BANCO BPM

PRESS RELEASE

RESULTS AS AT 30 SEPTEMBER 2022

RECORD PROFITABILITY FOR THE THIRD CONSECUTIVE QUARTER

ADJUSTED NET PROFIT UP AT € 652 MILLION [1](+15.5% YOY): BEST RESULT SINCE THE FORMATION OF THE GROUP

STATED NET PROFIT UP AT € 510 MILLION (+8.2% YOY)

PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS[2] AT € 1,001 MILLION, +27.1% SEPTEMBER 2021

GROSS NPE RATIO AT 4.7%[3]: 2024 TARGET OF THE STRATEGIC PLAN ALREADY ACHIEVED

SOUND CAPITAL POSITION: FULLY-PHASED CET 1 RATIO AT 12.4% AND FULLY-PHASED MDA BUFFER[4] AT 387 BPS[5]

THE EXCELLENT RESULTS RECORDED IN THE FIRST 9 MONTHS OF 2022 MAKE IT POSSIBLE TO:

- **IMPROVE THE OUTLOOK FOR 2022: EARNINGS PER SHARE (EPS) REVISED UPWARDS TO € 0.45 COMPARED TO THE PREVIOUS € 0.40**
- **INCREASE THE TARGET FOR 2023 PROFIT[6]: HIGHER EPS OF € 0.60 COMPARED TO THE PREVIOUS € 0.50**
- **CONFIRM THE PAY-OUT AT 50%**

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[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 -€ 151.8 million, value adjustments to goodwill, equal to € 8.1 million, the accounting effects of Purchase Price Allocations (PPA) of -€ 33.7 million, or effects of the change in the Group credit risk on its certificate issues, equal to +€ 25.3 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] Difference between the Total capital ratio (ratio of own funds to risk-weighted assets) measured as at 30 September 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).

[5]Data calculated by considering the positive effect of the application of the Danish Compromise (see note 16); the *fully phased* CET 1 ratio at 30 September 2022 stood at 12.05% and the *fully phased* MDA buffer stood at 353 basis points (the actual data at 30 September 2022 are also identified below for the sake of brevity with the name "stated"). For more details on the calculation methods for capital ratios, please refer to point 6 of the Explanatory Notes of this press release.

[6] Target based on a macroeconomic scenario for 2023 that forecasts an unchanged GDP and an average level of the Euribor rate of 2%.

- **CORE OPERATING INCOME[7] AT € 3,167 MILLION, +2.0% ON THE FIRST NINE MONTHS OF 2021, DUE TO THE CONTRIBUTION OF NET INTEREST INCOME OF € 1,590 MILLION (+3.6% YoY) AND NET FEE AND COMMISSION INCOME OF € 1,440 MILLION (+1.0% YoY)**
- **COST/INCOME RATIO[8] AT 54.4%, IMPROVING ON 55.2% AS AT 30 SEPTEMBER 2021 AND 55.8% OVER 2021**
- **COST OF RISK[9] DECREASING TO 61 BPS AND COST OF CORE RISK[10] AT 47 BPS DUE TO THE BANK'S CONSTANT DERISKING, IMPLEMENTED GUARANTEEING A SOLID LEVEL OF COVERAGE OF NON-PERFORMING LOANS, WHICH INCREASED FROM 47.4% TO 49.4% YOY**

THE STRATEGY OF REDUCING THE NON-PERFORMING PORTFOLIO CONTINUES:

- **DERISKING IN THE FIRST NINE MONTHS OF 2022 TOTALLING € 1.8 BILLION (INCLUDING THE "ARGO PROJECT" FINALISED IN THE SECOND QUARTER)**
- **FURTHER DECREASE IN THE GROSS NPE RATIO[11] TO 4.7% (3.9% IF CALCULATED ACCORDING TO EBA METHODOLOGY[12]) AND IN THE NET NPE RATIO TO 2.4% (FROM 3.0% AT THE END OF 2021)**

CORE NET PERFORMING LOANS[13] TO CUSTOMERS IN THE AMOUNT OF € 102.9 BILLION (+3.2% YOY)

NEW DISBURSEMENTS TO CUSTOMERS AMOUNTED TO € 20.3[14] BILLION, UP BY 20.6% YOY

CORE DIRECT FUNDING[15] EQUAL TO € 103.3 BILLION (+0.8% YOY)

SOLID LIQUIDITY POSITION: LCR AT 179%, NSFR> 100% AND CASH AND UNENCUMBERED ASSETS AT € 36.4 BILLION

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[7] Aggregate consisting of net interest income, gains (losses) on interests in associates and joint ventures carried at equity, net fee and commission income and, starting from the third quarter 2022, profit (loss) on insurance business.
[8] Calculated as the ratio of operating expenses to operating income resulting from the Reclassified Income Statement.
[9] Calculated as the ratio of net value adjustments on loans (annualised figure) to total on-balance sheet exposures to customers net of value adjustments.
[10] Cost of credit calculated by excluding extraordinary impacts due to sales of non-performing loans.
[11] See note no. 3.
[12] Methodology used by the EBA for the presentation of data in the context of the EU Transparency Exercise.
[13] Mortgages, loans, current accounts and personal loans.
[14] Management data.
[15] Current accounts and deposits.

STRENGTHENING OF THE BUSINESS MODEL

FIRST STEP IN THE INTEGRATION OF BANCASSURANCE COMPLETED:

- **ACQUISITION OF 100% OF BANCO BPM VITA, CONSOLIDATED ON A LINE-BY-LINE BASIS SINCE THE THIRD QUARTER 2022**
- **PROCESS FOR THE RECOGNITION OF THE STATUS OF FINANCIAL CONGLOMERATE LAUNCHED, IN VIEW OF THE APPLICATION OF THE DANISH COMPROMISE[16]**
- **ASSESSMENT UNDER WAY TO DECIDE ON A POTENTIAL NEW PARTNERSHIP IN THE NON-LIFE BUSINESS**

ADDITIONAL PROGRESS IN DIGITAL OPERATIONS OF CUSTOMERS:

- **REMOTE & OMNICHANNEL SALES AT 27% OF RETAIL TOTAL (+ 4 PERCENTAGE POINTS VS. Q2 2022)**
- **~ 700,000 CUSTOMERS WITH DIGITAL IDENTITIES (+ 100,000 VS. Q2 2022)**
- **SHARE OF CUSTOMERS USING THE APP HAS EXCEEDED 50% OF THE TOTAL**
- **SHARE OF REMOTE TRANSACTIONS STEADY AT 84% OF THE TOTAL**

PROGRESS OF DIGITAL & OMNICHANNEL TRANSFORMATION IN LINE WITH THE PLAN. REMOTE SALES TO CUSTOMERS BY THE "DIGITAL BRANCH" ALSO LAUNCHED DURING THE QUARTER

CONTINUOUS PROGRESS IN THE INTEGRATION OF ESG ISSUES INTO THE STRATEGY AND THE BUSINESS:

- **THREE GREEN BOND ISSUES OF € 1.55 BILLION, TWO OF WHICH IN THE THIRD QUARTER FOR € 800 MILLION**
- **GREEN FINANCING, NEW DISBURSEMENTS AT € 7.6 BILLION DURING THE 9 MONTHS**

IMPROVEMENT IN ESG RATINGS:

- **SUSTAINALYTICS ESG RISK RATING FROM 26.3 TO 22.4**
- **S&P ESG SCORE FROM 55 TO 56**

[16] Under the premise that, by effect of the acquisition of Banco BPM 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 submitted a petition 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 Banco BPM 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.

During the period, despite the difficult macroeconomic framework, the Group's sales and organisational efforts allowed for excellent operating results, with profitability at record levels, which made it possible to achieve the net result of € 510 million, with the adjusted net result at € 652 million, which is the best result since the formation of the Banco BPM Group.
Specifically, core operating income showed significant performance, at € 3,167 million, with growth of 2.0% on the first nine months of 2021, due to the positive contribution of net interest income (+3.6% yoy) and net fee and commission income (+1.0% YoY).
That dynamic, along with careful cost management, made it possible to achieve a cost/income ratio of 54.4%, improving on 55.2% in the first nine months of 2021 and 55.8% over 2021.
Adjustments to loans to customers came to € 498 million, down 26.1% on 30 September 2021, while guaranteeing the maintenance of solid coverage of loans.
Profit (loss) before tax from continuing operations rose to € 1,001 million against € 788 million in the first nine months of 2021, an increase of 27.1%.

There were also highly significant results in loans:

- ***net core performing loans (comprised of mortgages, loans, current accounts and personal loans) reached € 102.9 billion, marking an increase of 3.4% compared to 31 December 2021 and 3.2% YoY;***
- ***the volume of new disbursements to households and businesses reached € 20.3 billion, up by 20.6% YoY;***

The additional progress in the derisking process (-€ 1.8 billion[17] in the nine months, including the sale relating to the "Argo" project finalised in the second quarter of he year) resulted in the continued reduction in non-performing loans, reducing their incidence on total gross loans to 4.7%, and bringing the total gross non-performing loans from € 6.6 billion in September 2021 to € 5.3 billion.

The equity position remained very solid:

- ***CET 1 ratio and fully phased MDA buffer with application of Danish Compromise at 12.4% and 387 bps, respectively;***
- ***at stated level, phased-in CET 1 Ratio and fully-phased CET 1 Ratio at 13.50%[18] and 12.05%, respectively;***

[17] Change in gross non-performing loans, without considering transfers from performing loans recorded during the period. Includes sales, returns to performing status, derecognitions, recoveries, write-offs and other changes.
[18] The phased-in capital ratios are calculated according to that illustrated in the paragraph "Transitional arrangements" of Explanatory Note no. 6.

Key balance sheet items

- Net loans to customers equal to € 109.4 billion: +0.6% YoY (of which performing loans +1.4% and non-performing loans -22.9% compared to 30 September 2021) and stable compared to 31 December 2021 (of which performing loans +0.5% and non-performing loans -17.9%);
- Direct funding from customers in the amount of € 122.7 billion[19]: +1.1% YoY and -0.4% compared to the end of December 2021. Core funding at € 103.3 billion (+€ 0.8 billion YoY and -€ 1.6% compared to the end of 2021);
- Indirect funding[20] from customers € 87.8 billion: -9.1% YoY and -11.3% compared to 31 December 2021 (due to the decrease in prices of financial assets), of which:
    - asset management € 58.6 billion;
    - asset administration € 29.3 billion.

Key income statement items

- Net interest income:
    - € 551.3 million in Q3 2022 (€ 527.6 million in Q2 2022; +4.5%)
    - € 1,590.5 million as at 30 September 2022 (€ 1,535.6 million in the first nine months of 2021; +3.6%).
- Net fee and commission income:
    - € 473.2 million in Q3 2022 (€ 486.8 million in Q2 2022; -2.8%)
    - € 1,440.1 million as at 30 September 2022 (€ 1,425.4 million in the first nine months of 2021; +1.0%).
- Operating expenses:
    - € 631.3 million in Q3 2022 (€ 632.1 million in Q2 2022; -0.1%); excluding charges relating to the insurance business, the figure amounted to € 625.3 million (-1.1% compared to Q2 2022)
    - € 1,888.0 million as at 30 September 2022 (€ 1,891.1 million in the first nine months of 2021; -0.2%); excluding charges relating to the insurance business, the figure amounted to € 1,882.0 (-0.5% compared to the first nine months of 2021)
- Profit (loss) from operations:
    - € 533.9 million in Q3 2022 (€ 487.7 million in Q2 2022; +9.5%)
    - € 1,582.8 million as at 30 September 2022 (€ 1,533.1 million in the first nine months of 2021; +3.2%).

[19] Direct funding includes certificates with unconditional capital protection (€ 3.8 billion as at 30 September 2022 compared to € 3.6 billion at the end of 2021), and excludes repurchase agreements.
[20] *Management data net of certificates with unconditional capital protection included under "direct funding"*. It should be noted that the indirect funding also includes insurance policies relating to Banco BPM Vita which, from 30 September 2022, are recognised in the item "Direct funding from insurance and technical provisions" of the consolidated balance sheet, following the full consolidation of the company in the Banco BPM Group.

- Net adjustments to loans to customers:
  - € 193.9 million in Q3 2022 (€ 152.6 million in Q2 2022; +27.1%)
  - € 497.6 million as at 30 September 2022 (€673.2 million in the first nine months of 2021; -26.1%).
- Profit (loss) before tax from continuing operations[21]:
  - € 313.5 million in Q3 2022 (€ 288.5 million in Q2 2022; +8.7%)
  - € 1,001.1 million as at 30 September 2022 (€787.6 million in the first nine months of 2021; +27.1%).
- Adjusted profit (loss) before tax from continuing operations[22]:
  - € 339.2 million in Q3 2022 (€ 413.3 million in Q1 2022; -17.9%)
  - € 1,183.5 million as at 30 September 2022 (€ 1,013.3 million in the first nine months of 2021; +16.8%).
- Net result:
  - € 126.5 million in Q3 2022 (€ 206.1 million in Q2 2022; -38.6% principally due to costs related to the banking system)
  - € 510.5 million as at 30 September 2022 (€ 472.0 million in the first nine months of 2021; +8.2%).
- Adjusted net result:
  - € 155.4 million in Q3 2022 (€ 297.8 million in Q2 2022; -47.8% principally due to costs related to the banking system)
  - € 652.4 million as at 30 September 2022 (€ 564.8 million in the first nine months of 2021; +15.5%).

Equity position[23]:

- Fully phased CET 1 ratio with application of Danish Compromise at 12.4%; 12.05% at stated level;
- Stated phased-in CET 1 ratio[24] 13.50%;
- MDA buffer on fully-phased TCR with application of Danish Compromise at 387 bps; at stated level it stands at 353 basis points.

Credit quality

- Stock of net non-performing loans of € 2.7 billion: -17.9% compared to the end of 2021 and -22.9% YoY
- *Coverage:*

[21] See note 2.
[22] Amount net of non-recurring items as indicated in section 5 of the Explanatory Notes to this press release.
[23] For more details on the calculation methods for capital ratios, please refer to point 6 of the Explanatory Notes of this press release.
[24] The phased-in capital ratios are calculated according to that illustrated in the paragraph "Transitional arrangements" of Explanatory Note no. 6.

- Bad loans: 62.7% (58.6% as at 31 December 2021 and 56.5% as at 30 September 2021); also considering write-offs, the coverage stands at 71.3%;
- Unlikely to pay 41.7% (44.0% as at 31 September 2021 and 43.3% as at 30 September 2021);
- Total non-performing loans: 49.4% (48.9% as at 31 December 2021 and 47.4% as at 30 September 2021); also considering write-offs, the coverage stands at 54.6%.

- Texas Ratio[25] improving further to 23.5% against 27.2% at the end of 2021 and 29.2% as at 30 September 2021.

Liquidity profile

- Liquidity at € 36,4 billion (cash + unencumbered assets);
- TLTRO III at € 39.2 billion
- LCR 179% and NSFR >100%.

Milan, 8 November 2022 – The Board of Directors of Banco BPM met today under the chairmanship of Mr. Massimo Tononi, approving the balance sheet and income statement as at 30 September 2022 of the Banco BPM Group.

In the first nine months 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 generated harsh repercussions on the international economic system and on companies' operations.
Already in the second quarter of the year, the Group activated campaigns to monitor customers that are particularly exposed to the increase in energy prices and the procurement of commodities, to identify in advance potential signs of impairment of exposures. Those initiatives, which involved a portfolio of over € 9 billion at the end of October, provided comforting signs, with only € 47 million in loans classified as non-performing during the period July-October, in addition to the € 55 million classified during the second quarter.
Instead, as of 30 September 2022, the Group's direct exposure to Russia and Ukraine decreased further, and had an overall immaterial amount (around € 21 million).

During the period, the Group laid the foundations for a complete integration of the insurance business through the acquisition finalised on 22 July 2022, after obtaining the legal authorisations from the competent authorities, of 81% of Bipiemme Vita S.p.A.'s share capital, for a sum of € 309.4 million. In turn, Bipiemme Vita holds the entire share capital of Bipiemme Assicurazioni S.p.A., operating in the non-life sector.
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 held a 19% interest.

[25] 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).

The two insurance companies, which concurrently changed their company names to Banco BPM Vita and Banco BPM Assicurazioni, are consolidated on a line-by-line basis starting with the financial report as at 30 September 2022[26].
This operation, concluded in advance of the date of 31 December 2023 set out in the Strategic Plan, 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"[27].
The Group is also continuing its assessments regarding a possible new partnership in the bancassurance sector, exclusively for the Non-Life business, and began in-depth analysis in strategic, financial and operational terms of the non-binding offers received from a number of potential partners. Completion of the assessment process is expected by the end of this year.

The process of rationalising the corporate and organisational structure of the Group also includes the assignment to Banca Popolare di Sondrio S.p.A., concluded in March 2022, 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.

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

The additional progress in the derisking process (-€ 1.8 billion in the nine months[28], including the sale relating to the "Argo" project finalised in the second quarter of the year) resulted in a reduction in the gross NPE ratio, which came to 4.7% (compared to 5.6% at the beginning of the year).

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 on the future of the stock of gross non-performing loans and the credit quality indicators, whose cost was already included in adjustments to loans in the first half of 2022.

In the first nine months, 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, an Additional Tier 1 perpetual instrument was issued in April 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.
During the period, three green bond issues were completed in the Green, Social and Sustainability Bond Frameworks: the first, in March, related to a Green Covered Bond for an amount of € 750 million, with 5-year maturity, targeted to institutional investors; the second, in July, regarded a Green Senior Preferred Bond for a nominal value of € 300 million, and the third, in September, regarded Green Senior Non Preferred Bonds for a nominal value of € 500 million and a 4-year maturity.
Those issues represent the effective implementation of the environmental and social sustainability objectives that increasingly guide and characterise the Bank's various business areas.

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[26] For more details on the consolidation of the two insurance companies, please refer to point 1 of the Explanatory Notes of this press release.
[27] See note no. 16.
[28] Change in gross non-performing loans, without considering transfers from performing loans recorded during the period. Includes sales, returns to performing status, derecognitions, recoveries, write-offs and other changes.

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 period, Banco BPM held 6,167,852 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 September 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.
- on 14 October 2022, DBRS upgraded the ratings by 1 notch, bringing the Long-Term Deposits rating from BBB to BBB (high) and the Long-Term Issuer Rating/Senior Debt from BBB (low) to BBB, with stable trend. This rating action also reflected Banco BPM's success in improving its financial position, specifically in terms of asset quality, profitability and operating efficiency.

Economic performance of operations in the first nine months of 2022 compared to 30 September 2021

Net interest income totalled € 1,590.5 million, up by 3.6% from the figure in the first nine months of 2021 (€ 1,535.6 million).

The **gains (losses) on interests in associates and joint ventures carried at equity** was equal to 122.7 million, compared to the figure for the corresponding period of last year (€ 144.9 million).
The main contribution to the item in question was provided by consumer credit channelled from the equity interest held in Agos Ducato, amounting to € 79.8 million, down compared to € 81.9 million as at 30 September 2021, as well as the contribution of the associated company Anima Holding[30],

[29] For more details on the calculation methods for capital ratios and minimum requirements, please refer to point 6 of the Explanatory Notes of this press release.
[30] For an illustration of the methods used to recognise the contribution of Anima Holding, please refer to point no. 8 of the Explanatory Notes of this press release.

amounting to € 28.5 million.

Net fee and commission income in the first nine months of 2022 totalled € 1,440.1 million, up by 1.0% on the same period of the previous year.
This trend is attributable to the contribution from the commercial banking services segment (+4.9% compared to 30 September 2021).
The contribution from management, brokerage and advisory services was down (-2.8% compared to 30 September 2021).

Other net operating income totalled € 52.1 million, compared to the figure of €66.2 million for the first nine months of 2021.

The **net financial result**[31] in the first nine months of 2022 was positive at € 251.9 million, compared to the figure of € 252.1 million recorded as at 30 September 2021.
The result in 2022 comprises +€ 185.7 million from trading activities (+€ 100.7 million as at 30 September 2021), +€ 12.8 million from changes recorded in the measurement of assets and liabilities at fair value (+€ 21.5 million as at 30 September 2021) and +€ 39.4 million from sales of financial assets (+€ 120.1 million in the first nine months of 2021). Specifically, the comparison of the figure as at 30 September 2022 with the same period 2021 is influenced by the results of the valuation of the Nexi equity investment, which as at 30 September 2022 had a negative balance of -€ 73.1 million.

The **profit (loss) on insurance business** was € 13.6 million. That item comprises the contribution for the third quarter 2022 of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni, following the acquisition of control over them.

By virtue of the trends described, the total **operating income** therefore amounted to € 3,470.8 million, a considerable increase compared to € 3,424.2 million recorded in the same period of the previous year (+1.4%).

Personnel expenses, of € 1,213.7 million showed a decrease of 3.2% compared to the € 1,253.9 million in the first nine months of 2021, which also included savings on one-off components of remuneration for € 14.4 million. Moreover, the figure as at 30 September 2022 includes the charges (relating only to the third quarter of 2022) of the insurance companies Banco BPM Life and Banco BPM - Assicurazioni at € 2.8 million. Excluding that component, personnel expenses added up to € 1,211.0 million, and, net of non-recurring items, decreased by 4.5% year-over-year. 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 20,237 as at 30 September 2022 (of which 142 pertaining to the insurance companies), compared to 21,663 at the start of 2021[32].

Other administrative expenses[33], at € 478.9 million, grew by 5.9% compared with the first nine months of 2021, when they totalled € 452.0 million. Also in this case, the item includes the charges relating to the insurance business, which amounted to € 2.8 million. Net of that component, the aggregate in question grew by 5.3%, also due to the inflationary trends under way, which specifically impacted

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[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 € 37.8 million in income for the period, compared to the negative impact of -€ 11.9 million recorded as at 30 September 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 and the Interbank Deposit Guarantee Fund, reported in a separate item of the reclassified income statement, net of the relative tax.

energy consumption.

Value adjustments on property, plant and equipment and intangible assets totalled € 195.4 million (of which € 0.4 million referring to the insurance business), compared to the figure of € 185.2 million as at 30 September 2021. The item includes adjustments of € 4.0 million relating to write-downs of software.

Total **operating expenses** therefore amounted to € 1,888.0 million, down by 0.2% compared to € 1,891.1 million in the same period of the previous year. Excluding the effects relating to the insurance companies Banco BPM Vita and Banco BPM Assicurazioni, totalling € 6.0 million, as well as the impact of non-recurring items, the aggregate decreased by 1.4%.

The **cost income ratio** in the period came to 54.4%, lower than both 55.2% as at 30 September 2021 and the figure relating to all of 2021 (55.8%).

The **profit from operations** in the first nine months stood at € 1,582.8 million, up slightly (+3.2%) compared to € 1,533.1 million in the same period of the previous year.

Net adjustments to loans to customers as at 30 September 2022, at € 497.6 million, showed a 26.1% decrease on the figure for the same period of the previous year. Net adjustments in the first nine months 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 (recorded in the first half); as at 30 September 2021, the equivalent impact came to € 194.0 million.
As at 30 September 2022, the cost of credit, measured by the ratio of net value adjustments on loans to net loans, was 61 bps. Excluding the extraordinary impacts due to the increase in the sale targets of non-performing loans approved by the Group, the cost of risk would come to 47 bps as at 30 September June 2022.

Fair value gains (losses) on property, plant and equipment show a loss of -€ 48.4 million as at 30 September 2022, compared to -€ 44.7 million in the first nine months 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 -€ 8.6 million (+€ 0.8 million as at 30 September 2021).

Net provisions for risks and charges in the first nine months amounted to -€ 29.0 million (-€ 28.3 million as at 30 September 2021).

As at 30 September 2022, **gains on disposal of interests in associates and joint ventures and other investments** amounted to € 1.7 million, referring to sales of properties. In the first nine months of 2021 the item in question had an immaterial amount.

Due to the trends described, the **profit (loss) before tax from continuing operations** was equal to € 1,001.1 million compared to € 787.6 million in the first nine months of 2021, an increase of 27.1%.

The **taxation charge related to profit or loss from continuing operations** was -€ 322.4 million (-€ 216.6 million as at 30 September 2021).

Net profit (loss) after tax from continuing operations therefore was € 678.7 million, an 18.9% increase compared to € 571.0 million in the same period last year.

Expenses relating to the banking system, net of taxes were also charged to the income statement for the period, amounting to € 151.8 million (€ 140.2 million in the first nine months of 2021) relating to the ordinary contribution to the Single Resolution Fund (€ 110.5 million before tax, compared to € 87.8 million as at 30 September 2021) and the estimate of the contribution due to the Interbank Deposit Protection Fund (€ 114.5 million before tax compared to € 91.3 million as at 30 September 2021). In the previous year, additional contributions were also charged to the National Resolution Fund for € 28.6 million, gross.

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

During the period, the **change in own credit risk on Certificates issued by the Group, net of taxes**, generated a positive impact of € 25.3 million[34] (€ 37.8 million before tax), compared to the charge of -€ 8.0 million in the first nine months of 2021 (-€ 11.9 million before tax).

As at 30 September 2022, the impact of the **Purchase Price Allocation net of taxes** was -€ 33.7 million, against -€ 30.2 million in the first nine months of 2021.

Considering the share of income due to non-controlling interests, the first nine months of 2022 closed with a **net profit for the period** of € 510.5 million (€ 472.0 million as at 30 September 2021).

The **figure net of non-recurring items** for the first nine months was € 652.4 million, up on the previous year (€ 564.8; +15.5%).

<u>Economic performance of operations in Q3 2022 compared to Q2 2022</u>

Net interest income amounted to € 551.3 million, up by 4.5% compared to the figure in the second quarter of 2022 (€ 527.6 million), mainly due to the sharp increase in commercial spreads resulting from the growth in Euribor rates.

The **gains (losses) on interests in associates and joint ventures carried at equity** was a positive € 31.6 million, with a decreased contribution compared to that of the second quarter, amounting to € 41.5 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] Note that, starting in the third quarter of 2022, the contribution from Banco BPM Vita and Banco BPM Assicurazioni is included in the income statement on a line-by-line basis, and no longer included in the item in question.

Net fee and commission income in the third quarter amounted to € 473.2 million, down by 2.8% compared to the result recorded in the second quarter, mainly due to the lower contribution management, brokerage and advisory services, also due to the situation of volatility on the financial markets. Instead, the segment of fee and commission income relating to commercial banking activities showed positive performance (+3.4% compared to the second quarter).

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[34] The total amount of the impact recognised in the balance sheet as at 30 September 2022 deriving from the change in own credit risk since the issue date of the financial liabilities is +€ 7.3 million.
[35] For an illustration of the methods used to recognise the contribution of Anima Holding, please refer to Explanatory Note no. 8.

Other net operating income totalled € 20.4 million, compared to the figure of € 15.0 million for the second quarter of 2022.

The **net financial result** in the third quarter was € 75.1 million, compared to € 48.9 million in the second quarter. That result benefited from the contribution from derivative contracts which, in operational terms, hedge the risks linked to the portfolio of financial assets measured at fair value through other comprehensive income.
The quarterly result also felt the impact of the Credit Value Adjustment and the Debit Value Adjustment (CVA/DVA) relating to derivative contracts[36] (+€ 14.7 million in the third quarter compared to -€ 0.7 million recorded in the second quarter).
The valuation of the interest held in Nexi generated a positive impact of € 5.2 million, compared to the negative impact of -€ 36.6 million in the second quarter.

The **profit (loss) on insurance business** was € 13.6 million and represents the contribution of the insurance business of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni, recorded starting in the third quarter of 2022.

By virtue of the trends described, the total **operating income** therefore amounted to € 1,165.2 million, up by 4.1% compared to € 1,119.7 million recorded in the second quarter, due to the growth in the net financial result, while the core components of net interest income and fee and commission income provided substantially stable contributions.

Personnel expenses added up to € 400.5 million, including charges of € 2.8 million relating to the insurance segment. That item showed a decrease of 1.2% compared to € 405.3 million for the second quarter.

Other administrative expenses[37] decreased from € 162.6 million in the second quarter of 2022 to € 160.7 million as at 30 September 2022, which included € 2.8 million relating to Banco BPM Vita and Banco BPM Assicurazioni. The quarter was also 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 € 70.1 million, of which € 0.4 million referred to the insurance segment. In the second quarter of 2022, the item amounted to € 64.1 million.

Total **operating expenses** therefore came to € 631.3 million, substantially stable (-0.1%) compared to € 632.1 million in the second quarter. Excluding the component relating to the insurance business, totalling € 6.0 million, the aggregate in question would come to € 625.3 million, a decrease, net of the relative non-recurring items, of 1.7%.

The **profit from operations** in the quarter stood at € 533.9 million, up by 9.5% compared to € 487.7 million in the second quarter.

Net adjustments on loans to customers amounted to € 193.9 million, up from € 152.6 million for the second quarter.

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[36] The total amount of the DVA impact recognised in the balance sheet as at 30 September 2022 relating to derivative contracts that represent financial liabilities was € 41.4 million.
[37] The aggregate does not include the "systemic charges", represented by the contributions to the Resolution Funds and the Interbank Deposit Guarantee Fund, reported in a separate item of the reclassified income statement, net of the relative tax.

The loss from the fair value measurement of property, plant and equipment came to € 7.5 million in the third quarter, following the adjustment of several properties to their updated appraisal values.

Net provisions for risks and charges in the third quarter were € 16.3 million and include the allocation of € 14.4 million regarding the estimated charges expected to be incurred in relation to several contractual commitments.

As a result of the trends described above, the **profit before tax from continuing operations** came to € 313.5 million compared to the profit of € 288.5 million recorded in the second quarter.

Income tax on continuing operations for the period amounted to -€ 91.4 million (-€ 92.6 million in the second quarter).

Profit (loss) after tax from continuing operations in the third quarter of 2022 therefore amounted to € 222.1 million, a 13.4% increase compared to € 195.9 million in the second quarter of 2022.

Charges related to the banking system, net of taxes were charged to the income statement in the third quarter in the amount of € 77.3 million, relating to the estimate of the contribution due to the Interbank Deposit Protection Fund (€ 114.5 million before tax).

In the third quarter, the **change in the credit rating on Certificates issued by the Group, net of taxes**, generated a negative impact of -€ 0.3 million (-€ 0.5 million before tax), compared to the positive impact of +€ 25.5 million (+€ 38.1 million gross) in the second quarter.

In the third quarter, the impact of the **Purchase Price Allocation net of taxes** amounted to -€ 18.0 million, against -€ 7.2 million in the second quarter of 2022. The figure for the third quarter also includes the negative impact of the remeasurement at fair value of the interest previously held in Banco BPM Vita, at -€ 10.7 million, in application of the accounting standard IFRS 3.

Given the share of the profit or loss attributable to non-controlling interests, the third quarter of 2022 ended with a net **profit for the period** of € 126.5 million, compared to the net profit of € 206.1 million recorded in the second quarter, mainly due to the higher banking industry charges and the lower contribution of the change in own credit risk recorded in the third quarter.

Adjusted net profit for the third quarter was € 155.4 million compared to € 297.8 million in the second quarter of 2022, as a result of the effects indicated above.

Changes in key balance sheet items

Direct funding from banking business [38]as at 30 September 2022 was € 122.7 billion, down 0.4% on 31 December 2021 but up by 1.1% compared to 30 September 2021.
More specifically, over the period, there was a decrease of € 1.3 billion in the segment represented by the current accounts and demand deposits of the commercial network (-1.2%).[39] As regards bonds issued, the stock as at 30 September came to € 12.9 billion, down (-1.1%) compared to 31 December 2021.

[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.

On an annual basis, demand deposits increased by € 1.4 billion (+1.4%)[40], while the stock of bonds issued decreased by 5.5%.
Funding guaranteed by the stock of certificates with unconditional capital protection as at 30 September 2022 was € 3.8 billion, compared to the € 3.6 billion as at 31 December 2021 and € 3.7 billion as at 30 September 2021.

Starting in the third quarter 2022, the aggregate comprising insurance technical reserves is recorded, shown under the item **direct funding from insurance business and technical reserves**, in the amount of € 5.9 billion, represented by the mathematical reserves and financial liabilities of the insurance companies measured at fair value pursuant to IAS 39.

Indirect funding[41]**,** net of protected capital certificates, and including insurance policies, was € *87.8* billion, down 9.1% on an annual basis.[42] 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 3.0% on an annual basis, and 2.2% compared to the end of 2021.
The negative trend on the markets reflected on both the component of assets under management, which amounted to € 58.6 billion, down compared to the figure of € 65.3 billion as at 31 December 2021, and on administered assets, which stood at € 29.3 billion, down € 4.5 billion (-13.2%) compared to the end of 2021.

Financial assets in the banking segment amounted to € 40.5 billion, up by 11.5% compared to € 36.3 billion as at 31 December 2021. The increase was mainly concentrated in derivative instruments (+€ 4.1 billion) whose fair value was impacted by the increase in interest rates. As at 30 September 2022, the aggregate in question consisted of debt securities for € 31.0 billion, equity instruments and UCITS units for € 2.9 billion and derivative instruments and other loans for € 6.5 billion. Holdings of debt securities issued by sovereign states amounted to € 26.3 billion, of which € 9.5 billion represented by Italian government securities. Investments in Italian government securities are classified under financial assets at amortised cost for € 7.3 billion, in the portfolio of financial assets measured at fair value through other comprehensive income for € 2.1 billion and in the portfolio of financial assets at fair value through profit and loss for € 0.1 billion, being held for trading. Italian government securities represent 36.0% of the total of government securities, well below the Plan target (<50%).

The item **financial assets measured at fair value pursuant to IAS 39 with pertinence to the insurance companies** includes the contribution as at 30 September 2022 of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni for a total of € 5.9 billion.

Net loans to customers[43]amounted to €109.4 billion at *30 September 2022*, stable on the figure as at 31 December 2021, but with an increase in performing exposures (+0.5%), also thanks to a volume of new loans to households and businesses equal to € 20.3 billion[44] in the period. Non-performing exposures were down by 17.9% on the end of 2021. On an annual basis, loans recorded an increase of € 0.6 billion (+0.6%), deriving from a € 1.4 billion increase in performing exposures (+1.4%) and a € 0.8 billion decrease in non-performing loans (-22.9%).

Net non-performing loans (bad loans, unlikely to pay and past due and/or non-performing overdue) amounted to € 2.7 billion as at 30 September 2022.

[40] Management data.
[41] Management data.
[42] See note no. 20.
[43] The aggregate does not include loans to customers which, following the application of IFRS 9, are mandatorily measured at fair value. These loans, amounting to € 0.3 billion, are included among the financial assets measured at fair value.
[44] Management data.

An analysis of the individual items shows the following dynamics:

- net bad loans of € 0.7 billion, down by 17.9% compared to 31 December 2021 and 20.4% compared to 30 September 2021;
- net unlikely to pay loans of € 1.9 billion, down by 18.8% compared the start of the year and 24.5% compared to 30 September 2021;
- net past-due exposures of € 56 million (€ 45 million as at 31 December 2021 and € 52 million as at 30 September 2021).

The percentage of non-performing exposures out of total loans, gross of value adjustments came to 4.7% compared to 5.6% at the start of the year and 5.9% as at 30 September 2021.

The coverage rate for the entire impaired loans aggregate was 49.4% (47.4% as at 30 September 2021).
More specifically, as at 30 September 2022, the coverage ratio was as follows:

- bad loans 62.7% (56.5% at 30 September 2021);
- unlikely to pay loans 41.7% (43.3% as 30 September 2021);
- past due loans 28.1% (16.6% at 30 September 2021).

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

<u>Group capital ratios[45]</u>

Including the positive effect of the application of the Danish Compromise, for which, as pointed out previously, a request has already been submitted, the *fully phased* Common Equity Tier 1 ratio of the Group at 30 September 2022 would be 12.4%.

The phased-in Common Equity Tier 1 ratio stood at 13.50%, against 14.03% as at 30 June 2022. The drop is due to the decrease in regulatory capital following the negative change in valuation reserves in the third quarter and the impact of the acquisition of control of Banco BPM Vita, only partly offset by the decrease in risk-weighted assets.
The phased-in Tier 1 ratio was 15.75% compared to 16.23% as at 30 June 2022, while the Total Capital ratio was 18.66% compared to 19.82% as at 30 June 2022. The decrease in the Tier 1 ratio was due to the trends in the CET 1 ratio described above, while the decrease in the Total Capital ratio is also due to the early redemption of a calculable subordinate instrument for € 500 million in nominal value.
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 introduced by the accounting standard IFRS 9,[46] as well as the exercise of the option set forth in art. 468 of Regulation (EU) no. 575/2013 (CRR) which permits 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.

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[45] For more details on the calculation methods for capital ratios, please refer to point 6 of the Explanatory Notes of this press release.
[46] The percentage of neutralisation of negative impacts decreased from 50% in 2021 to 25% in 2022.

Excluding the impacts of the transitory regulation, the Group's *fully phased* stated capital ratios at 30 September 2022 are as follows:

- CET 1 ratio 12.05%;
- Tier 1 ratio 14.31%;
- Total Capital ratio: 17.23%.

The buffer compared to the limit set for the possibility of distributing dividends (*Maximum Distributable Amount* or MDA buffer), with the application of the Danish Compromise, was +387 bps on a *fully phased* basis (compared to +424 bps as at 30 June 2022). At stated level, said ratio is 353 basis points.

BUSINESS OUTLOOK

The general framework continues to be impacted by the tensions generated by the Russia-Ukraine conflict, with significant impacts on the outlook for growth and trend in inflation, triggered by the increase in the cost of raw materials, especially energy commodities.
In that scenario, following the sharp growth recorded in the first three quarters of the year, the Italian economy is expected to slow significantly, also reflecting the marked change in the direction of monetary policy and the sharp rise in interest rates.
Given the context, also during the last quarter of the year, the external variables will likely continue to be the main influences on the operating performance of the Group.
Despite the deterioration in the conditions of ECB funding in the form of TLTRO, net interest income will benefit from the aforementioned increase in the Euribor rates, specifically in the commercial component. Indeed, the Group maintains significant sensitivity of more than € 200 million in a scenario of a parallel shift of +100 basis points in interest rates.
Fee and commission income, though still 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 trend in operating expenses, which will continue to be one of the main areas of focus of managerial action, may be impacted in the last quarter by certain effects connected with the increase in IT investments and the pressures deriving from the peak of inflation, in particular on costs linked with energy components.
The trend in default flows, albeit still extremely low, could be impacted in the final part of the year by the economic slowdown, with a potential marginal impact on the cost of borrowing, without, however, compromising its process of reduction started in 2017, a year in which the merger between Banco Popolare and Banca Popolare di Milano took place. The *derisking* trend and the maintenance of healthy levels of coverage is expected to continue, also thanks to the conservative approach to valuations adopted in the last few years and confirmed in 2022, on both *performing* and non-*performing* exposures.
For the entire year, a significant improvement is expected in the Group's net profit compared to 2021, with a trend that will exceed both the trajectory of profitability and the overall targets outlined in the Strategic Plan.

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Mr 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.

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The Banco BPM Group results as at 30 September 2022 will be presented to the financial community in the *conference call* scheduled for today, 8 November 2022 at 6:30 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.

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NOTICE OF PUBLICATION OF DOCUMENTS

With reference to the renewal of members of the Board of Directors, which will be elected by the next Shareholders' Meeting, and further to the press release of 18 October 2022, it is hereby announced that, in line with the system *best practices* and taking account of Warning notice no. 1/22 of 21 January 2022 issued by Consob, regarding "Warning notice - The presentation of a list by the Board of Directors for the renewal of said Board", the document called "Process of formation of the Board List (art. 20.4.2. of the Company Articles of Association)", approved unanimously by the Board of Directors, which summarises the parties involved in the process, its phases and the *timetable*, is available to the public on Banco BPM's website www.gruppo.bancobpm.it ("*Corporate Governance section* – Corporate Documents").

Explanatory notes

This News Release represents the document through which Banco BPM decided to disclose - on a voluntary basis - supplementary periodic information in addition to the half-year and annual reports ("quarterly reports") to the public and to the market, in compliance with the disclosure policy communicated to the market pursuant to art. 82-ter of the Issuers Regulation effective on 2 January 2017. For the sake of completeness, please note that the quarterly report also includes the result presentation handout prepared as a support for the conference call with the financial community to be held after this News Release has been released.
This quarterly report includes a comment on the quarterly operating performance that focuses on the dynamics of the key P&L, balance sheet and financial items, and is based on the reclassified balance-sheet and income statements.
Please find below some explanatory notes that are deemed useful to better understand the approach followed in preparing the above-mentioned accounting statements as at 30 September 2022 and those referring to the prior FY, as well as the dynamics of the quarterly results commented in this news release.

1. Accounting policies and reference accounting standard

Accounting policies

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, and include the additions necessary to reflect the combination of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni, described below.
More specifically, the reclassified statements of financial position include certain items that are specifically tied to insurance contracts accounted for under IFRS 4, as well as items related to portfolios of financial assets and liabilities held by insurance companies measured under IAS 39. To this respect, note that, in the assumption that the Group is going to be granted the status of "financial conglomerate", we exercised the option to apply for the "Deferral Approach", according to which the tax assets and liabilities of the insurance companies are recognized based on IAS 39 instead of IFRS 9, pending the adoption on 1 January 2023 of the new accounting standard IFRS 17 on insurance contracts.

More specifically, the following line-items have been added to the reclassified consolidated statement of financial position:

- "Financial assets measured at fair value under IAS 39 with pertinence to the insurance companies" this line-item includes all financial assets within the scope of IAS 39, mainly represented by financial assets measured at fair value and classified in the portfolios of "Financial assets available for sale" and "Financial assets measured at fair value";
- "Insurance direct deposits and technical reserves": this line-item includes liabilities represented by the insurer's obligations towards their policyholders, notably, "Financial liabilities measured at fair value under IAS 39 with

pertinence to the insurance companies" related to unit-linked insurance policies and to "Technical reserves of insurance companies";

- "Financial liabilities measured at amortized cost under IAS 39 with pertinence to the insurance companies": this line-item includes the financial liabilities of insurance companies within the scope of IAS 39 other than those illustrated in the above bullet point, entirely related to loans and receivables measured at amortized cost.

As of 30 September 2022, a new line-item has been added to the reclassified income statement, namely "Profit or loss from the insurance business" which includes all the P&L items (interest, dividends, realized profits/losses, capital gains/losses on valuation) related to portfolios of IAS39 financial assets and liabilities of insurance companies and the items related to the insurance business represented by net premiums and by the outstanding balance of insurance revenues and charges (net change in technical reserves, accrued claims and other insurance revenues and charges). Note that the distribution fees paid to Banco BPM's distribution network by the consolidated insurance companies are consolidated line-by-line under the line-item "Net fees and commissions" for fees received by the distribution network, and under the line-item "Profit and loss from the insurance business" for commission expense paid by the insurers; the failure to cancel out these relations in the reclassified income statement aims at better representing the Group's management results.

Under IFRS 10, the contribution from Banco BPM Vita and Banco BPM Assicurazioni has been posted in the income statement, on a line-by-line basis, as of the date of acquisition, i.e., 1 July 2022; conversely, the H1 contribution, when the equity interest in the companies was 19%, has been posted under the line-item "Profit or loss from equity investments carried at equity".

Reference accounting standards

The accounting standards adopted to prepare the financial accounts as at 30 September 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 September 2022 as provided under Regulation (EC) no. 1606 of 19 July 2002. Said standards are in line with those adopted to prepare the consolidated financial statements as at 31 December 2021, including the required additions tied to the consolidation of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni as of 1 July 2022, to account for the measurement of financial instruments under IAS 39 and of insurance contracts under IFRS 4.
With regard to disclosure requirements, the information contained in this news release has not been prepared in compliance with IAS 34 on interim financial reporting.

Insofar as applicable, the communications from the Supervisory Authorities were taken into account (Bank of Italy, ECB, EBA, Consob and ESMA), together with interpretations on the adoption of IAS/IFRS issued by the Italian Accounting Board (Organismo Italiano di Contabilità - OIC), by the Italian Banking Association (ABI) and by the Italian Valuation Board (Organismo Italiano di Valutazione - OIV), providing recommendations on certain key accounting aspects or on the accounting treatment of specific transactions.

More detailed information on the accounting policies adopted for certain specific cases are provided below, to allow for a better understanding of the Group results as at 30 September 2022.

With regard to TLTRO III refinancing operations, which as at 30 September 2022 amounted to € 39.2 billion in line with the outstanding amount on 31 December 2021, note that in the absence of specific indications in the reference accounting standards on how to account for this specific case, the Group defined an internal accounting policy equating the financing to a floating rate financial instrument, whereby the measurement of the interest, applicable each time, is estimated based on the probability of achieving specific net lending targets. To this regard, note that, since all the net lending targets have been achieved, the interest accrued on the above liabilities has been recognized based on the most favorable Deposit facility rate, with a 50-bps reduction over the special interest period (from 24 June 2020 to 23 June 2022). Following the interest rate hikes approved by the ECB Governing Council in July and September 2022, the effective interest rate to be applied to each transaction had to be redetermined as of the rate hike date, so as to spread the benefit coming from the peculiar mechanism of the rate average across the benefit's reference period. The interest measured in the first nine months of 2022 added up to € 220.6 million, of which € 94.7 million from the additional remuneration in the special interest period. The Q3 2022 contribution totaled € 27.3 million, down compared to the previous two quarters due to the rate increases and to the ending of the additional remuneration.
Finally, on 27 October 2022, in addition to introducing another rate increase, the ECB Governing Council decided to recalibrate the conditions of TLTRO III. Said changes produced no impact on the closing financial balances as at 30 September 2022, as it was considered a non-adjusting event after the reporting period under IAS 10.

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 compared to the target 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, by 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 million in Q2).
The disposal targets set on 30 June 2022 and the ensuing write-down adjustment under a multi-scenario approach have been basically confirmed on 30 September 2022, as in Q3 2022 there were no massive NPL disposal, and disposal targets were not revised.

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 September 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, also in the light of the ongoing revision of the risk models and parameters. These "*management overlays*", which actually all but cancel out the positive P&L impacts that would have otherwise been recognized in 9M, strengthen the Group's capability to absorb any negative macroeconomic fallout, considering the great uncertainty that was still present when preparing the report as at 30 September 2022.

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 interim report as at 30 September 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 accounting report as at 30 September 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 it might be necessary to revise the estimates 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 estimation processes will be subject to a significant level of uncertainty.
A detailed description of the estimation processes that require the use of a significant amount of discretion when selecting the underlying assumptions and hypotheses, including the impact from the Russia-Ukraine conflict and the healthcare crisis, is provided in the consolidated half-year financial report as at 30 June 2022. A full cross-reference to the above-mentioned description is suggested, since it is connected also to the financial and operating position as at 30 September 2022, which is the subject of this news release.

Acquisition of control over Banco BPM Vita S.p.A. and Banco BPM Assicurazioni S.p.A. and related accounting impact

As explained above, the financial and operating situation of Gruppo Banco BPM as at 30 September 2022 has been impacted by the line-by-line full consolidation of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni.
More specifically, for consolidation purposes, the accounting acquisition date has been conventionally set on 1 July 2022; hence the financial situation upon first consolidation is represented by the closing balances of the insurance companies as at 30 June 2022, which is the reference date for the "Purchase Price Allocation" (PPA) process under IFRS 3.
More specifically, for accounting purposes, the transaction under examination qualifies as a so-called step acquisition, as Banco BPM already held a 19% stake in Banco BPM Vita's share capital (and indirectly in Banco BPM Assicurazioni).

Under IFRS 3, for the previously held equity interest (19%) the transition from the equity method to the full consolidation method is considered a significant P&L impact, that is to be recognized as if the previous equity interest were sold at fair value and immediately purchased back at the same fair value. The ensuing P&L impact – equal to the difference between the fair value and the previous carrying amount – including also the impact from the write-off of the negative valuation reserves – produced a negative result of 10.7 million, which was recognized in the official financial statements under the line-item "gains/losses from investment disposal", while in the reclassified financial statements it was posted under the P&L line-item "Purchase Price Allocation, after tax", as described under item 2 below.

Moreover, IFRS 3 requires that the difference between the acquisition related costs – equal to the sum of the fair value of the transferred consideration and the fair value of the previously held equity interest – and the fair value of the acquired identifiable net assets, including potential liabilities, is calculated at the date of acquisition.
On 30 September 2022, the purchase price allocation is to be considered provisional; in accordance with IFRS 3 the accounting of business combinations can be fully completed within twelve months of the acquisition date. Taking the equity of the acquired companies as an expression of the net fair value of the acquired assets and liabilities, the consolidation difference produced a positive result of € 66.9 million. Said difference, determined on a provisional basis, is recognized as "goodwill" under the line-item of the reclassified consolidated balance sheet "Intangible assets." In line with IFRS 3, said difference, and more generally the disclosed financial position and income statements, will be restated once the fair value of the acquired assets and liabilities has been definitively determined.

Other information

The consolidated accounting statements as at 30 September 2022, used to prepare the herewith attached reclassified accounting statements, have undergone a limited audit by the external auditing firm PricewaterhouseCoopers SpA exclusively aimed at providing the assurance required under art. 26, paragraph 2, of Regulation (EU) no. 575/2013 of 26 June 2013 (CRR) and the Decision of the European Central Bank no. 2015/656, namely, the audit report to be attached to the letter addressed to the ECB asking for permission to include interim profits in CET1 capital.

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 APM, 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. PPA (*Purchase Price Allocation*) impacts on the income statement for the period

In compliance with IFRS 3, the income statement of Gruppo Banco BPM includes the P&L reversal effects mainly 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. It should be also noted that the impact from the combination of Banco BPM Vita and Banco BPM Assicurazioni was accounted for during Q3 2022, including the fair value remeasurement of the previous equity interest in accordance with step acquisitions under IFRS 3, as described above.

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 9M 2022 consolidated P&L impact from the reversal effect of value adjustments of purchased net assets on net interest income came in at € -11.0 million (in connection with the evolution of the various valuations of purchased assets) and at € -23.3 million on other net operating income (due to the depreciation of intangibles recognized under the PPA); moreover, it is necessary to consider the € -10.7 million impact on the line-item gains/losses on equity interest and investments (as a result of the fair value remeasurement of 19% interest previously held in Banco BPM Vita). Net of the tax effect, the overall impact posted under the reclassified P&L line-item "Purchase Price Allocation, after tax" as at 30 September 2022, added up to € -33.7 million (€ -30.2 million in the same period of 2021).

3. Charges generated by the contribution to the resolution mechanisms

In the 9M 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 and to the Interbank Deposit Protection Fund (totaling € 225.0 million euro) for FY 2022, which, net of the tax effect, totaled € 151.8 million. In the same period of 2021, the total charge, gross of tax effect, added up to € 140.2 million (€ 207.7 million gross) which, in addition to € 179.1 million gross of ordinary contributions to the Single Resolution Fund and to the Interbank Deposit Protection Fund, also included € 28.6 million gross of additional contributions called by the National Resolution Fund.

4. Changes in consolidation scope

During the period, the main change in consolidation scope was the acquisition, finalized on 22 July 2022, of 100% of the share capital of Bipiemme Vita (now Banco BPM Vita) and of its subsidiary Bipiemme Assicurazioni (now Banco BPM Assicurazioni) following the exercise of the call option on shares representing 81% of the company's share capital. Banco BPM already held an equity interest of 19% in Bipiemme Vita, carried at equity.
With regard to companies accounted for under the full consolidation method, the subsidiary BP Trading Immobiliare S.r.l. no longer falls within the full-consolidation scope as in February 2022, upon completion of the liquidation procedure, it was cancelled from the competent Companies Register.

With regard to companies carried at equity, there was the disposal in March 2022 of the stake held in Factorit S.p.A.. 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 the period.

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 2022, with the accounting and fiscal effects starting on 1st January 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, information on the effect of P&L items that have been classified as recurring based on the above-described policy is still 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 9M 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;
- "net amortization and depreciation of tangible and intangible assets" include a € 4.0 million depreciation of software applications;
- the line-item "gain/loss on the fair value measurement of tangible assets" posts a net write-down of € -48.4 million from the fair value measurement of owned property;
- "provisions for risks and charges" include the allowance of € 14.4 million tied to the estimated charges relative to an outstanding agreement with an associate;
- the line-item "gain/loss on equity and other investments" includes the positive impact of € +1.7 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 +59.4 million;
- the line-item "Purchase Price Allocation (PPA), after tax" includes the impact from the fair value remeasurement of the previous equity interest held in Banco BPM Vita of € 10.7 million.

Overall, non-recurring items gave rise to a negative impact of € -141.9 million on the net income of the first nine months of 2022.

Excluding the above effects, the (adjusted) net income accruing at the end of the third quarter would come to € 652,4 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 of € 94.0 million and the additional estimated impact of about € 100.0 million from the increase in the NPL disposal target decided by the Board of Directors;
- the line-item "gain/loss on the fair value measurement of tangible assets" posted a net write-down of € 44.7 million;
- "Income tax on continuing operations" included the tax impact of the above non-recurring items totaling € 72.9 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 9M 2021 posted a negative amount of € 92.8 million.

Excluding the above amount, the net (adjusted) result would be € 564.8 million.

6. Capital requirements regulation

<u>Clarifications on the calculation procedure for capital ratios</u>

Capital ratios as at 30 September 2022 presented in this news release have been calculated by including the interim net income accruing at the end of the third quarter of 2022, net of the expected payout ratio based on the specific applicable regulation[47]. 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.

<u>Minimum requirements</u>

[47] 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.

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, are[48]:

- 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.

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)[49]. 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 September 2022 it accounted for € 230.6 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 banking Group's sovereign risk exposure (debt securities included in the financial assets portfolios) as at 30 September 2022, broken down by single Country and by category of the classification accounting portfolio:

30 September 2022 *(in million euro)* **Countries/Accounting portfolios**	**Fin. ass. measured at amortized cost**	**Fin. ass. measured at fair value through other comprehensive income**	**Fin. ass. measured at fair value through profit or loss**	**Total**
Italy	7.306	2.101	71	9.478
France	3.641	1.416	-	5.057
USA	2.435	1.696	-	4.131
Spain	2.760	1.005	-	3.765
Germany	2.101	938	4	3.043
Other Countries	578	265	-	843
Total	**18.821**	**7.421**	**75**	**26.317**

As at 30 September 2022, the banking Group's sovereign debt exposure totaled € 26.3 billion (€ 25.6 billion as at 31 December 2021), of which 71.5% were classified in the portfolio of financial assets measured at amortized cost, 28.2% under financial

[48] These requirements are calculated as follows:

- The pillar I minimum requirement of 8% (of which 4.5% CET1; 1.5% AT1 and 2% AT2)
- the P2R requirement of 2.25% set by the ECB must be met by 56.25% with CET1 and by 75% with TIER1;
- the capital conservation buffer of 2.50% to be fully met with CET1;
- the O-SII buffer of 0.25% to be fully met with CET1;
- the countercyclical capital buffer of 0,003% to be fully met with CET1 capital CET1.

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

assets measured at fair value through other comprehensive income, and 0,3% 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 83% refers to securities issued by members of the European Union; notably about 36% by Italy.
As regards financial assets measured at fair value through other comprehensive income, as at 30 September 2022 the reserves generated by the fair value measurement of debt securities posted a negative amount equal to € 628.2 million, net of tax effect, of which € -569.3 million refer to government bonds (€ -88.8 million for Italian government bonds and € -480.4 million for other government bonds).
As to financial assets measured at amortized cost, the book value came out at € 18.8 billion, of which € 7.3 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 September 2022 (level 1 in the fair value classification) totaled € 18.3 billion (€ 7.1 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 period.

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 September 2022, or, when not available, 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 September 2022 submitted to Banco BPM, or, if not available, on the most recent financial reports prepared by the associates.
Finally, 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 9M 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 9M 2021contribution of Anima Holding also included the share of profit for Q4 20202020.

Attachments

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

Contacts:

Investor Relations
Roberto Peronaglio
+39 02.94.77.2108
investor.relations@bancobpm.it

Communication
Matteo Cidda
+39 02.77.00.7438
matteo.cidda@bancobpm.it

Press Office
Monica Provini
+39 02.77.00.3515
monica.provini@bancobpm.it

BANCO BPM Group

Reclassified consolidated balance sheet

(in euro thousand)	30/09/2022	31/12/2021	Chg.	Chg. %
Cash and cash equivalents	24,370,018	29,153,316	-4,783,298	-16.4%
Financial assets at amortised cost	113,234,260	121,261,260	-8,027,000	-6.6%
- Due from banks	3,856,777	11,877,878	-8,021,101	-67.5%
- Customer loans	109,377,483	109,383,382	-5,899	0.0%
Other financial assets	40,486,395	36,326,393	4,160,002	11.5%
- Financial assets designated at FV through P&L	9,521,194	6,464,186	3,057,008	47.3%
- Financial assets designated at FV through OCI	10,011,697	10,675,079	-663,382	-6.2%
- Financial assets at amortised cost	20,953,504	19,187,128	1,766,376	9.2%
Financial assets measured at fair value pursuant to IAS 39 pertaining to insurance companies	5,947,536	-	5,947,536	
Equity investments	1,427,419	1,794,116	-366,697	-20.4%
Property and equipment	3,137,076	3,278,245	-141,169	-4.3%
Intangible assets	1,287,669	1,213,722	73,947	6.1%
Tax assets	4,682,857	4,540,229	142,628	3.1%
Non-current assets held for sale and discontinued operations	169,905	229,971	-60,066	-26.1%
Other assets	3,326,880	2,691,964	634,916	23.6%
Total Assets	**198,070,015**	**200,489,216**	**-2,419,201**	**-1.2%**

(in euro thousand)	30/09/2022	31/12/2021	Chg.	Chg. %
Direct funding	119,508,140	120,213,016	-704,876	-0.6%
- Due to customers	106,576,022	107,120,893	-544,871	-0.5%
- Debt securities issued and financial liabilities designated at FV	12,932,118	13,092,123	-160,005	-1.2%
Insurance direct funding and technical reserves	5,946,656	-	5,946,656	
- Financial liabilities measured at fair value pursuant to IAS 39 pertaining to insurance companies	1,494,025	-	1,494,025	
- Technical reserves pertaining to insurance companies	4,452,631	-	4,452,631	
Due to banks	44,150,983	45,685,032	-1,534,049	-3.4%
Leasing debts	644,063	673,872	-29,809	-4.4%
Other financial liabilities designated at fair value	9,350,679	15,755,319	-6,404,640	-40.7%
Financial liabilities measured at amortised cost pursuant to IAS 39 pertaining to insurance companies	1,554	-	1,554	
Liability provisions	999,421	1,196,946	-197,525	-16.5%
Tax liabilities	304,311	302,816	1,495	0.5%
Other liabilities	4,584,847	3,566,156	1,018,691	28.6%
Total Liabilities	**185,490,654**	**187,393,157**	**-1,902,503**	**-1.0%**
Minority interests	1,353	1,108	245	22.1%
Shareholders' equity	12,578,008	13,094,951	-516,943	-3.9%
Consolidated Shareholders' Equity	**12,579,361**	**13,096,059**	**-516,698**	**-3.9%**
Total Liabilities and Shareholders' Equity	**198,070,015**	**200,489,216**	**-2,419,201**	**-1.2%**

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

BANCO BPM Group

Reclassified consolidated income statement

(in euro thousand)	30/09/2022	30/09/2021	Chg.	Chg. %
Net interest income	1,590,452	1,535,623	54,829	3.6%
Income (loss) from investments in associates carried at equity	122,680	144,874	-22,194	-15.3%
Net interest, dividend and similar income	**1,713,132**	**1,680,497**	**32,635**	**1.9%**
Net fee and commission income	1,440,060	1,425,382	14,678	1.0%
Other net operating income	52,090	66,214	-14,124	-21.3%
Net financial result	251,934	252,138	-204	-0.1%
Income from insurance business	13,607	-	13,607	
Other operating income	**1,757,691**	**1,743,734**	**13,957**	**0.8%**
Total income	**3,470,823**	**3,424,231**	**46,592**	**1.4%**
Personnel expenses	-1,213,736	-1,253,862	40,126	-3.2%
Other administrative expenses	-478,904	-452,045	-26,859	5.9%
Net value adjustments on property and equipment and intangible assets	-195,359	-185,215	-10,144	5.5%
Operating costs	**-1,887,999**	**-1,891,122**	**3,123**	**-0.2%**
Profit (loss) from operations	**1,582,824**	**1,533,109**	**49,715**	**3.2%**
Net adjustments on loans to customers	-497,590	-673,221	175,631	-26.1%
Profit (loss) on fair value measurement of tangible assets	-48,355	-44,706	-3,649	8.2%
Net adjustments on other financial assets	-8,568	770	-9,338	
Net provisions for risks and charges	-28,994	-28,294	-700	2.5%
Profit (loss) on the disposal of equity and other investments	1,743	-42	1,785	
Income (loss) before tax from continuing operations	**1,001,060**	**787,616**	**213,444**	**27.1%**
Tax on income from continuing operations	-322,392	-216,600	-105,792	48.8%
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**678,668**	**571,016**	**107,652**	**18.9%**
Systemic charges after tax	-151,838	-140,203	-11,635	8.3%
Realignment of fiscal values to accounting values	-	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	25,331	-7,966	33,297	
Purchase Price Allocation (PPA) after tax	-33,703	-30,209	-3,494	11.6%
Income (loss) attributable to minority interests	158	140	18	12.9%
NET INCOME (LOSS) FOR THE PERIOD	**510,484**	**471,998**	**38,486**	**8.2%**

BANCO BPM Group

Reclassified consolidated income statement - Quarterly evolution

(in euro thousand)	III Q 2022	II Q 2022	I Q 2022	IV Q 2021	III Q 2021	II Q 2021	I Q 2021
Net interest income	551,319	527,591	511,542	506,005	516,427	522,367	496,829
Income (loss) from investments in associates carried at equity	31,566	41,472	49,642	87,066	46,795	56,535	41,544
Net interest, dividend and similar income	**582,885**	**569,063**	**561,184**	**593,071**	**563,222**	**578,902**	**538,373**
Net fee and commission income	473,197	486,771	480,092	485,821	475,308	478,679	471,395
Other net operating income	20,397	15,028	16,665	9,066	26,296	21,747	18,171
Net financial result	75,138	48,863	127,933	-1,443	35,878	116,533	99,727
Income from insurance business	13,607	-	-	-	-	-	-
Other operating income	**582,339**	**550,662**	**624,690**	**493,444**	**537,482**	**616,959**	**589,293**
Total income	**1,165,224**	**1,119,725**	**1,185,874**	**1,086,515**	**1,100,704**	**1,195,861**	**1,127,666**
Personnel expenses	-400,532	-405,342	-407,862	-413,937	-409,823	-417,135	-426,904
Other administrative expenses	-160,701	-162,650	-155,553	-149,106	-144,012	-153,903	-154,130
Net value adjustments on property and equipment and intangible assets	-70,062	-64,059	-61,238	-61,610	-61,762	-60,603	-62,850
Operating costs	**-631,295**	**-632,051**	**-624,653**	**-624,653**	**-615,597**	**-631,641**	**-643,884**
Profit (loss) from operations	**533,929**	**487,674**	**561,221**	**461,862**	**485,107**	**564,220**	**483,782**
Net adjustments on loans to customers	-193,909	-152,553	-151,128	-213,978	-200,643	-255,513	-217,065
Profit (loss) on fair value measurement of tangible assets	-7,510	-39,609	-1,236	-96,927	-7,817	-36,964	75
Net adjustments on other assets	-3,028	-2,346	-3,194	-1,098	242	939	-411
Net provisions for risks and charges	-16,260	-4,608	-8,126	2,255	-15,489	-5,615	-7,190
Profit (loss) on the disposal of equity and other investments	277	-60	1,526	-18,726	395	-393	-44
Income (loss) before tax from continuing operations	**313,499**	**288,498**	**399,063**	**133,388**	**261,795**	**266,674**	**259,147**
Tax on income from continuing operations	-91,373	-92,599	-138,420	-37,228	-83,274	-50,628	-82,698
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**222,126**	**195,899**	**260,643**	**96,160**	**178,521**	**216,046**	**176,449**
Systemic charges after tax	-77,271	-	-74,567	-4,792	-61,650	-19,309	-59,244
Realignment of fiscal values to accounting values	-	-	-	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	-323	25,478	176	12,320	3,954	-5,105	-6,815
Purchase Price Allocation (PPA) after tax	-18,040	-7,173	-8,490	-9,251	-10,172	-9,705	-10,332
Income (loss) attributable to minority interests	49	66	43	144	28	78	34
NET INCOME (LOSS) FOR THE PERIOD	**126,541**	**206,138**	**177,805**	**97,070**	**110,681**	**261,225**	**100,092**

BANCO BPM Group

Reclassified consolidated income statement, excluding non-recurring items

(in euro thousand)	30/09/2022	30/09/2021	Chg.	Chg. %
Net interest income	1,590,452	1,535,623	54,829	3.6%
Income (loss) from investments in associates carried at equity	122,680	144,874	-22,194	-15.3%
Net interest, dividend and similar income	**1,713,132**	**1,680,497**	**32,635**	**1.9%**
Net fee and commission income	1,440,060	1,425,382	14,678	1.0%
Other net operating income	52,090	66,214	-14,124	-21.3%
Net financial result	256,635	252,138	4,497	1.8%
Income from insurance business	13,607	-	13,607	
Other operating income	**1,762,392**	**1,743,734**	**18,658**	**1.1%**
Total income	**3,475,524**	**3,424,231**	**51,293**	**1.5%**
Personnel expenses	-1,213,736	-1,268,220	54,484	-4.3%
Other administrative expenses	-478,904	-452,045	-26,859	5.9%
Net value adjustments on property and equipment and intangible assets	-191,357	-183,941	-7,416	4.0%
Operating costs	**-1,883,997**	**-1,904,206**	**20,209**	**-1.1%**
Profit (loss) from operations	**1,591,527**	**1,520,025**	**71,502**	**4.7%**
Net adjustments on loans to customers	-384,874	-479,194	94,320	-19.7%
Net adjustments on other assets	-8,568	770	-9,338	
Net provisions for risks and charges	-14,545	-28,294	13,749	-48.6%
Income (loss) before tax from continuing operations	**1,183,540**	**1,013,307**	**170,233**	**16.8%**
Tax on income from continuing operations	-381,763	-289,545	-92,218	31.8%
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**801,777**	**723,762**	**78,015**	**10.8%**
Systemic charges after tax	-151,838	-120,903	-30,935	25.6%
Impact from the change in Own Credit Risk on certificates issued, after tax	25,331	-7,966	33,297	
Purchase Price Allocation (PPA) after tax	-23,000	-30,209	7,209	-23.9%
Income (loss) attributable to minority interests	158	140	18	12.9%
NET INCOME (LOSS) FOR THE PERIOD (EXCLUDING NON-RECURRING ITEMS)	**652,428**	**564,824**	**87,604**	**15.5%**
IMPACTS EXCLUDED FROM "ADJUSTED" RESULT	**-141,944**	**-92,826**	**-49,118**	**52.9%**
NET RESULT	**510,484**	**471,998**	**38,486**	**8.2%**