASSIGNED TO BANCO BPM AT “EE” (“STRONG”) – “POSITIVE OUTLOOK”**

During the half, despite the difficult macroeconomic framework, the Group's sales and organisational efforts allowed excellent operating results, with profitability at record levels.

¹⁶ For more details on the calculation methods for capital ratios, please refer to paragraph no. 6 of the Explanatory Notes of this press release.

¹⁷ Difference between the Total Capital Ratio (ratio of own funds to risk-weighted assets) measured as at 30 June 2022 (including the profit under way net of the expected dividend pay-out) and the corresponding level of the minimum regulatory requirement for 2022, including the Pillar 2 Requirement (P2R).

¹⁸ Management data.

¹⁹ Hires in the period January 2021 – June 2022.

which made it possible to achieve the net result of € 384 million, with the adjusted net result at € 497 million, which is the best result since the formation of the Banco BPM Group. Specifically, core operating income recorded a significant performance, at € 2,097 million, with a growth of +1.4% on the first half of 2021, due to the positive contribution of net interest income (+2.0% yoy) and net fee and commission income (+1.8% yoy). That dynamic, along with careful cost management, made it possible to achieve a cost/income ratio of 54.5%, improving on 54.9% in the first half of 2021 and 55.8% over 2021. Adjustments to loans to customers came to € 304 million, down 35.7% on the first half of 2021, while guaranteeing the maintenance of sound coverage of loans. Profit (loss) before tax from continuing operations rose to € 688 million against € 526 million in the first half of 2021, with growth of 30.8%.

The balance sheet items also showed significant results:

- net core performing loans (comprised of mortgages, loans, current accounts and personal loans) reached € 102.8 billion, marking an increase of 3.4% compared to 31 December 2021 and 3.0% YoY;
- the volume of new disbursements to households and businesses reached € 13.7 billion, up by 13.5% YoY;
- core direct funding amounted to € 107.4 billion, marking an increase of 2.3% compared to the end of 2021 and 3.1% YoY.

As regards non-performing loans, the Group's derisking process continued, totalling € 1.4 billion during the half, which includes the sale of € 700 billion in non-performing loans ("Argo Project"). The Group also approved an increase in the targets for sales, bringing the total target to over € 500 million over the term of the plan.

The strengthening of the derisking process resulted in a further reduction in non-performing loans, bringing their incidence on total gross loans to 4.8%, and bringing the total gross non-performing loans from € 7.1 billion in June 2021 to € 5.5 billion.

An extremely healthy equity position confirmed:

- Phased-in CET 1 Ratio and fully-phased CET 1 Ratio at 14.0%²⁰ and 12.8% respectively;
- Phased-in MDA buffer at 551 basis points and fully phased MDA buffer at 424 basis points.

Key balance sheet items

- Net loans to customers equal to € 110.8 billion: +1.3% YoY (of which performing loans +2.2% and non-performing loans -23.0% compared to 30 June 2021) and +1.3% compared to 31 December 2021 (of which performing loans +1.7% and non-performing loans -12.2%);

²⁰ The phased-in capital ratios are calculated according to that illustrated in the paragraph "Transitional arrangements" of Explanatory Note no. 6.

- Direct funding from customers equal to € 126.4 billion²¹: +3.1% YoY and +2.6% compared to the end of December 2021. The growth trend in the core funding was confirmed (+€ 3.2 billion YoY and +€ 2.4 billion compared to the end of 2021);
- Indirect funding²² from customers € 90.5 billion: -6.1% YoY and -8.6% compared to 31 December 2021 (due to the decrease in prices of financial assets), of which:
 - asset management € 59.9 billion;
 - asset administration € 30.7 billion.

Key income statement items

- Net interest income:
 - € 527.6 million in Q2 2022 (€ 511.5 million in Q1 2022; +3.1%)
 - € 1,039.1 million in H1 2022 (€ 1,019.2 million in H1 2021; +2.0%)
- Net fee and commission income:
 - € 486.8 million in Q2 2022 (€ 480.1 million in Q1 2022; +1.4%)
 - € 966.9 million in H1 2022 (€ 950.1 million in H1 2021; +1.8%)
- Operating expenses:
 - € 632.1 million in Q2 2022 (€ 624.7 million in Q1 2022; +1.2%)
 - € 1,256.7 million in H1 2022 (€ 1,275.5 million in H1 2021; -1.5%)
- Profit (loss) from operations:
 - € 487.7 million in Q2 2022 (€ 561.2 million in Q1 2022; -13.1%), due to the decrease in the net financial result, while both the net interest income and net fee and commission income increased
 - € 1,048.9 million in H1 2022 (€ 1,048.0 million in H1 2021; +0.1%)
- Net adjustments to loans to customers:
 - € 152.6 million in Q2 2022 (€ 151.1 million in Q1 2022; +0.9%)
 - € 303.7 million in H1 2022 (€ 472.6 million in H1 2021; -35.7%)
- Profit (loss) before tax from continuing operations²³:
 - € 288.5 million in Q2 2022 (€ 399.1 million in Q1 2022; -27.7%)
 - € 687.6 million in H1 2022 (€ 525.8 million in H1 2021; +30.8%)
- Adjusted profit (loss) before tax from continuing operations²⁴:
 - € 413.3 million in Q2 2022 (€ 431.1 million in Q1 2022; -4.1%)
 - € 844.4 million in H1 2022 (€ 644.1 million in H1 2021; +31.1%)
- Net result:
 - € 206.1 million in Q2 2022 (€ 177.8 million in Q1 2022; +15.9%)
 - € 383.9 million in H1 2022 (€ 361.3 million in H1 2021; +6.3%)
- Adjusted net result:

²¹ Direct funding includes certificates with unconditional capital protection (€ 3.5 billion as at 30 June 2022 compared to € 3.6 billion at the end of 2021), and excludes repurchase agreements.

²² Management data net of certificates with unconditional capital protection included under "direct funding".

²³ See note 2.

²⁴ Amount net of non-recurring items as indicated in section 5 of the Explanatory Notes to this press release.

- € 297.8 million in Q2 2022 (€ 199.2 million in Q1 2022; +49.5%)
- € 497.0 million in H1 2022 (€ 382.0 million in H1 2021; +30.1%)

Equity position²⁵:

- CET 1 ratio “fully-phased” 12.8% (13.1% as at 31 March 2022 and 12.9% as at 30 June 2021);
- CET 1 ratio “phased-in”²⁶ 14.0% (14.0% as at 31 March 2022 and 14.1% as at 30 June 2021);
- MDA buffer on TCR “fully phased” 424 basis points

Credit quality

- Stock of net non-performing loans equal to € 2.9 billion: -12.2% compared to the end of 2021 and -23.0% YoY
- Coverage:
 - Bad loans: 61.5% (58.6% as at 31 December 2021 and 55.4% as at 30 June 2021); also considering write-offs, the coverage stands at 70.3%;
 - Unlikely to pay: 40.3% (44.0% as at 31 December 2021 and 44.6% as at 30 June 2021);
 - Total non-performing loans: 47.8% (48.9% as at 31 December 2021 and 47.4% as at 30 June 2021); also considering write-offs, the coverage stands at 52.9%;
- Texas Ratio²⁷ improving further to 24.4% against 27.2% at the end of 2021 and 31.4% as at 30 June 2021.

Liquidity profile

- Liquidity at € 45.1 billion (cash + unencumbered assets);
- TLTRO III at € 39.2 billion
- LCR 208% and NSFR >100%.

Milan, 3 August 2022 – 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 30 June 2022 of the Banco BPM Group.

In the first half of 2022, the fragile recovery from the international emergency due to the Coronavirus epidemic was strongly impacted by the conflict in Ukraine which, since the end of February, has

²⁵ For more details on the calculation methods for capital ratios, please refer to paragraph no. 6 of the Explanatory Notes of this press release.

²⁶ The phased-in capital ratios are calculated according to that illustrated in the paragraph “Transitional arrangements” of Explanatory Note no. 6.

²⁷ The Texas Ratio is the ratio of the net value of non-performing loans to the Group’s tangible equity (net of the related tax effects).

generated harsh repercussions on the international economic system and on companies' operations.

As things stand, the conflict did not have significant impacts on Banco BPM correlated with the Group's direct exposure to Russian and Ukraine, as said exposure remained substantially steady and equal to approximately € 82.0 million, less than 0.1% of total on-balance sheet assets.

In the first half, the Group continued its derisking process, by carrying out a significant large-scale sale of non-performing positions (known as the "Argo Operation") regarding a portfolio of bad loans and unlikely to pay exposures with gross total exposure of approximately € 700 million. The operation, approved in April, was finalised in the form of a securitisation, in which 95% of the Junior and Mezzanine Notes issued by the vehicle were subscribed by subsidiaries of Elliott funds. The total derisking in the first half of 2022 amounted to € 1.4 billion.

In addition, as part of the change in the NPL management strategy approved by the Board of Directors in July, it was decided to identify a new potential portfolio to be sold, increasing the target of additional sales over the term of the plan to over € 500 million, with a clear benefit in terms of reducing the stock of gross non-performing loans and improving credit quality indicators.

During the first half, the Group also carried out important capital management operations: in January 2022, an issue of Subordinated Tier 2 instruments was launched for an amount of € 400 million, with 10-year maturity, targeted to institutional investors, which is part of the Group's Euro Medium Term Notes Programme. In addition, the Group's first issue of Green Covered Bonds was carried out, targeted to institutional investors, for an amount of € 750 million and 5-year maturity.

The bond, issued under the Green, Social and Sustainability Bond Framework as part of the Covered Bond programme, aims to refinance a selected portfolio of green residential mortgages disbursed to private customers for the purchase of highly energy efficient homes.

Lastly, in April, the issue of a perpetual Additional Tier 1 instrument was concluded for an amount of € 300 million, reserved to institutional investors, which makes it possible to achieve the Group's Additional Tier 1 capital target, further strengthening its equity position.

The process of rationalising the corporate and organisational structure of the Group includes the assignment to Banca Popolare di Sondrio S.p.A., concluded in March, of the 39.5% interest in the share capital of Factorit S.p.A., for a consideration of € 75 million, in line with the book value in the consolidated financial statements.

Moreover, in April, the Board of Directors resolved to exercise the option for the purchase from the partner Covéa Coopération SA of 81% of the share capital of Bipiemme Vita S.p.A., an insurance company operating in the life sector, in which Banco BPM already holds a 19% interest. In turn, Bipiemme Vita holds the entire share capital of Bipiemme Assicurazioni S.p.A., operating in the non-life sector.

After obtaining the legal authorisations from the competent authorities, on 22 July 2022, Banco BPM completed its acquisition from Covéa Coopération SA of 81% of Bipiemme Vita S.p.A.'s share capital, for a sum of € 309.4 million.

This operation will enable the integration of the insurance business into the Banco BPM Group in advance of the date of 31 December 2023 set out in the Strategic Plan, and also serves to obtain

recognition of the status of a “financial conglomerate” to access benefits in the prudential treatment of the equity investment deriving from application of the “Danish Compromise”²⁸.

Having thoroughly examined the non-binding offers received from a number of potential partners for the insurance joint ventures, at its meeting today the Board of Directors resolved to continue with the assessment of a possible new partnership in the bancassurance sector solely for the non-life segment. Completion of the assessment process is expected by the end of this year.

Also note that, during the first half, the mergers by incorporation into the Parent Company of Bipielle Real Estate and Release (already wholly-owned by Banco BPM) were finalised.

During the period, Banco BPM also concluded an own share purchase programme to serve the employee incentive plan for a total of 4,582,640 shares (equal to 0.30% of the ordinary shares outstanding) and a total value of € 16 million. Following the conclusion of that programme, and taking account of the assignments to employees during the half, Banco BPM held 6,207,721 own shares as at 30 June 2022, equal to 0.41% of the share capital.

On 2 February 2022, the European Central Bank (ECB) notified Banco BPM of the SREP decision containing the outcomes of the annual Supervisory Review and Evaluation Process (SREP), keeping the Pillar 2 Requirement unchanged at 2.25%. As a result of that decision, the minimum requirements that Banco BPM is required to meet for 2022, both at the phased-in and fully-phased levels, are as follows:

- CET 1 ratio: 8.519%
- Tier 1 ratio: 10.441%
- Total Capital ratio: 13.003%²⁹.

Banco BPM Group's capital solidity is fully confirmed as at 30 June 2022, as it far exceeds said prudential requirements, both with reference to the effective ratios calculated in accordance with the phased-in criteria in force for 2022, and considering the capital ratios calculated on the basis of the criteria in place when fully-phased.

Lastly, in relation to the credit rating assigned to Banco BPM:

- on 26 April 2022, Fitch Ratings assigned new ratings, all in the investment grade area, with a stable outlook. In detail, the Long Term Issuer Default Rating assigned is “BBB-” and the Long-term Deposit rating is “BBB”. The rating reflected a positive valuation based on various factors, including: revenues, risk profile, funding, capitalisation and management quality;
- on 11 May 2022, Moody's Investors Service upgraded the ratings by 1 notch, bringing the Long-Term Senior Unsecured rating to Ba1 and the Long-Term Deposit rating to Baa2, with stable outlook. That upgrade mainly reflected the Bank's improvement in credit quality as a result of the continuous process of derisking its loan portfolio. Moody's also noted the equity position of Banco BPM, which significantly exceeds the regulatory requirements.

²⁸ On the assumption that, as a result of the acquisition of Bipiemme Vita, Banco BPM Group will be recognised as a financial conglomerate as defined by art. 3 of Legislative Decree no. 142 of 30 May 2005, Banco BPM intends to submit a claim for the application of art. 49 (1) of Regulation (EU) no. 575/2013 (CRR). Based on this regulatory provision, Banco BPM expects to obtain authorisation to not have to deduct the book value of the interest in Bipiemme Vita from CET 1 Capital. In this instance, the equity interest not deducted from own funds will be considered an exposure to credit risk to be weighted in compliance with the CRR.

²⁹ For more details on the calculation methods for capital ratios and minimum requirements, please refer to paragraph no. 6 of the Explanatory Notes of this press release.

Economic performance of operations in H1 2022 compared to H1 2021

Net interest income totalled € 1,039.1 million, up by 2.0% from the figure in H1 2021 (€ 1,019.2 million).

The **profit from equity investments measured with the equity method** was equal to € 91.1 million, down compared to the figure for the corresponding period of last year (€ 98.1 million).

The main contribution to the item in question was provided by consumer credit channelled from the equity interest held in Agos Ducato, equal to € 53.1 million, up compared to € 50.8 million in the first half of 2021, as well as the contribution of the associated company Anima Holding³⁰, equal to € 23.3 million.

Net fee and commission income in the first half totalled € 966.9 million, marking growth of 1.8% compared to the same period of the previous year.

This trend is attributable to the contribution from the commercial banking services segment (+5.7% compared to the first half of 2021).

The contribution from management, brokerage and advisory services was down (-2.0% compared to 30 June 2021).

Other net operating income totalled € 31.7 million, compared to the figure of € 39.9 million for the first half of 2021.

The **net financial result**³¹ in the first half was positive and equal to € 176.8 million, compared to the figure of € 216.3 million recorded as at 30 June 2021.

The result in 2022 comprises +€ 144.7 million from trading activities (+€ 65.6 million in the first half of 2021), -€ 62.7 million from changes recorded in the measurement of assets and liabilities at fair value (+€ 49.5 million as at 30 June 2021) and +€ 89.9 million from sales of financial assets (+€ 90.9 million in the first half of 2021). Specifically, the comparison of the figure for the first half of 2022 with the same period of 2021 is influenced by the results of the valuation of the Nexi equity investment, which as at 30 June 2022 had a negative balance of -€ 78.3 million compared to the positive impact of € 27.6 million recognised in the same period of 2021.

By virtue of the trends described, the total **operating income** therefore amounted to € 2,305.6 million, a slight decrease compared to € 2,323.5 million recorded in the same period of the previous year (-0.8%).

Personnel expenses, equal to € 813.2 million, decreased by 3.7% compared to € 844.0 million in the first half of 2021. That performance reflects the savings deriving from the reduction in the workforce implemented starting in the previous year, as part of the programme involving the use of the Solidarity Fund for the industry. The total number of employees was 20,110 as at 30 June 2022, compared to 21,663 at the start of 2021.³²

Other administrative expenses³³, equal to € 318.2 million, are up on the figure for the first half of 2021,

³⁰ For an illustration of the methods used to recognise the contribution of Anima Holding, please refer to paragraph no. 8 of the Explanatory Notes of this press release.

³¹ The item does not include the accounting effect, shown in a separate item of the reclassified income statement, of the change in the credit risk of the Group in regard to the fair value measurement of its own certificate issues, which led to the recognition of € 38.3 million in income for the half year, compared to the negative impact of -€ 17.8 million recorded as at 30 June 2021.

³² As at 31 December 2021 the number of employees was 20,437.

³³ The aggregate does not include the "systemic charges", represented by the contributions to the Resolution Funds, reported in a separate item of the reclassified income statement, net of the relative tax.

equal to € 308.0 million, also due to the inflationary trends under way, which specifically impacted energy consumption.

Value adjustments on property, plant and equipment and intangible assets were equal to € 125.3 million, in line with the figure of € 123.5 million in the first half of 2021.

Total operating expenses therefore amounted to € 1,256.7 million, down by 1.5% compared to € 1,275.5 million in the first half of 2021.

The **cost income ratio** in the quarter came to 54.5%, lower than both 54.9% in the first half of 2021 and the figure relating to all of 2021 (55.8%).

The **result of operations** in the first half stood at € 1,048.9 million, up slightly (+0.1%) compared to € 1,048.0 million in the same period of the previous year.

Net adjustments to loans to customers as at 30 June 2022, equal to € 303.7 million, showed a 35.7% decrease on the figure for the same period of the previous year. Net adjustments in the first half of 2022 included the impact deriving from the increase in the targets for the sale of non-performing loans following the change in the non-performing loan management strategy, for a total of € 112.7 million. In the first half of 2021, the equivalent impact came to € 94.0 million.

As at 30 June 2022, the cost of credit, measured by the ratio of net value adjustments on loans to net loans, was 55 basis points. Excluding the extraordinary impacts due to the increase in the targets for sales of non-performing loans approved by the Group, the cost of risk would come to 35 basis points as at 30 June 2022.

Fair value gains (losses) on property, plant and equipment show a loss of -€ 40.8 million at 30 June 2022, compared to € -36.9 million in the first half of the previous year, due to the adjustment of several properties to their updated appraisal values.

The item **net adjustments to securities and other financial assets** includes net losses of -€ 5.5 million (+€ 0.5 million as at 30 June 2021).

Net provisions for risks and charges in the first half amounted to -€ 12.7 million (-€ 12.8 million as at 30 June 2021).

As at 30 June 2022, **gains on disposal of interests in associates and joint ventures and other investments** amounted to € 1.5 million, referring to sales of properties. In the first half of 2021, that item was equal to -€ 0.4 million.

Due to the trends described, the **profit (loss) before tax from continuing operations** was equal to € 687.6 million compared to € 525.8 million in the first half of 2021, an increase of 30.8%.

Taxation charges on profit or loss from continuing operations were equal to - € 231.0 million (-€ 133.3 million in the first half of 2021).

Profit (loss) after tax from continuing operations therefore was equal to € 456.5 million, a 16.3% increase compared to € 392.5 million in the first half of the previous year.

The income statement for the period also included **charges related to the banking system, net of**

taxes, equal to € 74.6 million (€ 78.6 million in the first half of 2021), consisting of the ordinary contribution to the Single Resolution Fund (€ 110.5 million before tax, against € 116.4 million as at 30 June 2021, which also included the additional contribution to the National Resolution Fund for € 28.6 million).

The impairment test conducted on intangible assets led to the recognition of **impairment on goodwill** of € 8.1 million.

In the half, the **change in own credit risk on Certificates issued by the Group, net of taxes**, generated a positive impact of € 25.7 million³⁴ (€ 38.3 million before taxes), compared to the charge of -€ 11.9 million in the first half of 2021 (-€ 17.8 million before taxes).

As at June 30, 2022, the impact of the **Purchase Price Allocation net of taxes** was equal to -€ 15.7 million, against -€ 20.0 million in the first half of 2021.

Considering the share of income due to non-controlling interests, the first half of 2022 closed with a **net profit for the period** equal to € 383.9 million (€ 361.3 million as at 30 June 2021).

The **figure net of non-recurring items** for the first half was equal to € 497.0 million, up sharply on the previous year (€ 382.0; +30.1%).

Economic performance of operations in Q2 2022 compared to Q1 2022

Net interest income totalled € 527.6 million, up by 3.1% from the figure in the first quarter of 2022 (€ 511.5 million), both due to the development of trade receivables and the contribution from the portfolio of financial assets.

The **result of investee companies measured using the equity method** is a positive € 41.5 million, with a decreased contribution compared to that of the first quarter, amounting to € 49.6 million. Within this aggregate, the main contribution was provided by consumer credit, driven by the investment held in Agos Ducato and the result of Anima Holding.³⁵

Net fee and commission income in the second quarter amounted to € 486.8 million, up by 1.4% compared to the result recorded in the first quarter, mainly due to the contribution of fee and commission income on commercial banking services (+3.1% compared to the first quarter). The aggregate for management, brokerage and advisory services was down slightly (-0.3% compared to the first quarter of 2022). Within that segment, there was a decrease in the placement of funds and financial assets (linked to the situation on the financial markets) balanced by the positive performance of fee and commission income on credit cards, insurance products and consumer credit.

Other net operating income totalled € 15.0 million, compared to the figure of € 16.7 million for the first quarter of 2022.

The **net financial result** in the second quarter was € 48.9 million, compared to € 127.9 million in the first

³⁴ The total amount of the impact recognised in the balance sheet as at 30 June 2022 deriving from the change in own credit risk since the issue date of the financial liabilities is equal to +€ 7.8 million.

³⁵ For an illustration of the methods used to recognise the contribution of Anima Holding, please refer to Explanatory Note no. 8.

quarter. That trend is mainly attributable to the lower contribution from the sale of financial assets (- € 28.8 million compared to the first quarter) and the diverse impact of the Credit Value Adjustment and the Debit Value Adjustment (CVA/DVA) component relating to derivative contracts³⁶ (- € 0.7 million in the second quarter, as compared to +€ 23.8 million registered as at 31 March).

The valuation of the interest held in Nexi generated a negative impact of € 36.6 million in the second quarter.

By virtue of the trends described, the total **operating income** therefore amounted to € 1,119.7 million, down by 5.6% compared to € 1,185.9 million recorded in the first quarter, due to the reduction in the net financial result, while the core components of net interest income and fee and commission income both grew.

Personnel expenses, of € 405.3 million, showed a slight decrease compared to the € 407.9 million of the first quarter.

Other administrative expenses³⁷ rose from € 155.6 million in the first quarter of 2022 to € 162.6 million as at 30 June 2022. The quarter was affected by the trends in inflation under way, which specifically impacted the costs of energy consumption.

Net adjustments to property, plant and equipment and intangible assets totalled € 64.1 million, compared with the figure of € 61.2 million in the first quarter.

Total **operating expenses** therefore came to € 632.1 million, marking an increase of 1.2% compared to € 624.7 million in the first quarter.

The **profit from operations** in the quarter stood at € 487.7 million, down by 13.1% compared to € 561.2 million in the first quarter.

Net adjustments to loans to customers came to € 152.6 million, substantially in line with the € 151.1 million in the first quarter, and included the impact deriving from the increase in the targets for the sales of non-performing loans following the change in the non-performing loan management strategy, for € 32.3 million in the first quarter and € 80.4 million in the second quarter.

The loss from the fair value measurement of property, plant and equipment came to € 39.6 million in the second quarter, following the adjustment of several properties to their updated appraisal values.

As a result of the trends described above, the **profit before tax from continuing operations** came to € 288.5 million compared to the € 399.1 million recorded in the first quarter.

Income tax on continuing operations for the period amounted to -€ 92.6 million (-€ 138.4 million in the first quarter).

The impairment test conducted on intangible assets led to the recognition of **impairment on goodwill** of € 8.1 million.

³⁶ The total amount of the DVA impact recognised in the balance sheet as at 30 June 2022 relating to derivative contracts that represent financial liabilities is equal to € 27.2 million.

³⁷ The aggregate does not include the "systemic charges", represented by the contributions to the Resolution Funds, reported in a separate item of the reclassified income statement, net of the relative tax.

In the second quarter, the **change in the credit rating on Certificates issued by the Group, net of taxes**, generated a positive impact of € 25.5 million (€ 38.1 million before taxes), compared to the € 0.2 million in the second quarter (€ 0.3 million gross).

In the second quarter, the impact of the **Purchase Price Allocation net of taxes** was equal to -€ 7.2 million, against -€ 8.5 million in the first quarter of 2022.

Given the share of the profit or loss attributable to non-controlling interests, the second quarter of 2022 ended with a **net profit for the period** of € 206.1 million, compared to the net profit of € 177.8 million recorded in the first quarter.

Adjusted net profit for the second quarter amounted to € 297.8 million compared to € 199.2 million in the first quarter of 2022.

Changes in key balance sheet items

Direct funding³⁸ as at 30 June 2022 amounted to € 126.4 billion, up by 2.6% compared to 31 December 2021 and by 3.1% compared to 30 June 2021.

More specifically, over the half, there was an increase of € 2.7 billion in the segment represented by the current accounts and demand deposits of the commercial network (+2.6%)³⁹. As regards bonds issued, the stock as at 30 June came to € 13.2 billion, up slightly (+0.9%) compared to 31 December 2021.

On an annual basis, demand deposits increased by € 3.7 billion (+3.6%)⁴⁰, while the stock of bonds issued was substantially stable (-0.3%).

Funding guaranteed by the stock of certificates with unconditional capital protection as at 30 June 2022 was € 3.5 billion, compared to the € 3.6 billion as at 31 December 2021 and 30 June 2021.

Indirect funding⁴¹, net of protected capital certificates, was equal to € 90.5 billion, down 6.1% on an annual basis. Also compared to 31 December 2021, the aggregate decreased by 8.6%. That trend is exclusively attributable to the decrease in prices of financial assets: excluding the price effect, the volumes of indirect funding record growth of 2.6% on an annual basis, and 1.9% compared to the end of 2021.

The negative trend on the markets reflected on both the component of assets under management, which amounted to € 59.9, down compared to the figure of € 65.3 billion as at 31 December 2021, and on administered assets, which stood at € 30.7 billion, with a decrease of € 3.0 billion (-9.0%) compared to the end of 2021.

Financial assets were equal to € 41.0 billion, up by 12.8% compared to € 36.3 billion as at 31 December 2021. The increase was mainly concentrated in debt securities (+€ 2.6 billion) and, in particular, in the segment of securities at amortised cost. As at 30 June 2022, the aggregate in question consisted of debt securities for € 33.2 billion, equity instruments and UCITS units for € 2.8 billion, derivative instruments for € 4.6 billion. Holdings of debt securities issued by sovereign states were equal to € 28.6 billion, of which € 11.7 billion represented by Italian government securities. Investments in Italian government securities are classified under financial assets at amortised cost for € 8.8 billion, in the

³⁸ The aggregate includes demand and term deposits and current accounts, bonds issued, certificates of deposit and other securities, loans and other debts, and protected capital certificates and excludes repurchase agreements.

³⁹ Management data.

⁴⁰ Management data.

⁴¹ Management data.

portfolio of financial assets measured at fair value through other comprehensive income for € 2.2 billion and in the portfolio of financial assets at fair value through profit and loss for € 0.7 billion, being held for trading. Italian government securities represent only 41.1% of the total of government securities, well below the Plan target (<50%).

Net loans to customers⁴² amounted to € 110.8 billion as at 30 June 2022, an increase of € 1.4 billion compared to the figure at 31 December 2021; the increase is entirely attributable to performing exposures (+1.7%), with a volume of new loans to households and businesses equal to € 13.7 billion⁴³ in the half, while non-performing exposures decreased by 12.2% on the end of 2021. On an annual basis, loans recorded an increase of € 1.4 billion (+1.3%), deriving from a € 2.3 billion increase in performing exposures (+2.2%) and a € 0.9 billion decrease in non-performing loans (-23.0%).

Net non-performing loans (bad loans, unlikely to pay and past due and/or overdue exposures) amounted to € 2.9 billion as at 30 June 2022.

An analysis of the individual items shows the following dynamics:

- net bad loans of € 0.8 billion, down by 15.2% compared to 31 December 2021 and 18.8% compared to 30 June 2021;
- net unlikely to pay loans of € 2.0 billion, down by 11.9% compared the start of the year and 23.9% compared to 30 June 2021;
- net past-due exposures of € 59 million (€ 45 million as at 31 December 2021 and € 96 million as at 30 June 2021).

The percentage of non-performing exposures out of total loans, gross of value adjustments came to 4.8% compared to 5.6% at the start of the year and 6.2% as at 30 June 2021.

The coverage ratio for the entire impaired loans aggregate was 47.8% (47.4% as at 30 June 2021).

More specifically, as at 30 June 2022, the coverage ratio was as follows:

- bad loans 61.5% (55.4% as at 30 June 2021);
- unlikely to pay 40.3% (44.6% as at 30 June 2021);
- past due loans 29.8% (15.6% as at 30 June 2021).

The coverage ratio of performing loans came out at 0.41%, compared to 0.44% as at 30 June 2021.

Group capital ratios⁴⁴

As at 30 June 2022, the phased-in Common Equity Tier 1 ratio was equal to 14.0%, as also at 31 March 2022, benefiting from the application from 30 June 2022 to 30 December 2022 of the transitional rules envisaged in Art. 468 of Regulation (EU) no. 575/2013 (CRR) as specified in greater detail below, as well as from the decrease in risk-weighted assets.

The phased-in Tier 1 ratio was equal to 16.2% compared to 15.7% as at 31 March 2022, while the Total Capital ratio was equal to 19.8% compared to 19.5% as at 31 March 2022. The increase in those ratios is due to the issue of an Additional Tier 1 instrument with a nominal value of € 300 million in April 2022. 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 (CRR), which dilutes over time the impact on own funds deriving from the application of the new impairment model

⁴² The aggregate does not include loans to customers which, following the application of IFRS 9, are compulsorily measured at fair value. These loans, amounting to € 0.3 billion, are included among the financial assets measured at fair value.

⁴³ Management data.

⁴⁴ For more details on the calculation methods for capital ratios, please refer to paragraph no. 6 of the Explanatory Notes of this press release.

introduced by the accounting standard IFRS 9⁴⁵ and, as mentioned above, exercise of the option which allows exclusion from the own funds calculation of 40% of unrealised accumulated gains and losses from 31 December 2019 on debt securities measured at fair value through other comprehensive income, represented by exposures in debt instruments issued by central governments, regional administrations or local authorities pursuant to art. 115, paragraph 2 of the CRR and exposures to public sector bodies pursuant to art. 116, paragraph 4.

Excluding the impacts of the transitional rules, the fully-phased CET 1 ratio was 12.8%, down on the figure as at 31 March 2022 (equal to 13.1%), mainly due to the negative change recorded in the FV valuation reserves for the securities mentioned above.

The fully-phased Tier 1 ratio was 15.0%, compared to 14.8% as at 31 March 2022. The Total Capital ratio came to 18.6%, unchanged compared to 31 March 2022.

The buffer compared to the limit set for the possibility of distributing dividends (Maximum Distributable Amount or MDA buffer) was equal to +424 basis points on a fully-phased basis (compared to +462 basis points as at 31 March 2022).

BUSINESS OUTLOOK

The general framework is impacted by the continuing pandemic as well as the tensions generated by the Russia-Ukraine conflict, with inevitable effects on the outlook for growth and expectations of inflation, triggered by the increase in the cost of raw materials.

In that scenario, following the sharp growth recorded in 2021, the Italian economy is expected to slow its pace, which, however, will continue to benefit from the use of the Next Generation EU funds and continuing monetary conditions which, despite a less accommodating policy and rates gradually increasing, will remain favourable on the whole.

Given the context, also during the second half of the year, the external variables will likely continue to be the main influences on the operating performance of the Group.

Net interest income, which will be impacted by the reduction in the extra remuneration of ECB funding in the form of TLTRO, will benefit from the increase in interest rates both in the commercial component and that deriving from the portfolio of financial assets. The Group presents significant sensitivity, equal to € 443 million in a scenario of a parallel shift of 100 basis points in interest rates.

Fee and commission income, though in a scenario impacting both up front and running fees and commissions connected with investment products, will be supported by the trend in fees and commissions relating to typical commercial banking operations.

The governance of operating expenses will remain one of the key areas of focus of managerial action, in order to offset the impacts from the unlikely repeatability of certain cost recoveries that characterised last year (above all relating to personnel expenses), and the increases relating to application of the national labour contract for the industry, the increase in IT investments and inflation.

As regards adjustments to loans, the conservative approach to their measurement adopted over the last few years, and confirmed in the first half of 2022, on both performing and non-performing exposures, even in a trend of default inflows which, though still very low, could grow during the year in the event of a further worsening of the macroeconomic scenario, should allow for the continuation of the process of the reduction in the cost of credit launched in recent years, without harming the derisking trend or the maintenance of a solid coverage level.

⁴⁵ The percentage of neutralisation of negative impacts decreased from 50% in 2021 to 25% in 2022.

Save for further worsening of the scenario, for the entire year, an improvement is expected in the Group's net profit compared to 2021, with a trend that will confirm both the trajectory of profitability and the overall targets outlined in the Strategic Plan.

Gianpietro Val, as the Financial Reporting Officer, in compliance with Art. 154 bis, Par. 2 of the Consolidated Finance Law, hereby states that the accounting information illustrated in this press release is consistent with the corporate documents, books and accounting records.

The Banco BPM Group results as at 30 June 2022 will be presented to the financial community in the conference call scheduled for today, 3 August 2022 at 6:00 p.m. (CET). The supporting documentation for the conference call is available on the authorised storage system's website (www.emarketstorage.com) and on the Bank's website (www.gruppo.bancobpm.it), where the details for connecting to the call can also be found.

The Consolidated Half-yearly Financial Report as at 30 June 2022 will be made available to the public, in accordance with the law, at the Company's registered office and at Borsa Italiana, as well as on the website www.gruppo.bancobpm.it and on the website of the authorised storage mechanism www.emarketstorage.com.

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 Half-yearly financial report as at 30 June 2022, prepared in compliance with IAS 34 and 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 H1 results information 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 easily 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 and following updates, applying the same aggregation and classification criteria presented in the Consolidated Financial Statements as at 31 December 2021.

The accounting standards adopted to prepare the abridged consolidated financial accounts as at 30 June 2022 - with regard to the classification, recognition, measurement and derecognition of assets and liabilities, and for the recognition of costs and revenues - are the ones set forth in the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and in the related interpretations by the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission and in force as at 30 June 2022, pursuant to EC Regulation no. 1606 of 19 July 2002.

Moreover, the communications of the Regulators (Bank of Italy, Consob, ESMA, EBA, ECB), that clarify how to interpret certain accounting standards or the accounting treatment of specific transactions, have been taken into consideration, insofar as applicable.

With regard to TLTRO III refinancing transactions, it should be pointed out that, since the accounting standards do not provide any specific indications regarding the treatment of these particular circumstances, the Group defined an internal accounting policy, based on which the financing is equated to a floating rate financial instrument, where the measurement of the interest applicable from time to time is estimated based on the likelihood that certain net lending targets are actually met. To this regard, note that, since all the net lending targets have been achieved, the interest accrued on the above liabilities has been recognized to the maximum limit, i.e., the Deposit Facility rate (-0.5%), plus the additional reduction (-0.5%) over the special interest period (from 24 June 2020 to 23 June 2022). Interest measured in H1 2022 added up to € 193.3 million, as compared to € 165.5 million in H1 2021).

During the first six months of the current year, the Board of Directors approved certain changes in the NPL management strategy, with an upward revision of the de-risking target as compared to the target that had been previously approved in 2021, to be attained through massive disposals.

Based on this management strategy, the usual "multi-scenario" approach to quantifying expected losses was adopted, taking into consideration both the expected recovery flows under the ordinary management scenario, and the flows recoverable under a disposal scenario, and assigning appropriate weightings. The revision of these scenarios, which was conducted both in Q1 and Q2, entailed the need to recognize write-downs for a total of € 117.4 million (of which € 32.3 million in Q1 and € 85.1 in Q2).

In order to calculate (on- and off-balance sheet) performing exposures, in line with the procedure followed for the 2021 annual report, even when preparing the accounting report as at 30 June 2022 it was deemed necessary to apply certain "post model adjustment/management overlays" whenever it was deemed that the existing estimate models could not fully capture some risk factors that were considered significant to calculate the expected losses on homogeneous risk classes, taking into account the still evolving effects related to the Russia-Ukraine conflict and the Covid-19 pandemic. These "management overlays", which actually all but cancel out the positive P&L impacts that would have otherwise been recognized in H1, strengthen the Group's capability to absorb any negative macroeconomic fallout, considering the great uncertainty that was still present when preparing the half-yearly report.

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 Half-yearly report as at 30 June 2022, together with the assumed scenarios that are considered reasonable, also based on past experience. It is not possible to rule out that the presumed scenarios, albeit reasonable, may fail to reflect future scenarios the Group will operate in. Therefore, future actual results may differ from the estimates generated to prepare the abridged half-yearly financial statements as at 30 June 2022, and may therefore call for adjustments that cannot be predicted or estimated today with respect to the carrying amount of assets and liabilities recognized in the balance sheet. To this regard, please note that the estimates carried out to prepare the accounting position as at 30 June 2022 could be revised should the circumstances they have been based on change, as a result of new information or the longer experience accrued.

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 Russia-Ukraine conflict and with the Covid-19 pandemic. Until a clearer understanding of the possible outcome of the conflict is attained (especially with regard to indirect effects), the inclusion of its indirect impact in the balance sheet estimates will be a particularly complex exercise, and the results of these estimate processes will be subject to a significant level of uncertainty.

The half-yearly financial report as at 30 June 2022, to be published in accordance with legal deadlines, provides a detailed description of the estimation processes that call for the use of a significant amount of discretion in the selection of underlying assumptions and hypotheses, even with regard to the impact from the Russia-Ukraine conflict and the healthcare crisis.

In addition to the financial report prepared in compliance with IAS/IFRS, this news release also includes some alternative performance measures (APM) that have been selected by the directors to provide an easier understanding of the operating and financial performance of Gruppo Banco BPM's management.

Said measures are based on the guidelines issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415) and transposed in Consob's Communication no. 0092543 of 3 December 2015.

Please note that a description of the adopted basis of calculation is provided for each API, and the figures used, when not otherwise specified, can be derived from the information published in the reclassified financial statements attached to this news release.

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

In compliance with IFRS 3, the income statement of Gruppo Banco BPM includes the P&L reversal 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 Gruppo Banco Popolare di Verona e Novara and Gruppo Banca Popolare Italiana, completed in FY 2007.

This impact has been recognized, net of the tax effect, under the separate line-item of the reclassified income statement "Purchase Price Allocation, after tax".

More specifically, the H1 2022 consolidated P&L impact from the reversal effect of value adjustments of purchased net assets on net interest income came in at € -7.9 million (in connection with the evolution of the various valuations of purchased assets) and at € -15.5 million on other net operating income (due to the depreciation of intangibles recognized under the PPA). Net of the tax effect, the overall impact posted under the H1 2022 reclassified P&L line-item "Purchase Price Allocation, after tax", added up to € -15.7 million (€ -20.0 million in H1 2021).

3. Charges generated by the contribution to the resolution mechanisms

In the H1 2022 P&L, the line-item "After-tax banking industry charges" was charged with the amount of ordinary contributions due to the Single Resolution Fund for FY 2022 (€ 110.5 million), which, net of the tax effect, totaled € 74.6 million. In H1 2021, the total charge, gross of tax effect, added up to € 78.6 million, which, in addition to € 87.8 million of ordinary contributions to the Single Resolution fund, also included € 28.6 million of additional contributions called by the National Resolution Fund.

Please note that in 2022, as in the previous financial years, the Group did not exercise the option of paying contributions with irrevocable payment commitments (IPC).

4. Changes in consolidation scope

During the quarter, the main change in consolidation scope was the disposal in March of the stake held in Factorit S.p.A., previously carried at equity. The transaction, which was finalized at a price of € 75 million, corresponding to the carrying amount of the shareholding in the financial statements as at 31 December 2021, did not give rise to any P&L impact in Q1 2022.

The subsidiary BP Trading Immobiliare S.r.l., following the removal from the competent Companies Registry in February upon completion of the liquidation procedure, was no longer consolidated on a line-by-line basis.

Finally, the merger of Bipielle Real Estate S.p.A. into the Parent company became effective on 1st January 2022, while the legal effect of the merger of Release S.p.A. into Banco BPM S.p.A. came into force on 21 February, with the accounting and fiscal effects starting on 1st January 2022.

As specified above, having received the required authorizations from the competent Authorities, on 22 July 2022, Banco BPM completed the acquisition from Covéa Coopérations SA of 81% of Bipiemme Vita S.p.A.'s share capital. The company, together with its subsidiary Bipiemme Assicurazioni S.p.A., will fall within the full-consolidation scope as of the second half of 2022.

5. 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 included in the "Hold to Collect" (HtC) portfolio (that can be sold according to the materiality and frequency thresholds under IFRS9);
- gains and losses on non-current assets held for sale;
- loan write-downs/write-backs (due to valuations or to actual impairment losses) that were caused by a change in the NPE Strategy approved during the year by the Board of Directors entailing a change in targets and/or in the type of loans under disposal compared to what had been previously planned;
- 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.

Conversely, the following impacts are generally considered recurring:

- P&L impacts from the sale or valuation of all financial assets (other than loans), including those held in the HtC and the financial liabilities portfolios;
- 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, the information on the effect of P&L items that have been classified as recurring based on the above-described policy is provided in the comments on the evolution of balance sheet and P&L items.

Based on the criteria described above, the following non-recurring items were reported in H1 2022:

- the line-items "net financial result" and net write-downs on customer loans" include the impact from the increase in NPL disposal targets following the change in NPE management strategy approved by the Parent company's Board of Directors, amounting to € 4.7 million and € 112.7 million, respectively. More specifically, the impact on the line-item "net financial result" refers to nonperforming exposures mandatorily measured at fair value;
- the line-item "gain/loss on the fair value measurement of tangible assets" posts a net write-down of € -40.8 million from the fair value measurement of owned property;
- the line-item "gain/loss on equity and other investments" includes the positive impact of € +1.5 million from the disposal of tangible assets;
- the line-item "goodwill impairment" reflects the impact of the impairment test which led to the recognition of € 8.1 million of write-downs;
- "Income tax on continuing operations" includes the tax impact of the above non-recurring components, totaling € +51.9 million.

Overall, non-recurring items gave rise to a negative impact of € -113.0 million on the net income of H1 2022.

Excluding the above effects, the (adjusted) net income accruing at the end of the first half would come to € 497.0 million.

In the income statement of the same period last year, the following non-recurring items had been recognized:

- the line-item "personnel expenses" included savings on one-off wage components as an indirect consequence of the pandemic of € 14.4 million;
- the line-item "net amortization and depreciation on tangible and intangible assets" included the amortization due to fixed assets impairment of € 1.3 million;
- the line-item "net write-downs on customer loans" included the amount tied to the losses related to the loan disposal finalized under the "Rockets" project following the change in the NPE management strategy decided in the first half of the year. The negative P&L impact, that is deemed "non-recurring", came in at € 94.0 million;
- the line-item "gain/loss on the fair value measurement of tangible assets" posted a net write-down of € 36.9 million;
- the line-item "gain/loss on disposal of equity and other investments", by definition non-recurring, posted a net loss of € 0.4 million;
- "Income tax on continuing operations" included the tax impact of the above non-recurring items totaling € 37.7 million;
- the line-item "after-tax banking industry charges" included additional contributions paid to the National Resolution Fund of € 19.3 million (€ 28.6 million gross of a tax effect of € 9.3 million);
- the line-item "impact from realignment of tax values to book values" included the € 79.2 million gain from opting to realign the tax values to the book values of the Group's operating property.

As a whole, non-recurring items in H1 2021 posted a negative amount of € -20.7 million.

Excluding the above amount, the net (adjusted) result would be € 382.0 million.

6. Capital requirements regulation

Clarifications on the calculation procedure for capital ratios

Capital ratios as at 30 June 2022 presented in this news release have been calculated by including the interim net income accruing at the end of the first half of 2022, net of the expected payout ratio based on the specific applicable regulation⁴⁶. Please note that the issuance of the external auditors' report, to be sent with the application to include the above net income in own funds pursuant to art. 26 paragraph 2 of Regulation (EU) no. 575/2013, is pending.

Minimum requirements

With communication of 18 November 2021, the Bank of Italy identified the Banco BPM banking group as an 'Other Systemically Important Institution' (O-SII) for FY 2022. On 1st January 2022, the O-SII buffer, that in 2021 was equal to 0.19%, rose to 0.25%.

On 2 February 2022, the European Central Bank (ECB) notified Banco BPM its SREP decision for FY 2022, keeping the Pillar 2 capital requirement (P2R) unchanged at 2.25%.

With communication of 25 March 2022, the Bank of Italy confirmed the Countercyclical Capital Buffer ratio for exposures to Italian counterparties at zero percent also for Q2 2022.

Therefore, considering also the countercyclical capital buffer established by the competent national authorities for exposures towards countries where the Group operates, equal to 0.003%, the minimum requirements Banco BPM must comply with in 2022, both on a phase-in and on a fully loaded basis, until a new communication is issued, are⁴⁷:

- CET 1 ratio: 8.519%;
- Tier 1 ratio: 10.441%;
- Total Capital ratio: 13.003%.

Transitional provisions

Banco BPM elected to fully apply the transitional provision under 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, from 2018 to 2022. The percentage amount applicable in the period from 1 January 2022 to 31 December 2022 is 25% and on 1 January 2023 it is going to turn to zero.

⁴⁶ Pursuant to art. 5 of decision (EU) 2015/656 of the European Central Bank of 4 February 2015, dividends to be deducted from the interim profits, for which inclusion in own funds is being asked, are the amount formally proposed or decided by the management body. If such formal proposal or decision has not yet been taken, the dividend to be deducted shall be the highest of the following: a) the maximum dividend calculated in accordance with internal dividend policy; b) the dividend calculated on the basis of the average payout ratio over the last three years; c) the dividend calculated on the basis of the previous year's payout ratio. By applying this rule, the dividend deducted from the interim profits at the end of the first half of the year corresponds to the dividend calculated based on the previous year's payout ratio, which amounts to 50% of the interim net income.

⁴⁷ These requirements are calculated as follows:

- The pillar I minimum requirement of 8% (of which 4.5% CET 1; 1.5% AT1 and 2% AT2)
- the P2R requirement of 2.25% set by the ECB must be met by 56.25% with CET 1 and by 75% with TIER1;
- the capital conservation buffer of 2.50% to be fully met with CET 1;
- the O-SII buffer of 0.25% to be fully met with CET 1;
- the countercyclical capital buffer of 0,003% to be fully met with CET 1 capital CET 1.

From 1 January 2023 the impact from the first-time adoption of IFRS 9 will therefore 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 following 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.

On 20 June 2022, pursuant to art. 1 paragraph 6 of Regulation 873/2020, Banco BPM notified the ECB of its intention to opt for the temporary treatment, applicable from 1 January 2020 to 31 December 2022, under art. 468 of Regulation EU no. 575/2013 (CRR)⁴⁸. Based on this temporary treatment, it is possible to remove from the calculation of CET 1 items a percentage of unrealized gains and losses accrued as of 31 December 2019, accounted for as fair value changes of debt instruments related to exposures to central, regional and local governments under article 115, paragraph 2, of CRR and other public sector entities under article 116, paragraph 4, provided said exposures are not classified as nonperforming financial assets. Between 1 January 2022 and 31 December 2022, the percentage of removable unrealized gains and losses amounted to 40%, and as at 30 June 2022 it accounted for € 168.7 million, net of tax effect.

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

7. 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) as at 30 June 2022, broken down by single Country and by category of the classification accounting portfolio:

30 June 2022 <i>(in million euro)</i>	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
Countries/Accounting portfolios				
Italy	8.782	2.224	725	11.731
France	3.297	1.584	-	4.881
USA	2.552	1.757	-	4.309
Spain	2.809	1.148	15	3.972
Germany	1.857	944	4	2.805
Other Countries	593	273	-	866
Total	19.890	7.930	744	28.564

As at 30 June 2022, the Group's sovereign debt exposure totaled € 28.6 billion (€ 25.6 billion as at 31 December 2021), of which 69.6% were classified in the portfolio of financial assets measured at amortized cost, 27.8% under financial assets measured at fair value through other comprehensive income, and 2.6% 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 84% refers to securities issued by members of the European Union; notably about 41% by Italy.

As regards financial assets measured at fair value through other comprehensive income, as at 30 June 2022 the reserves generated by the fair value measurement of debt securities posted a negative amount equal to € 467.0 million, net of tax effect, of which € -414,3 million refer to government bonds (€ -52.4 million for Italian government bonds and € -361.9 million for other government bonds).

As to financial assets measured at amortized cost, the book value came out at € 19.9 billion, of which € 8.8 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 as at 30 June 2022 (level 1 in the fair value classification) totaled € 19.8 billion (€ 8.8 billion being the fair value of the Italian government bonds alone).

The debt securities management still follows the same decisions made in the prior financial years; no business model change calling for a portfolio reclassification took place during the quarter.

8. Other explanatory notes

The reclassified balance sheet and income statements reflect on a consolidated basis the financial accounts of Banco BPM and its subsidiaries with respect to 30 June 2022, 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 as at 30 June 2022 submitted to Banco BPM, or, if not available, on the most recent financial reports prepared by the associates.

It should be pointed out that, for the investment held in Anima Holding, measured under the equity method, the contribution to the consolidated income statement for H1 2022 includes also the operating result generated by the associate in the last quarter of 2021, amounting to € 11.8 million, as, when preparing the 2021 annual report, it had not been possible to recognize the Q4 result, since Anima Holding approved its draft financial statements after Banco BPM.

Similarly, the H1 2021 contribution of Anima Holding included also the share of profit for Q4 2020.

⁴⁸ Article amended by Regulation (EU) no. 2020/873 (CRR "Quick fix").

Attachments

- Reclassified consolidated statement of financial position as at 30 June 2022 compared with data as at 31 December 2021
- H1 2022 reclassified consolidated income statement compared with data as at H1 2021
- Reclassified consolidated income statement – 2022 and 2021 quarterly evolution
- H1 2022 reclassified consolidated income statement net of non-recurring items

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BANCO BPM Group

Reclassified consolidated balance sheet

<i>(in euro thousand)</i>	30/06/2022	31/12/2021	Chg.	Chg. %
Cash and cash equivalents	33,109,414	29,153,316	3,956,098	13.6%
Financial assets at amortised cost	120,539,934	121,261,260	-721,326	-0.6%
- Due from banks	9,731,570	11,877,878	-2,146,308	-18.1%
- Customer loans	110,808,364	109,383,382	1,424,982	1.3%
Other financial assets	40,963,574	36,326,393	4,637,181	12.8%
- Financial assets designated at FV through P&L	8,485,836	6,464,186	2,021,650	31.3%
- Financial assets designated at FV through OCI	10,594,239	10,675,079	-80,840	-0.8%
- Financial assets at amortised cost	21,883,499	19,187,128	2,696,371	14.1%
Equity investments	1,537,747	1,794,116	-256,369	-14.3%
Property and equipment	3,192,497	3,278,245	-85,748	-2.6%
Intangible assets	1,202,985	1,213,722	-10,737	-0.9%
Tax assets	4,581,900	4,540,229	41,671	0.9%
Non-current assets held for sale and discontinued operations	102,802	229,971	-127,169	-55.3%
Other assets	3,431,149	2,691,964	739,185	27.5%
Total assets	208,662,002	200,489,216	8,172,786	4.1%

<i>(in euro thousand)</i>	30/06/2022	31/12/2021	Chg.	Chg. %
Direct funding	123,906,715	120,213,016	3,693,699	3.1%
- Due to customers	110,705,095	107,120,893	3,584,202	3.3%
- Debt securities issued and financial liabilities designated	13,201,620	13,092,123	109,497	0.8%
Due to banks	46,223,641	45,685,032	538,609	1.2%
Leasing debts	679,052	673,872	5,180	0.8%
Other financial liabilities designated at fair value	17,248,286	15,755,319	1,492,967	9.5%
Liability provisions	1,021,380	1,196,946	-175,566	-14.7%
Tax liabilities	287,370	302,816	-15,446	-5.1%
Other liabilities	6,485,827	3,566,156	2,919,671	81.9%
Total Liabilities	195,852,271	187,393,157	8,459,114	4.5%
Minority interests	1,402	1,108	294	26.5%
Shareholders' equity	12,808,329	13,094,951	-286,622	-2.2%
Consolidated Shareholders' Equity	12,809,731	13,096,059	-286,328	-2.2%
Total Liabilities and Shareholders' Equity	208,662,002	200,489,216	8,172,786	4.1%

The item "Customer Loans" includes the Senior notes coming from the securitizations of Non-performing Loans

BANCO BPM Group

Reclassified consolidated income statement

<i>(migliaia di euro)</i>	30/06/2022	30/06/2021	Chg.	Chg. %
Net interest income	1,039,133	1,019,196	19,937	2.0%
Income (loss) from investments in associates carried at equity	91,114	98,079	-6,965	-7.1%
Net interest, dividend and similar income	1,130,247	1,117,275	12,972	1.2%
Net fee and commission income	966,863	950,074	16,789	1.8%
Other net operating income	31,693	39,918	-8,225	-20.6%
Net financial result	176,796	216,260	-39,464	-18.2%
Other operating income	1,175,352	1,206,252	-30,900	-2.6%
Total income	2,305,599	2,323,527	-17,928	-0.8%
Personnel expenses	-813,204	-844,039	30,835	-3.7%
Other administrative expenses	-318,203	-308,033	-10,170	3.3%
Net value adjustments on property and equipment and intangible assets	-125,297	-123,453	-1,844	1.5%
Operating costs	-1,256,704	-1,275,525	18,821	-1.5%
Profit (loss) from operations	1,048,895	1,048,002	893	0.1%
Net adjustments on loans to customers	-303,681	-472,578	168,897	-35.7%
Profit (loss) on fair value measurement of tangible assets	-40,845	-36,889	-3,956	10.7%
Net adjustments on other assets	-5,540	528	-6,068	
Net provisions for risks and charges	-12,734	-12,805	71	-0.6%
Profit (loss) on the disposal of equity and other investments	1,466	-437	1,903	
Income (loss) before tax from continuing operations	687,561	525,821	161,740	30.8%
Tax on income from continuing operations	-231,019	-133,326	-97,693	73.3%
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	456,542	392,495	64,047	16.3%
Systemic charges after tax	-74,567	-78,553	3,986	-5.1%
Restructuring costs after tax	-	79,220	-79,220	
Goodwill & Client Relationship impairment after tax	-8,132	-	-8,132	
Impact from the change in Own Credit Risk on certificates issued, after tax	25,654	-11,920	37,574	
Purchase Price Allocation (PPA) after tax	-15,663	-20,037	4,374	-21.8%
Income (loss) attributable to minority interests	109	112	-3	-2.7%
NET INCOME (LOSS) FOR THE PERIOD	383,943	361,317	22,626	6.3%

BANCO BPM Group

Reclassified consolidated income statement - Quarterly evolution

<i>(migliaia di euro)</i>	II Q 2022	I Q 2022	IV Q 2021	III Q 2021	II Q 2021	I Q 2021
Net interest income	527,591	511,542	506,005	516,427	522,367	496,829
Income (loss) from investments in associates carried at equity	41,472	49,642	87,066	46,795	56,535	41,544
Net interest, dividend and similar income	569,063	561,184	593,071	563,222	578,902	538,373
Net fee and commission income	486,771	480,092	485,821	475,308	478,679	471,395
Other net operating income	15,028	16,665	9,066	26,296	21,747	18,171
Net financial result	48,863	127,933	-1,443	35,878	116,533	99,727
Other operating income	550,662	624,690	493,444	537,482	616,959	589,293
Total income	1,119,725	1,185,874	1,086,515	1,100,704	1,195,861	1,127,666
Personnel expenses	-405,342	-407,862	-413,937	-409,823	-417,135	-426,904
Other administrative expenses	-162,650	-155,553	-149,106	-144,012	-153,903	-154,130
Net value adjustments on property and equipment and intangibles	-64,059	-61,238	-61,610	-61,762	-60,603	-62,850
Operating costs	-632,051	-624,653	-624,653	-615,597	-631,641	-643,884
Profit (loss) from operations	487,674	561,221	461,862	485,107	564,220	483,782
Net adjustments on loans to customers	-152,553	-151,128	-213,978	-200,643	-255,513	-217,065
Profit (loss) on fair value measurement of tangible assets	-39,609	-1,236	-96,927	-7,817	-36,964	75
Net adjustments on other assets	-2,346	-3,194	-1,098	242	939	-411
Net provisions for risks and charges	-4,608	-8,126	2,255	-15,489	-5,615	-7,190
Profit (loss) on the disposal of equity and other investments	-60	1,526	-18,726	395	-393	-44
Income (loss) before tax from continuing operations	288,498	399,063	133,388	261,795	266,674	259,147
Tax on income from continuing operations	-92,599	-138,420	-37,228	-83,274	-50,628	-82,698
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	195,899	260,643	96,160	178,521	216,046	176,449
Systemic charges after tax	-	-74,567	-4,792	-61,650	-19,309	-59,244
Restructuring costs after tax	-	-	2,489	-	79,220	-
Goodwill & Client Relationship impairment after tax	-8,132	-	-	-	-	-
Impact from the change in Own Credit Risk on certificates issued, after tax	25,478	176	12,320	3,954	-5,105	-6,815
Purchase Price Allocation (PPA) after tax	-7,173	-8,490	-9,251	-10,172	-9,705	-10,332
Income (loss) attributable to minority interests	66	43	144	28	78	34
NET INCOME (LOSS) FOR THE PERIOD	206,138	177,805	97,070	110,681	261,225	100,092

BANCO BPM Group

Reclassified consolidated income statement, excluding non-recurring items

<i>(in euro thousand)</i>	30/06/2022	30/06/2021	Chg.	Chg. %
Net interest income	1,039,133	1,019,196	19,937	2.0%
Income (loss) from investments in associates carried at equity	91,114	98,079	-6,965	-7.1%
Net interest, dividend and similar income	1,130,247	1,117,275	12,972	1.2%
Net fee and commission income	966,863	950,074	16,789	1.8%
Other net operating income	31,693	39,918	-8,225	-20.6%
Net financial result	181,497	216,260	-34,763	-16.1%
Other operating income	1,180,053	1,206,252	-26,199	-2.2%
Total income	2,310,300	2,323,527	-13,227	-0.6%
Personnel expenses	-813,204	-858,397	45,193	-5.3%
Other administrative expenses	-318,203	-308,033	-10,170	3.3%
Net value adjustments on property and equipment and intangibles	-125,297	-122,179	-3,118	2.6%
Operating costs	-1,256,704	-1,288,609	31,905	-2.5%
Profit (loss) from operations	1,053,596	1,034,918	18,678	1.8%
Net adjustments on loans to customers	-190,965	-378,551	187,586	-49.6%
Net adjustments on other assets	-5,540	528	-6,068	
Net provisions for risks and charges	-12,734	-12,805	71	-0.6%
Income (loss) before tax from continuing operations	844,357	644,090	200,267	31.1%
Tax on income from continuing operations	-282,906	-170,987	-111,919	65.5%
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	561,451	473,103	88,348	18.7%
Systemic charges after tax	-74,567	-59,253	-15,314	25.8%
Impact from the change in Own Credit Risk on certificates issued, after tax	25,654	-11,920	37,574	
Purchase Price Allocation (PPA) after tax	-15,663	-20,037	4,374	-21.8%
Income (loss) attributable to minority interests	109	112	-3	-2.7%
NET INCOME (LOSS) FOR THE PERIOD (EXCLUDING NON-RECURRING ITEMS)	496,984	382,005	114,979	30.1%
IMPACTS EXCLUDED FROM "ADJUSTED" RESULT	-113,041	-20,688	-92,353	N.M.
NET RESULT	383,943	361,317	22,626	6.3%

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