PRESS RELEASE

RESULTS AS AT 30 JUNE 2020

NET PROFIT FOR THE HALF OF € 105 MILLION (€ 128 MILLION NET OF NON-RECURRING COMPONENTS)

Positive results in the second quarter of 2020:

Core performing loans to customers increased [1](€ 95.0 billion, +4.3%) as did core direct funding[2] (€ 93.1 billion, +6.0%) compared to December 2019:

- **New disbursements to customers amounted to € 12.4 billion, an increase of 13.2% compared to the first half of 2019**

Net NPE ratio[3] down to 5.0%, from 5.2% at the end of 2019

- **Net non-performing loans of € 5.4 billion (-2.6% compared to December 2019)**
- **Texas Ratio[4] significantly improved at 49.3% (52.3% in December 2019)**

Cost of risk at 62 basis points (73 basis points in 2019)[5], increasing to 88 basis points, including the higher adjustments to performing loans (€ 140 million), made to take account of the projections linked to the macroeconomic scenario resulting from the health crisis

Maintenance of a solid equity base:

CET1 ratio[6]: phased-in at 14.7%; IFRS 9 fully-phased at 13.3%

MDA buffer on TCR: 506 basis points phased-in and 335 basis points fully-phased

[1] Mortgages, loans, current accounts and personal loans.
[2] Current accounts and deposits.
[3] Ratio obtained from the relationship between net non-performing exposures and total exposures relating to the balance sheet aggregate of "Loans to customers".
[4] The Texas Ratio measures the ratio between the net value of impaired loans and the Group's tangible equity.
[5] Cost of risk calculated as ratio between net adjustments on loans to customers and net receivables from customers including those classified under assets being disposed of, net of the estimate of the impacts on performing loans generated by Covid-19.
[6] Ratios calculated including the profit for the first half of 2020 net of the impact attributed to the bank's credit risk.

Excellent liquidity position, with unencumbered eligible assets of € 24.2 billion[7]

Positive operating performance of the second quarter:

- **operating income, net of impacts resulting from change in the bank's credit risk[8], equal to € 1,001 million, an increase of 4.9% compared to the 1st quarter**
- **operating expenses of € 614 million, down by 3.3%**
- **net result for the second quarter (without change in own credit risk and without PPA) amounting to € 76 million compared to € 20 million in the first quarter**

In the second quarter of the year, despite the compromise of the macroeconomic framework due to the Covid-19 health crisis, Banco Bpm managed to counteract the negative effects of the emergency by achieving excellent results, given the context.

The results were recorded in parallel with the constant monitoring of credit quality, which led to a further reduction of non-performing exposures and a decline in the net NPE ratio to 5.0% (5.2% at the end of 2019 and 6.5% at the end of 2018).

Extremely healthy equity and liquidity positions confirmed: CET1 Ratio phased-in and CET1 fully loaded stood respectively at 14.7% and 13.3%; MDA buffer on TCR "Fully Phased" and "Fully Loaded" respectively at 506 and 330 basis points[9]; LCR 193% and NSFR >100%[10].

The trend in loans was positive, with the disbursement of € 12.4 billion in new loans in the half and helped to generate, in the second quarter, an increase in the net interest income which partially offset the slowdown in commissions, which registered a significant decrease in June.

Direct "core" funding (current accounts and deposits) registered an increase of € 5.3 billion, equal to +6.0% compared to the volumes at the end of the year. This result was achieved in a negative macroeconomic and interest-rate scenario that continues to heavily penalise banks.

Lastly, the Group's efficiency process is continuing through the decrease in operating expenses which fell by 4.3% YoY.

The increase in revenues and the reduction in costs made it possible to record a profit before tax from continuing operations (also net of the accounting effect from the change in own credit risk) in line with the first quarter (€ 104 million compared to € 106 million), despite

[7] Figure updated as at 30 June 2020.

[8] The worsening of own credit risk experienced in the first quarter following the outbreak of the pandemic influenced the fair value measurement of the certificates issued by the Group classified under trading liabilities, leading to a positive impact on the income statement of € 206.0 million before tax recorded in the Net financial result item (+ € 137.9 million after related taxes). In the second quarter, however, own credit risk improved due to the end of the lockdown period and the economic measures put in place in the light of the economic crisis resulting in a negative impact on the income statement of € 165.4 million before taxes (110.7 million after tax). These accounting impacts significantly influenced the financial results of the two quarters at issue, preventing the full understanding of the actual operational performance. For this reason, this press release also shows the amounts after of the aforementioned accounting impacts.

[9] The MDA buffers do not consider the benefits of the temporary measures introduced by the ECB.

[10] Monthly LCR in June 2020 and NSFR, based on management data, is related to Q2 2020.

the growth in write-downs on loans carried out to anticipate the effects of the macro scenario on the loans portfolio.

The net result for the second quarter, excluding the accounting effect from the change in own credit risk on own liabilities and PPA impacts, was a positive € 76 million (€ 20 million in the first quarter); by contrast, considering this purely accounting factor, the result for the period was a loss of € 46 million.

Including said elements, the net income for the second quarter is negative in the amount of € - 46 million and the half-year net income stands at € 105 million.

Economic support initiatives to deal with the Covid-19 emergency:

- **total of roughly € 11.5 billion in loans granted and approved or at the approval phase for companies as part of the measures set out in the Liquidity Decree Law (of which € 1.3 billion fully guaranteed by the Guarantee Fund for SMEs and € 10.2 billion with a guarantee of between 70% and 90%);**
- **roughly € 2.3 billion in deferred instalments as part of the measures set forth in the Cura Italia (Heal Italy) Decree Law and ABI (Italian Banking Association) Protocol (against a total exposure of approximately € 16 billion);**
- **more than 70,000 moratoria/instalment deferments for companies and private individuals;**
- **€ 4 million allocated from the bank and from top management for donations to local communities, hospitals and research institutes to tackle the covid-19 emergency.**

Key balance sheet items

- Net loans to customers € 108.4 billion, of which performing loans up +2.7% and impaired loans down by -2.6% compared to 31 December 2019;
- Direct customer funding of € 114.4 billion[11] (€ 108.9 billion at the end of December 2019): during the period, the growth trend in the core funding from current accounts and deposits was confirmed (+€ 5.3 billion compared to the end of 2019);
- Indirect customer funding[12] € 88.4 billion (compared to € 89.7 billion as at 31 December 2019), of which:
  - asset management € 57.8 billion;
  - asset administration € 30.5 billion.

Key income statement items

- Net interest income
  - € 479.5 million in Q2 2020 (€ 474.1 million in Q1 2020; + 1.1%)

[11]Direct funding includes certificates with unconditional capital protection (€ 3.1 billion as at 30 June 2020 compared to € 3.2 billion at the end of 2019), but excludes repurchase agreements.
[12]Management accounting data net of certificates with unconditional capital protection included under "direct funding".

    - € 953.6 million in H1 2020 € 1,011.3 million in H1 2019; -5.7%)
- Net fee and commission income
    - € 376.4 million in Q2 2020 (€ 440.6 million in Q1 2020; 14.6%)
    - € 816.9 million in H1 2020 € 888.2 million in H1 2019; -8.0%)
- Operating expenses:
    - € 613.8 million in Q2 2020 (€ 635.0 million in Q1 2020; 3.3%)
    - € 1,248.7 million in H1 2020 € 1,305.1 million in H1 2019; -4.3%)
- Net adjustments to customer loans:
    - € 263.0 million in Q2 2020 (€ 213.2 million in Q1 2020; + 23.3%)
    - € 476.2 million in H1 2020 (€ 349.6 million in H1 2019; + 36.2%)
- Net result:
    - € -46.4 million in Q2 2020 (€ 151.6 million in Q1 2020)
    - € 105.2 million in H1 2020 (€ 603.0 million in H1 2019)
- Net result without PPA and change in own credit risk:
    - € 76.3 million in Q2 2020 (€ 20.3 million in Q1 2020)
    - € 96.6 million in H1 2020 (€ 609.7 million in H1 2019 which included extraordinary income from the transfer of equity investments and business units)

Capital position[13]**:**

- CET1 ratio "IFRS9 fully-phased" 13.3% (13.0% as at 31 December 2019);
- CET1 ratio "IFRS9 phased-in" 14.7% (14.8% as at 31 December 2019);
- MDA buffer on TCR "IFRS9 fully-phased" at 335 bps
- MDA buffer on TCR "IFRS9 phased-in" at 506 bps

Credit quality

- Net non-performing loan stock of € 5.4 billion, with a decrease of € 0.1 billion compared to the end of 2019 (-2.6%) and € 0.8 billion compared to 30 June 2019 (-12.8%)

  Coverage:
    - Bad loans: 56.1% (in line with 56.2% as at 31 December 2019); considering also write-offs, the coverage was 63.0%;
    - Unlikely to pay: 39.3% (39.1% as at 31 December 2019);

[13] Ratios calculated also including the profit for the first half of 2020. The ratios as at 31 December are restated to take account of the suspension in the dividend distribution and the resulting allocation to reserves of the full net income generated in 2019. Ratios as at 31/12/2019 are recalculated following the request by the European Central Bank not to distribute dividends

- Non-performing loans: 45.1% (45.0% as at 31 December 2019); considering also write-offs, the coverage was 48.6%.

Liquidity profile

- Unencumbered eligible assets of € 24.2 billion as at 30 June 2020;
- LCR 193% and NSFR >100%[14].

Verona, 6 August 2020 – At today's meeting, the Board of Directors of Banco BPM, chaired by Mr. Massimo Tononi, approved the balance sheet and income statement as at 30 June 2020 of the Banco BPM Group.

The first half of the year was influenced by the international emergency related to the Coronavirus epidemic.
In this context, characterised by considerable repercussions on the global economy, as well as on business operations, the Group set in motion a comprehensive set of measures to protect its customers and employees, as well as provide solid support to businesses, households and the communities the Group operated in, in compliance with the legislation in force.

The Bank has continued to guarantee the highest level of safety for its employees and its customers by adopting a smart-working approach and an interaction model based on increasing the use of digital channels.

With the easing of the restrictions put in place to deal with the health crisis, the Group implemented a series of initiatives targeted at restoring full operations, in respect of the provisions set forth for the protection of the health of customers and employees. In particular, the branches located in the most affected areas were gradually reopened and, at the end of July, a total of 1,581 branches were opened.

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

Based on the management figures at the end of July, the total amount of loans in respect of which the Bank agreed the moratorium measures set out in the Cura Italia Decree and the ABI Protocol came to € 16.1 billion (of which € 12.9 billion in favour of companies). In respect of these exposures, the amount of instalments subject to deferment came to € 2.3 billion.
In addition, as part of government measures to shore up the economy, the Bank allocated over € 11.5 billion (already approved or under resolution) to companies covered by the guarantees established by the decree laws.

Special attention has been paid to simplifying customer operations to guarantee, by strengthening on-line and digital banking transactions, the management of customer relations with an

[14] Monthly LCR in June 2020 and NSFR, based on management data, is related to Q2 2020.

"omnichannel" approach (through telephone contact, internet and email) and the development of new IT procedures to accelerate the stages of approving and disbursing loans.

The bank's presence was also reinforced through appropriate and prompt information to customers and employees, regarding the measures put in place to tackle the Covid-19 emergency. Information activities took the concrete shape of direct communications from the Chief Executive Officer, Direct E-mail Marketing initiatives, Social Media Posts and information messages on the YouWeb and Webank services, as well as through regular information memos intended for employees.

Finally, Banco BPM's intention was to confirm its close relationship with the local areas through donations and fund-raising projects (also with the participation of the company top management), by providing beneficiary groups (local communities, hospitals and research institutes) with a total amount of approximately € 4 million.

Banco BPM also acknowledged the communication from the European Central Bank dated 27 March 2020, which proposed that supervised banks should not pay dividends (not yet resolved) and should not make any irrevocable commitment for their payment for FY 2019 and FY 2020, at least until 1 October 2020. By means of subsequent communication dated 27 July, in order to strengthen banks' equity base and to have greater funds available to support households and businesses in the economic situation resulting from the current health emergency, the European Central Bank extended the prohibition on the payment of dividends until 1 January 2021.

During the half, the Group continued to work on its projects and carried out important capital management transactions. In January, the Group finalised a second issue of Additional Tier 1 instruments (the first was made in April 2019) for the amount of € 400 million, addressed to institutional investors.
This operation was followed, in February, by a new issue of non-preferred senior notes for € 750 million, with a 5-year maturity, which are part of the Group's EMTN Programme.

In this context, characterised by significant elements of uncertainty in the global and Italian economies, directly or indirectly related to the Coronavirus epidemic, the Group achieved an operating profit of € 747.8 million and a net profit of € 105.2 million.

Economic performance of operations in H1 2020 compared to H1 2019[15]

Net interest income stood at € 953.6 million, compared to € 1011.3 million in the corresponding period of the previous year. The performance of the above was negatively influenced by the interest rate trend and by the lower contribution of non-commercial activities, as well as being affected by the lower contribution resulting from non-performing loans as a consequence of the derisking plan set in place in previous years.

The result for investees measured with the equity method shows a profit of € 70.3 million, compared to € 69.4 million in the first half of the previous year. Within this aggregate, the main contribution was

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

provided by consumer credit conveyed by the shareholding in Agos Ducato. The line-item also includes the contribution of € 6.6 million relating to the second quarter of the associate Anima Holding S.p.A., assessed using the equity method effective from 1 April 2020.

Net fee and commission income amounted to € 816.9 million, down by 8.0% compared to € 888.2 million recorded in the same period of last year. The contraction is generalised across all components of the aggregate (management services, brokerage and advisory services -8.2%; current account maintenance and management and loans - 5.0%; payment and collection services -13.5%) as a result of the impact on operations of the lockdown measures.

Other net operating income totalled € 31.6 million, down € 10.5 million compared to the first half of 2019, mainly due to the gradual fall in fast-track commissions (-40.9%) and the lower contribution of rental income (-14.6%), which were impacted by the process of gradual sale of investment property.

The net financial result was € 124.1 million, compared to € 83.0 million in the first half of the previous year.
This result includes the positive impact resulting from the change in the bank's credit risk on the valuation of the certificates issued by the Group for € 40.6 million. Net of said component, the net financial result in the first half of 2020 is essentially in line with the corresponding period of the previous year. Note that in the first half of 2019, capital gains totalling € 70.7 million were recognised on the securities in the portfolio of financial assets that must be measured at fair value, of which € 59.8 million related to Nexi S.p.A..

By virtue of the trends described, total **operating income** amounted therefore to € 1,996.5 million, down by 4.7% compared to the first half of 2019, mainly due to the effect of the components described above relating to net interest income and commissions.

Personnel expenses, of € 817.0 million showed a decrease of 3.2% compared to the € 843.9 million of the first half of the previous year. The total number of employees was 21,852 as at 30 June 2020, compared to 21,941 at the end of 2019.

Other administrative expenses [16]amounted to € 308.7 million, a drop of 6.5% compared to the first half of 2019, thanks to strict cost control, despite the higher expenses deriving from management of the Covid-19 emergency.

Write-downs of property, plant and equipment and intangible assets amounted to € 123.1 million, compared to € 131.1 million as at 30 June 2019, and include write-downs of € 2.1 million. The comparison with the first half of 2019 shows a significant fall in the depreciation of property, plant and equipment (€ -10.3 million), also due to the process of rationalisation of the property segment launched by the Group.

Total **operating expenses** therefore amounted to € 1,248.7 million, falling by 4.3% compared to the first half of 2019.

The **total operating result** therefore came to € 747.8 million, down by € 41.2 million (-5.2%) compared to the same period of the previous year.

16The aggregate does not include the "systemic charges", represented by the contributions to the Resolution Funds and to the Interbank Deposit Guarantee Fund, reported in a separate line-item of the reclassified income statement, net of the relative tax.

Net adjustments to customer loans amounted to € 476.2 million, up € 126.6 million compared to the same period of the previous year. This amount includes adjustments to performing loans for € 111.2 million. The impact resulting from the consideration of the impacts of the post-Covid-19 macroeconomic scenario is estimated at around € 140 million. Due to the above, the cost of credit, measured by the ratio of net value adjustments on loans to net loans, was 88 basis points, compared with 66 basis points recorded for the same period of the previous year (73 bps as at 31 December 2019). Net of the aforementioned impact, the cost of credit would have been 62 bps.

The loss on the fair value measurement of tangible assets amounted to € 5.4 million as at 30 June 2020.

In the income statement for the first half, **net write-backs on securities and other financial assets** for € 8.4 million were recognised (the amount of the line-item was negligible as at 30 June 2019).

Net provisions for risks and charges amounted to € 7.6 million; in the same period of the previous year, provisions of € 5.7 million were allocated.

In the first half of 2020, there were no significant **gains on disposal of equity and other investments;** as at 30 June in the previous year, gains were recorded due to the reorganisation of the consumer loan segment (€ 189.5 million) and the establishment of the partnership with Credito Fondiario to manage recovery activities for impaired loans (€ 142.7 million).

As a result of the trends described above, the **income from continuing operations before taxes and before systemic charges** showed a profit of € 250.4 million, compared to the profit of € 743.7 million recorded in the first half of the previous year which, however, included the gains from disposal of equity investments and business units mentioned above for € 336.8 million.

Income tax for the period on continuing operations as at 30 June 2020 was € -52.4 million (€ -81.1 million as at 30 June 2019).

The income statement for the period included **charges related to the banking system, net of taxes** of € 75.7 million (€ 56.9 million in the first half of 2019), related to the ordinary contribution to the Single Resolution Fund (SRF) and the additional contribution to the National Resolution Fund (totalling € 112.1 million before tax, compared to € 84.2 million as at 30 June 2019).

The item of the reclassified income statement, called Purchase **Price Allocation after tax** amounted to € -18.5 million. The figure for the first half of 2019 amounted to € -7.2 million.

Given the share of the profit or loss attributable to non-controlling interests, the first half of 2020 ended with a **net profit for the period** of € 105.2 million, compared to the net result of € 603.0 million realised as at 30 June 2019. Net of non-recurring components, the profit for the half amounted to € 128.4 million, compared to € 300.8 million as at 30 June 2019 (-57.3%).

Economic performance of operations in Q2 2020 compared to Q1 2020

Net interest income totalled € 479.5 million, growth of 1.1% compared to the figure in the first quarter of 2020 (€ 474.1 million).

The result for investees measured with the equity method shows a profit of € 48.0 million, with a contribution that more than doubled with respect to that of the first quarter, amounting to € 22.3 million. Within this aggregate, the main contribution was provided by consumer credit conveyed by the shareholding in Agos Ducato which, in the second quarter, benefitted from a positive impact of the tax sheltering of intangible assets.

Net fee and commission income in the second quarter recorded a drop of 14.6% over the first quarter. This trend is attributable to the crisis deriving from the Covid-19 epidemic, which, in particular, impacted the flow of commissions in April and May. A solid recovery was observed in June, which recorded commissions of € 150.7 million (compared to € 104.1 million in April and € 121.5 million in May).

Other net operating income totalled € 14.9 million, compared to the figure of € 16.7 million for the first quarter of 2020.

The net financial result in the second quarter was a negative € -82.7 million, compared to € +206.8 million in the first quarter. This trend is attributable to the accounting effect resulting from the change in the bank's credit risk on the fair value assessment of liabilities it has issued (certificates), which involved the recognition of a charge of € 165.4 million, compared to the positive impact registered in the first quarter of € 206.0 million. Excluding this effect, the net financial result in the second quarter was € 82.7 million, compared to € 0.8 million in the first quarter. This greater contribution derives primarily from the recovery of measurements on financial assets and higher profits from the disposal of securities.

Based on the trends described, the total **operating income** amounted therefore to € 836.1 million, down by 28.0% compared to € 1,160.5 million recorded in the first quarter. Net of the aforementioned effect relating to the change in the bank's credit risk, operating income stood at € 1,001.5 million, marking an increase of 4.9% compared to the first quarter.

Personnel expenses, of € 398.0 million showed a decrease of 5.0% compared to the € 419.0 million of the first quarter, mainly due to the savings experienced compared to that set aside in the previous year for the incentive system.

Other administrative expenses[17] were stable, going from € 154.6 million in the first quarter of 2020 to € 154.1 million in the second quarter of 2020, despite the higher expenses deriving from management of the Covid-19 emergency.

Write-downs of property, plant and equipment and intangible assets amounted to € 61.7 million, in line with the figure in the first quarter (€ 61.4 million).

Total **operating expenses** therefore amounted to € 613.8 million, falling by 3.3% compared to 635.0 in the first quarter.

Profit from operations came to € 222.3 million in the quarter, down compared to € 525.5 million in the first quarter. The comparison, as already underlined, was heavily influenced by the accounting

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

impacts from the change in own credit risk on liabilities issued. Excluding this amount, the contribution of the second quarter was € 387.7 million, growth of 21.4% compared to € 319.5 million in the first quarter.

Net adjustments to customer loans amounted to € 263.0 million, up 23.3% compared to the first quarter.

In the second quarter, as in the first, no significant **gains on the disposal of equity and other investments** were recorded.

The loss on the fair value measurement of tangible assets amounted to € 5.1 million in the second quarter.

As a result of the trends described above, the **loss from continuing operations before taxes and before banking industry charges** came to € -59.2 million, compared to a profit of € 309.6 million recorded in the first quarter. Net of the impact resulting from the change in the bank's credit risk on liabilities issued, the profit amounted to € 106.2 million, compared to € 103.5 million in the first quarter.

Income tax for the period on continuing operations amounted to € +41.4 million (€ -93.8 million in the first quarter).

The income statement for the quarter included **charges related to the banking system, net of taxes** of € 18.2 million, related to the additional contributions to the National Resolution Fund; in the first quarter, the ordinary contribution to the Single Resolution Fund (SRF) of € 57.5 million had been charged.

In the second quarter, the impact of the **Purchase Price Allocation net of taxes**, highlighted in the associated line-item of the reclassified income statement, amounted to € -12.0 million, compared to € -6.6 million in the first quarter of 2020. This trend is attributable to the elimination of the positive reversal effects of the PPA on non-performing loans.

Given the portion of the profit attributable to non-controlling interests (€ +1.5 million), the second quarter of 2020 ended with a **net loss for the period** of € -46.4 million, compared to the net profit of € 151.6 million made in the first quarter. Without considering the effects of the change in own credit risk and the PPA, the profit in the second quarter stood at € 76.3 million (€ 20.3 million in the first quarter).

Key balance sheet items

As at 30 June 2020, direct funding[18] totalled € 114.4 billion, showing an increase of 5.1% compared to the € 108.9 billion as at 31 December 2019. In comparison with the figures at the end of 2019 an increase of € 5.3 billion was recorded for the segment represented by current accounts and demand deposits of the commercial network (+6.0%). The trend in bonds issued also increased (+2.2%) following the new issue of non-preferred senior notes in the period. With regard to funding guaranteed by the stock of certificates, the balance as at 30 June 2020 was € 3.1 billion, down compared to the € 3.2 billion as at 31 December 2019 (-3.4%).

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

Indirect funding net of capital-protected certificates totalled € 88.4 billion, down 1.5% compared to 31 December 2019, due to negative market trends. However, the second quarter saw a marked recovery with respect to 31 March, due to both the recovery of the markets and the growth in volumes.
The component of managed funding amounted to € 57.8 billion, essentially in line with the figure of € 58.3 billion of 31 December 2019, but up compared to the previous quarter (+7.0%).
Administered assets stood at € 30.5 billion, with decrease of € 0.9 billion (-2.8%) compared to the end of 2019, relating to the reduction in volumes, recovering in the second quarter of 2020 (+8.6%).

Financial assets totalled € 43.9 billion and were up by 18.4% compared to € 37.1 billion as at 31 December 2019; the increase is primarily concentrated in debt securities held for trading and those measured at amortised cost. The breakdown as at 30 June 2020 is made up of debt securities of € 38.3 billion, equity securities and UCITS units of € 1.6 billion and derivatives and other financial assets of € 4.0 billion. Exposures in debt securities issued by Sovereign States were € 33.1 billion, of which € 21.7 billion related to Italian government bonds; the proportion of the latter in the segment of government bonds was 65.6% as at 30 June 2020 compared to 58.7% in December 2019, with an increase related to positions included in both the trading and HTC portfolios.

Net loans to customers totalled[19] € 108.4 billion as at 30 June 2020, up by € 2.5 billion compared to the figure of 31 December 2019; the increase is entirely due to performing exposures, which rose by € 2.7 billion (+2.7%), with a volume of new loans to households and businesses of € 12.4[20] billion in the half, while non-performing exposures fell further compared to the end of 2019 (€ -0.1 billion, corresponding to -2.6%).

Net non-performing loans (bad loans, unlikely to pay and past due and/or over-the-limit exposures) amounted to € 5.4 billion as at 30 June 2020 and show a decrease of € 145 million (-2.6%) compared to 31 December 2019. This reduction is even more significant if compared with the figure as at 30 June 2019 (€ -0.8 billion, equal to -12.8%).
An analysis of the individual items shows the following dynamics:

- Net bad loans of € 1.5 billion, in line with the figure as at 31 December 2019 and a slight increase compared with 30 June 2019 (€ 0.1 billion);
- Net unlikely-to-pay loans of € 3.7 billion, down by 4.4% compared to € 3.9 billion as at 31 December 2019 (€ 4.7 billion as at 30 June 2019, -20.1%);
- Net past-due exposures of € 111 million (€ 73 million as at 31 December 2019 and € 82 million as at 30 June 2019).

The coverage ratio for the entire non-performing loans aggregate was 45.1% (45.0% as at 31 December 2019 and 41.9% as at 30 June 2019).
More specifically, as at 30 June 2020, the coverage ratio was as follows:

- Bad loans 56.1% (56.2% as at 31 December 2019, while it was 56.8% as at 30 June 2019);
- Unlikely-to-pay 39.3% (39.1% as at 31 December 2019 and 35.5% as at 30 June 2019);
- Past due exposures 25.6% (25.9% as at 31 December 2019 and 17.8% as at 30 June 2019).

The coverage ratio of performing loans was 0.43%, compared to 0.33% as at 31 December 2019 (0.37% as at 30 June 2019).

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[19] The aggregate does not include customer loans which, following the application of IFRS 9, must be measured at fair value. These loans, amounting to € 0.4 billion, are included in financial assets measured at fair value.
[20] Operating data.

Group capital ratios[21]

As at 30 June 2020, the Common Equity Tier 1 phased-in ratio was 14.73%, compared to 14.44% as at 31 March 2020 (including the profit for the first quarter of 2020). The increase in the ratio is mainly due to the recovery of the reduction in valuation reserves of financial assets measured at fair value through comprehensive income following the recovery of the markets with respect to the negative spike recorded in March at the time of the emergence of the Covid-19 health emergency, as well as the positive impact of the Group's performance.
This ratio benefits from the exercise of the option for the full application of the transitional rules introduced with the new Article 473-bis of Regulation (EU) no. 575/2013, which dilutes over time the impact on own funds deriving from the application of the new impairment model introduced by the accounting standard IFRS 9. Excluding the impacts of the aforementioned transitional rules, the CET1 IFRS 9 fully-phased ratio was 13.28%, also an increase compared to the figure at 31 March 2020 (equal to 12.89%).

The Tier 1 ratio was 15.96% compared to 15.67% as at 31 March 2020, the latter figure also having benefitted from the issue of an Additional Tier 1 bond for a nominal € 400 million in January. The Total Capital Ratio was 17.94%, compared to 17.78% as at 31 March 2020.

The buffer with respect to the limit envisaged for the distribution of dividends (Maximum Distributable Amount or MDA buffer) was 506 bps (335 bps on a fully-phased basis).

BUSINESS OUTLOOK

The global scenario continues to be characterised by the effects of the worst global recession in post-war history and, in said problematic scenario, given the structure of the Italian economy, its already high public debt and the relative weight of industries such as tourism, which have been especially hard hit by the current health crisis, it has shown to be one of the most fragile in Europe, despite our country currently recording among the lowest infection rates. The most recent macroeconomic estimates, which still do not, however, factor in probable improvements linked to the Recovery Fund, show only a partial recovery of 2020 losses in the years to come. Given this context, the objectives of the 2020-2023 Strategic Plan, announced at the beginning of March, unlike the main guidelines for business development, are no longer considered current, as they were drawn up on the basis of assumptions formulated before the spread of the Covid-19 pandemic on a global scale, in a different macroeconomic scenario to the one which is emerging from day to day. The Group will therefore prepare a new Strategic Plan once there is more certainty as to the future scenario, so that it can be based on new and more updated assumptions, both in macroeconomic and industry terms.

[21] On the basis of the provisions of art. 26 paragraph 2 of Regulation (EU) no. 575/2013 of 26 June 2013 (CRR), the inclusion of interim profits in Common Equity Tier 1 Capital (CET1) is subject to the prior authorisation of the competent authority (the ECB), for which the auditing firm is required to verify the profits.
Even though the condensed consolidated half-year financial statements as at 30 June 2020 were subject to a limited audit, Banco BPM did not present a formal request for immediate inclusion of the profit being accrued in Common Equity Tier 1 Capital (CET1). In any case, the figures and the capital ratios illustrated in this press release include the profit being accrued as at 30 June 2020 resulting from the condensed consolidated half-year financial statements approved by the Board of Directors on today's date. The ratios as at 31 December are restated to take account of the suspension in the dividend distribution and the resulting allocation to reserves of the full net income generated in 2019.

The operating performance of the second part of the year is expected to be an improvement on the first half in particular due to the performance of interest income, which will also benefit from the increase in the contribution stemming from the use of ECB loans and to the containment of operating costs, which will again be one of key focus areas. As regards credit quality, although the natural trend of the related costs in the quarter is essentially in line with expectations and the incoming flows of non-performing loans, as at July, the Group does not appear to have accelerated, it has anticipated the potential impact resulting from the worsening of the scenario, suitably adjusted to take into account the mitigating effects of the support measures granted to customers (state guarantees and moratoria), by further increasing provisions on the performing loans portfolio (see point 6 of the Explanatory Notes). The effects of these valuations will, nonetheless, be constantly verified on the basis of the evolution of the prospective macroeconomic scenario. Barring further deterioration of the scenario which, given the exceptional nature and uncertainty of the current context, cannot be ruled out, the Group's solid capital position, combined with its ability to generate capital organically, will not prevent sustainable shareholder remuneration subject to the instructions received from the ECB as regards the distribution of dividends after 1 January 2021.

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

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The Gruppo Banco BPM results as at 30 June 2020 will be presented to the financial community in the conference call scheduled for today, 6 August 2020 at 18:30 (CET). The supporting documentation for the conference call is available on the authorised storage system's website (www.emarketstorage.com) and on the Bank's website (www.bancobpm.it), where the details for connecting to the call can also be found.

The Consolidated Half-yearly Financial Report as at 30 June 2020 will be made available to the public, in accordance with the law, at the Company's registered office and at Borsa Italiana, as well as on the website www.bancobpm.it and on the website of the authorised storage mechanism www.emarketstorage.com.

Explanatory notes

The comments on the performance of the key balance sheet and P&L items illustrated in this press release refer to the reclassified consolidated balance sheet and income statement attached below and included in the Consolidated Half-yearly Financial Report as at 30 June 2020, drafted in compliance with IAS 34, approved today by the Board of Directors.
Please find below some explanatory notes that are deemed useful to better understand the approach followed in preparing the above-mentioned accounting statements and the information on the results for the half contained in this press release.

1. Accounting policies and reference accounting standards

The balance sheet and income statement schedules contained in this press release have been reclassified according to management criteria, in order to provide an indication on the Group's overall performance based on easily and rapidly measurable operating and financial data. These layouts have been prepared based on the financial statement layouts indicated in the Bank of Italy's Circular no. 262/2005, applying the same aggregation and classification criteria presented in the consolidated financial statements as at 31 December 2019, except for what is specified below:

- the balance sheet item "30. Financial liabilities designated at fair value" is linked to the reclassified balance sheet item of "Other financial assets measured at fair value" for the component represented by the certificates issued on 30 June 2020 by the Parent Company. For the other components of item 30, by contrast, the link to the reclassified aggregate of "Direct funding" remains confirmed;
- the reclassified income statement includes a separate item, called "Purchase Price Allocation after tax", the impacts of the reversal effects of the PPA, recognised following the business combinations completed in previous years, relating to the loans portfolios and to Client Relationships. The amounts of previous periods used for comparison have been restated on a like-for-like basis.

With reference to the comparative income statement tables contained in the annexes, it is represented that certain balances were subject to reclassifications/recalculations with respect to those originally published to reflect the effects of the adoption of the new criterion for the measurement of properties in the first three quarters of 2019 and the method of disclosure of remuneration relating to the placement of certificates in the first quarter of 2019. For further details, please also make reference to the Press Release dated 6 February 2020, relating to the presentation of the results for 2019.
Furthermore, reference should be made to the Press Release dated 6 February 2020, relating to the presentation of the results for FY 2019, for an illustration of the reclassifications made during the course of 2019 following the adoption of the new valuation criterion for property and artwork and the adoption of a different representation of remuneration relating to the placement of certificates.

The accounting standards adopted to prepare the financial report as at 30 June 2020 - with regard to the classification, recognition, measurement and derecognition of assets and liabilities, and for the recognition of costs and revenues - are those set forth in the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations by the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission and in force as at 30 June 2020, pursuant to EC Regulation no. 1606 of 19 July 2002 (including the interpretation documents known as SIC and IFRIC).

The communications of the Supervisory Bodies (Bank of Italy, Consob, ESMA, EBA, ECB) are also considered, as far as applicable, which provide some clarifications on how to interpret some of the accounting standards or the accounting treatment of particular transactions.

The adoption of certain accounting standards necessarily calls for the use of estimates and assumptions that have an impact on the value of assets and liabilities recognised in the balance sheet. The assumptions used to calculate estimates take into account all information available on the date of preparation of the half-yearly disclosure as at 30 June 2020, together with any scenarios considered reasonable based on past experience and the likely development of future reference scenarios. Owing to their nature, it is therefore not possible to rule out that the presumed scenarios, as far as reasonable, may not match future scenarios the Group will operate in. Therefore, future actual results may differ from the estimates generated to prepare the financial statements as at 30 June 2020, calling for adjustments that cannot be predicted or estimated today with respect to the carrying amount of assets and liabilities recognised in the balance sheet.

As regards the main factors of uncertainty that could impact future scenarios in which the Group operates, the negative effects on the global and Italian economies connected directly and indirectly with developments in the Coronavirus (COVID-19) epidemic must not be underestimated. The consolidated half-yearly financial report as at 30 June 2020, to which reference should be made for further information, will provide an illustration of the relevant accounting matters in relation to the Covid-19 crisis, as well as the estimate processes that call for significant judgements in selecting the underlying hypotheses and assumptions.

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

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

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

More specifically, the impact from the reversal of value adjustments to net acquired assets (mainly tied to the former Gruppo Banca Popolare di Milano) on the consolidated income statement for the first half of 2020 was € -9.8 million on NII, € -17.9

million on other net operating income as a result of the amortisation of intangible assets recognised under the PPA. After the relative tax, the overall impact as at 30 June 2020 amounts to € -18.5 million (€ -7.2 million in the first half of 2019).

3. Charges generated by the contribution to resolution mechanisms

In the first half of 2020, the amount of the ordinary and additional contributions to be paid to the Resolution Fund for 2020 was charged to the income statement, recognised as "After-tax banking industry charges", which, after the relative tax, amounted to € 75.7 million (the ordinary and additional contributions for the first half of 2019 booked to the income statement came to € 56.9 million). Before tax, the charge was € 112.1 million (€ 84.2 million in the first half of 2019).
Please note that for 2020, as well as for the prior financial year, the Group did not exercise the option of paying the contribution request through irrevocable payment commitments ("IPC"), set at a maximum of 15%.

4. Changes in consolidation scope

During the period, the consolidation scope saw the exit of the subsidiary Leasimpresa Finance S.r.l, due to its striking-off from the competent Company Register after the liquidation procedure had been completed.
The vehicle company Italfinance Securitisation 2 S.r.l. also left the perimeter of companies consolidated on a line-by-line basis due to the early closure of the associated securitisation transaction.

In addition, in the segment of companies consolidated using the equity method, note should be taken of the entry, from the second quarter, of the company Anima Holding S.p.A., in which Banco BPM holds a stake of 19.385%. This interest, considered strategic and intended to be held permanently, in consideration of the changes in the investee's governance, is deemed suited to represent the exercise of a significant influence by Banco BPM.

5. Non-recurring items in the aggregate income statement of Gruppo Banco BPM

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

In this regard, we report that in the first half of 2020, there were no recurring items of a significant amount.
In particular, the income statement as at 30 June shows the following impacts:

- the line-item "amortisation and depreciation of tangible and intangible assets" includes write-downs due to fixed asset depreciation totalling € 2.1 million;
- the line-item losses on "fair value measurement of tangible assets amounted to € 5.4 million;
- the line-item "Gains on disposal of equity and other investments", non-recurring by definition, was equal to € 0.2 million;
- Income tax for the period on continuing operations" includes the tax impacts of the aforementioned non-recurring components for € +2.1 million;
- the line-item "after-tax banking industry charges" includes € 18.2 million represented by additional contributions paid to the National Resolution Fund (€ 26.9 million gross after the associated tax effect of € 8.7 million).

On the whole, also taking into account the effects pertaining to minority interests (equal to € +0.3 million), the non-recurring components pertaining to the first six months of 2020 are therefore negative for a total of € 23.2 million.

In the first half of 2019, re-stated for a homogeneous comparison, the following non-recurring components were instead recognised:

- the line-item "gains on disposal of equity and other investments" included the € 189.5 million capital gains generated by the reorganisation of the consumer credit business, and the € 142.7 million capital gain from the sale to Credito Fondiario of a 70% stake in CF Liberty Servicing S.p.A.;
- the line-item losses on "fair value measurement of tangible assets" amounted to € 26.8 million;
- the line-item "net amortisation and depreciation on tangible and intangible assets" also included intangible asset write-downs of € 0.7 million;
- the line-item "net provisions for risks and charges" included extraordinary allocations totalling € 15.3 million and related, for € 9.1 million, to the recalculation of the conditions applied to customers in previous years and re-estimated according to metrics defined recently by more stringent regulations and the interpretation memorandums of the supervisory bodies, and for € 6.2 million, to the estimated expenses relating to contractual commitments;
- the line-item "income tax for the period on continuing operations" included the € 4.7 million tax effect of the non-recurring items detailed previously, as well as that of other extraordinary positive components totalling € 18.1 million;
- the line-item "after-tax banking industry charges" included € 15.2 million represented by additional contributions paid to the National Resolution Fund (€ 22.6 million), net of the associated tax effect of € 7.4 million.

On the whole, also taking into account the effects pertaining to minority interests (equal to € +0.6 million), the non-recurring components pertaining to the first six months of 2019 were therefore positive for a total of € 302.2 million.

6. Covid-19: effects on the economic results of the first half

As already outlined, the results for the half were influenced by the health pandemic still ongoing. The impacts that the aforementioned pandemic has had on the economic results for the half are outlined below.

<u>Net fee and commission income</u>

The pandemic has had a significant adverse impact on the income statement in the half, in terms of the reduction of operating income as a direct consequence of the lower volumes of business due to the lockdown and the change in the propensity of financial investments of savers. This impact is more clearly in evidence in the drop in net fee and commission income, amounting to € -71.3 million compared to the corresponding period in the previous year.

Net financial result

The Covid-19 pandemic involved a high level of volatility of the financial markets, including intraday. In particular, the significant reduction in quotations of financial assets in the first quarter was followed by a notable recovery in the second quarter. This volatility did not concern only assets, but also financial liabilities issued by the Group and measured at fair value, whose quotations were greatly influenced by the volatility of Banco BPM's credit risk.
In particular, at 31 March 2020, the worsening in Banco BPM's credit risk and the subsequent reduction in the fair value of its liabilities measured at fair value had involved the recognition of unrealised capital gains in the line-item "net financial result", for € 206.0 million. Subsequently, at 31 March, the improvement in own credit risk involved a gradual reduction in the aforementioned capital gain with a subsequent significant negative impact on the income statement in the second quarter which amounted to € -165.4 million. On the whole, the economic effect resulting from the change in own credit risk in the first half was a positive € 40.6 million.
In equity terms, at 30 June 2020, the overall effects relating to changes in own credit risk were almost fully reabsorbed; in fact, the residual unrealised capital gain amounted to € 5.8 million, compared to € 171.3 million at the end of March 2020 (as at 31 December 2019, the residual capital loss came to € 34.8 million).

Operating expenses

Some contingency measures were taken during the half - related to the management of properties, operating support services and physical safety and prevention - at the offices and branches of the bank aimed at guaranteeing the safety of personnel and customers. The estimated expenses of these measures in the first half, incurred specifically to deal with the Covid emergency (sanitation of offices and branches, purchase of disinfectants, face masks, disposable gloves, installations of portable plexiglass partitions) amounted to € 5.3 million.
On the other hand, personnel expenses were positively impacted by smart working mode (lower expenses linked to mobility and lower costs for meal vouchers). These savings were estimated at roughly € 4 million.

Net adjustments to customer loans

In the measurement of credit impairment, accounting standard IFRS 9 requires not only historic and current information to be considered, but also forward-looking information deemed able to influence the recoverability of the credit exposures.
The update of the macroeconomic scenario carried out by taking as a reference the projections published by the ECB and Bank of Italy at the start of June, together with the rating changes and the staging of exposures subject to valuation, involved a significant increase in value adjustments to performing loans charged to the income statement in the half, amounting to € 111.2 million. Based on the same macroeconomic scenario with respect to 31 December 2019, the economic impact of the pandemic was estimated at roughly €140 million.

Result of fair value measurement of tangible assets

For the purposes of drafting of the half-yearly position, the developments in the real estate market were not as such to call for an update of the valuations in the 2019 financial statements, except for a small number of property units held for investment purposes, for which, during 2020, negotiations were initiated with the lessee aimed at the granting of discounts or the renegotiation of rent, including temporary, taking into account the impact that the Covid-19 crisis may have had on the lessee's activities. For said perimeter of properties, the update of the fair value, carried out with the help of an external appraiser, involved the charging of € 3 million to the income statement in the first half.
Considering the other events that involved the need to update the valuations performed as at 31 December 2019 (sale negotiations, negative development in property prospects, etc.), the overall result pertaining to the first half subsequent to the valuation of real estate assets was a negative € 5.4 million.

Recoverability of intangible assets with an indefinite useful life and of deferred tax assets

The checks carried out at 30 June 2020 in relation to the recoverability of intangible assets with an indefinite useful life (trademarks and goodwill) and DTA (deferred tax assets) made it possible to confirm the values booked in the financial statements; therefore, it was not necessary to recognise any impairment of the assets under review in the income statement for the first half.

7. Capital requirements regulation

From 1 January 2014, the new harmonised regulations for banks and investment companies contained in (EU) Regulation no. 575/2013 ("CRR") and in directive no. 2013/36/EU ("CRD IV") dated 26 June 2013 came into force. These transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 framework) to the European Union. The Regulation and its technical rules are directly applicable in national legislations and represent the so called "Single Rulebook".

The minimum capital requirements for 2020 are:
- minimum Common Equity Tier 1 ratio ("CET1 ratio"): 4.5% + 2.5% of Capital Conservation Buffer ("CCB");
- minimum Tier 1 ratio: 6.0% + 2.5% of CCB;
- minimum total capital ratio: 8% + 2.5% of CCB.

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

With communication of 30 November 2017, the Bank of Italy identified the banking group Banco BPM as an 'Other Systemically Important Institution' (O-SII). The 2020 O-SII reserve is equal to 0.13%, and it will have to be gradually built up through annual linear increments until it reaches 0.25% on 1 January 2022.

On 11 December 2019, the European Central Bank (ECB) notified Banco BPM its final decision on the minimum capital ratios that Banco BPM is required to comply with on an ongoing basis as of FY 2020.
The decision is based on the supervisory review and evaluation (SREP) conducted in accordance with art. 4(1)(f) of EU Regulation no. 1024/2013.
Hence, in compliance with art. 16(2)(a) of the same Regulation no. 1024/2013, which gives the ECB the power to require that supervised bank hold an amount of own funds greater than the minimum capital requirements provided for under the current regulations, the top-up to be added to the above requirements was reduced to 2.25% (from the previous 2.50% in 2018).
Taking the SREP requirements into account, in 2020 at consolidated level, Gruppo Banco BPM must comply with the following capital ratios, pursuant to the phase-in criteria in force:

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

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

- CET1 ratio: 8.398%;
- Tier 1 ratio: 10.319%;
- Total Capital ratio: 12.882%.

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

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

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

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

8. Sovereign risk exposure represented by debt securities

The table below provides an illustration of the Group's sovereign risk exposure (debt securities in portfolios of financial assets) as at 30 June 2020, broken down by country and by category of the classification accounting portfolio:

30 June 2020 *(in million euro)* **Countries/Accounting portfolios**	**Fin. ass. measured at amortised cost**	**Fin. ass. measured at fair value through other comprehensive income**	**Fin. ass. measured at fair value through profit or loss**	**Total**
Italy	13,792	4,986	2,943	21,720
USA	2,168	135	0	2,303
France	1,663	1,787	0	3,450
Germany	539	642	0	1,181
Spain	1,325	2,001	375	3,701
Other countries	532	214	0	746
Total	**20,019**	**9,764**	**3,318**	**33,101**

As at 30 June 2020, the Group's sovereign debt exposure totalled € 33.1 billion (€ 26.4 billion as at 31 December 2019), of which 60.5% were classified in the portfolio of financial assets measured at amortised cost, 29.5% under financial assets measured at fair value through other comprehensive income, and 10% 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 93% refers to securities issued by members of the European Union; notably about 66% by Italy.
As regards financial assets measured at fair value through other comprehensive income, as at 30 June 2020 the reserves generated by the fair value measurement totalled € 32.2 million, gross of tax effect (€ 22.8 million were related to Italian Government bonds).

As regards financial assets measured at amortised cost, the book value came out at € 20.0 billion, of which € 13.8 billion represented by Italian Government bonds. For information purposes only, note that the fair value of the government bonds classified in this accounting category, measured based on the market prices as at 30 June 2020 (level 1 in the fair value classification) totalled € 20.6 billion (€ 14.1 billion being the fair value of the Italian Government bonds alone).
Lastly, it should be specified that the management of the debt securities is continuing on the basis of the choices made in previous years; therefore, during the half, no change to the business model was verified which involved a portfolio reclassification.

9. Other explanatory notes

The reclassified balance sheet and income statement reflect on a consolidated basis the financial accounts of Banco BPM and its subsidiaries with respect to 30 June 2020, or, when not available, to the most recently approved financial reports.
Similarly, the equity method-based treatment of associates was carried out based on the accounting information submitted to Banco BPM as at 30 June 2020, or, if not available, on the most recent financial reports prepared by the associates.

Attachments

- Reclassified consolidated balance sheet as at 30 June 2020 compared to the figures as at 31 December 2019
- Reclassified consolidated income statement for the first half of 2020 compared to the figures for the first half of 2019
- Reclassified consolidated income statement – 2020 and 2019 quarterly evolution
- Reclassified consolidated income statement for the first half of 2020 compared with the data relating to the first half of 2019, with evidence of the impacts of the PPA and of the change in own credit risk (FV on own liabilities)
- Reclassified consolidated income statement with evidence of the impacts of the PPA and of the change in own credit risk (FV on own liabilities) – quarterly evolution in 2020 and 2019
- Reclassified consolidated half-yearly income statement net of non-recurring items with restatement of the impact of Purchase Price Allocation (PPA) and of the change in own credit risk (FV on own liabilities) into separate line items (post tax)

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BANCO BPM GROUP

Reclassified consolidated balance sheet

(in euro thousand)	30/06/2020	31/12/2019	Var. su 31/12/2019	Var. % su 31/12/2019
Cash and cash equivalents	838,403	912,742	-74,339	-8.1%
Financial assets at amortised cost	121,213,278	115,889,891	5,323,387	4.6%
- Due from banks	12,824,727	10,044,427	2,780,300	27.7%
- Customer loans (*)	108,388,551	105,845,464	2,543,087	2.4%
Other financial assets	43,885,488	37,069,089	6,816,399	18.4%
- Financial assets designated at FV through P&L	9,074,876	7,285,091	1,789,785	24.6%
- Financial assets designated at FV through OCI	13,112,219	12,526,772	585,447	4.7%
- Financial assets at amortised cost	21,698,393	17,257,226	4,441,167	25.7%
Equity investments	1,577,065	1,386,079	190,986	13.8%
Property and equipment	3,522,027	3,624,312	-102,285	-2.8%
Intangible assets	1,260,785	1,269,360	-8,575	-0.7%
Tax assets	4,628,214	4,619,636	8,578	0.2%
Non-current assets held for sale and discontinued operations	105,232	131,082	-25,850	-19.7%
- Customer loans	38,092	93,744	-55,652	-59.4%
- Other assets and group of assets	67,140	37,338	29,802	79.8%
Other assets	2,384,870	2,136,010	248,860	11.7%
Totale dell'attivo	**179,415,362**	**167,038,201**	**12,377,161**	**7.4%**
Direct funding	115,233,654	109,506,299	5,727,355	5.2%
- Due to customers	98,769,456	93,375,026	5,394,430	5.8%
- Debt securities issued and financial liabilities designated at FV	16,464,198	16,131,273	332,925	2.1%
Due to banks	32,929,600	28,515,685	4,413,915	15.5%
Leasing debts	682,003	732,536	-50,533	
Other financial liabilities designated at fair value	11,498,817	10,919,429	579,388	5.3%
Liability provisions	1,277,756	1,486,683	-208,927	-14.1%
Tax liabilities	611,548	619,269	-7,721	-1.2%
Liabilities associated with assets held for sale	4,216	5,096	-880	-17.3%
Other liabilities	4,942,360	3,366,122	1,576,238	46.8%
Total Liabilities	**167,179,954**	**155,151,119**	**12,028,835**	**7.8%**
Minority interests	24,559	26,076	-1,517	-5.8%
Shareholders' equity	12,210,849	11,861,006	349,843	2.9%
Consolidated Shareholders' Equity	**12,235,408**	**11,887,082**	**348,326**	**2.9%**
Total Liabilities and Shareholders' Equity	**179,415,362**	**167,038,201**	**12,377,161**	**7.4%**

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

BANCO BPM GROUP

Reclassified consolidated income statement

(in euro thousand)	30/06/2020	30/06/2019 restated	Chg.	Chg. %
Net interest income	953,621	1,011,305	-57,684	-5.7%
Income (loss) from investments in associates carried at equit	70,302	69,386	916	1.3%
Net interest, dividend and similar income	**1,023,923**	**1,080,691**	**-56,768**	**-5.3%**
Net fee and commission income	816,934	888,191	-71,257	-8.0%
Other net operating income	31,599	42,110	-10,511	-25.0%
Net financial result	124,080	83,042	41,038	49.4%
Other operating income	**972,613**	**1,013,343**	**-40,730**	**-4.0%**
Total income	**1,996,536**	**2,094,034**	**-97,498**	**-4.7%**
Personnel expenses	-816,979	-843,857	26,878	-3.2%
Other administrative expenses	-308,674	-330,154	21,480	-6.5%
Net value adjustments on property and equipment and intang	-123,089	-131,074	7,985	-6.1%
Operating costs	**-1,248,742**	**-1,305,085**	**56,343**	**-4.3%**
Profit (loss) from operations	**747,794**	**788,949**	**-41,155**	**-5.2%**
Net adjustments on loans to customers	-476,242	-349,644	-126,598	36.2%
Profit (loss) on fair value measurement of tangible assets	-5,416	-26,782	21,366	-79.8%
Net adjustments on other assets	-8,383	25	-8,408	
Net provisions for risks and charges	-7,614	-5,680	-1,934	34.0%
Profit (loss) on the disposal of equity and other investments	220	336,813	-336,593	-99.9%
Income (loss) before tax from continuing operations	**250,359**	**743,681**	**-493,322**	**-66.3%**
Tax on income from continuing operations	-52,425	-81,145	28,720	-35.4%
Systemic charges after tax	-75,684	-56,861	-18,823	33.1%
Income (loss) attributable to minority interests	1,508	4,471	-2,963	-66.3%
NET INCOME (LOSS) before PPA	**123,758**	**610,146**	**-486,388**	**-79.7%**
Purchase Price Allocation (PPA) net of tax	-18,527	-7,162	-11,365	158.7%
NET INCOME (LOSS) FOR THE PERIOD	**105,231**	**602,984**	**-497,753**	**-82.5%**

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

BANCO BPM GROUP

Reclassified consolidated income statement - Quarterly evolution

(in euro thousand)	Q2 2020	Q1 2020	Q4 2019	Q3 2019 restated	Q2 2019 restated	Q1 2019 restated
Net interest income	479,507	474,114	473,959	495,805	512,117	499,188
Income (loss) from investments in associates carried at equit	48,036	22,266	33,917	27,952	32,628	36,758
Net interest, dividend and similar income	**527,543**	**496,380**	**507,876**	**523,757**	**544,745**	**535,946**
Net fee and commission income	376,371	440,563	462,167	444,065	453,673	434,518
Other net operating income	14,855	16,744	16,129	17,785	17,928	24,182
Net financial result	-82,718	206,798	207,370	41,668	10,697	72,345
Other operating income	**308,508**	**664,105**	**685,666**	**503,518**	**482,298**	**531,045**
Total income	**836,051**	**1,160,485**	**1,193,542**	**1,027,275**	**1,027,043**	**1,066,991**
Personnel expenses	-397,954	-419,025	-437,052	-415,622	-417,984	-425,873
Other administrative expenses	-154,094	-154,580	-149,780	-158,632	-163,135	-167,019
Net value adjustments on property and equipment and intang	-61,710	-61,379	-69,289	-68,586	-67,745	-63,329
Operating costs	**-613,758**	**-634,984**	**-656,121**	**-642,840**	**-648,864**	**-656,221**
Profit (loss) from operations	**222,293**	**525,501**	**537,421**	**384,435**	**378,179**	**410,770**
Net adjustments on loans to customers	-262,999	-213,243	-220,499	-208,387	-197,692	-151,952
Profit (loss) on fair value measurement of tangible assets	-5,094	-322	-131,012	-739	-19,306	-7,476
Net adjustments on other assets	-3,728	-4,655	1,596	4,138	3,996	-3,971
Net provisions for risks and charges	-9,809	2,195	-62,633	-2,712	-10,102	4,422
Profit (loss) on the disposal of equity and other investments	129	91	-3,638	-24	336,646	167
Income (loss) before tax from continuing operations	**-59,208**	**309,567**	**121,235**	**176,711**	**491,721**	**251,960**
Tax on income from continuing operations	41,398	-93,823	-26,565	-44,949	-27,436	-53,709
Systemic charges after tax	-18,169	-57,515	-4,495	-31,521	-15,240	-41,621
Income (loss) after tax from discontinued operations	-	-	-	-	-	-
Income (loss) attributable to minority interests	1,537	-29	9,247	1,846	3,225	1,246
NET INCOME (LOSS) before PPA	**-34,442**	**158,200**	**99,422**	**102,087**	**452,270**	**157,876**
Purchase Price Allocation (PPA) net of tax	-11,962	-6,565	-3,650	-3,842	-4,700	-2,462
NET INCOME (LOSS) FOR THE PERIOD	**-46,404**	**151,635**	**95,772**	**98,245**	**447,570**	**155,414**

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

Gruppo BANCO BPM

Reclassified consolidated income statement with restatement of the impact of Purchase Price Allocation (PPA) and of the FV on own liabilities into separate line items (post-tax)

(in euro thousand)	30/06/2020	30/06/2019 restated	Chg.	Chg. %
Net interest income	953,621	1,011,305	-57,684	-5.7%
Income (loss) from investments in associates carried at equit	70,302	69,386	916	1.3%
Net interest, dividend and similar income	**1,023,923**	**1,080,691**	**-56,768**	**-5.3%**
Net fee and commission income	816,934	888,191	-71,257	-8.0%
Other net operating income	31,599	42,110	-10,511	-25.0%
Net financial result	83,472	82,447	1,025	1.2%
Other operating income	**932,005**	**1,012,748**	**-80,743**	**-8.0%**
Total income	**1,955,928**	**2,093,439**	**-137,511**	**-6.6%**
Personnel expenses	-816,979	-843,857	26,878	-3.2%
Other administrative expenses	-308,674	-330,154	21,480	-6.5%
Net value adjustments on property and equipment and intang	-123,089	-131,074	7,985	-6.1%
Operating costs	**-1,248,742**	**-1,305,085**	**56,343**	**-4.3%**
Profit (loss) from operations	**707,186**	**788,354**	**-81,168**	**-10.3%**
Net adjustments on loans to customers	-476,242	-349,644	-126,598	36.2%
Profit (loss) on fair value measurement of tangible assets	-5,416	-26,782	21,366	-79.8%
Net adjustments on other assets	-8,383	25	-8,408	
Net provisions for risks and charges	-7,614	-5,680	-1,934	34.0%
Profit (loss) on the disposal of equity and other investments	220	336,813	-336,593	-99.9%
Income (loss) before tax from continuing operations	**209,751**	**743,086**	**-533,335**	**-71.8%**
Tax on income from continuing operations	-39,000	-80,948	41,948	-51.8%
Systemic charges after tax	-75,684	-56,861	-18,823	33.1%
Income (loss) attributable to minority interests	1,508	4,471	-2,963	-66.3%
NET INCOME (LOSS) BEFORE THE IMPACT OF PPA AND OF THE FV ON OWN LIABILITIES	**96,575**	**609,748**	**-513,173**	**-84.2%**
Purchase Price Allocation (PPA) net of tax	-18,527	-7,162	-11,365	158.7%
FV on own liabilities net of tax	27,183	398	26,785	N.S.
NET INCOME (LOSS) FOR THE PERIOD	**105,231**	**602,984**	**-497,753**	**-82.5%**

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

Gruppo BANCO BPM

Reclassified consolidated income statement with restatement of the impact of Purchase Price Allocation (PPA) and of the FV on own liabilities into separate line items (post-tax)

(in euro thousand)	Q2 2020	Q1 2020	Q4 2019	Q3 2019 restated	Q2 2019 restated	Q1 2019 restated
Net interest income	479,507	474,114	473,959	495,805	512,117	499,188
Income (loss) from investments in associates carried at equit	48,036	22,266	33,917	27,952	32,628	36,758
Net interest, dividend and similar income	**527,543**	**496,380**	**507,876**	**523,757**	**544,745**	**535,946**
Net fee and commission income	376,371	440,563	462,167	444,065	453,673	434,518
Other net operating income	14,855	16,744	16,129	17,785	17,928	24,182
Net financial result	82,712	760	223,037	61,363	722	81,725
Other operating income	**473,938**	**458,067**	**701,333**	**523,213**	**472,323**	**540,425**
Total income	**1,001,481**	**954,447**	**1,209,209**	**1,046,970**	**1,017,068**	**1,076,371**
Personnel expenses	-397,954	-419,025	-437,052	-415,622	-417,984	-425,873
Other administrative expenses	-154,094	-154,580	-149,780	-158,632	-163,135	-167,019
Net value adjustments on property and equipment and intang	-61,710	-61,379	-69,289	-68,586	-67,745	-63,329
Operating costs	**-613,758**	**-634,984**	**-656,121**	**-642,840**	**-648,864**	**-656,221**
Profit (loss) from operations	**387,723**	**319,463**	**553,088**	**404,130**	**368,204**	**420,150**
Net adjustments on loans to customers	-262,999	-213,243	-220,499	-208,387	-197,692	-151,952
Profit (loss) on fair value measurement of tangible assets	-5,094	-322	-131,012	-739	-19,306	-7,476
Net adjustments on other assets	-3,728	-4,655	1,596	4,138	3,996	-3,971
Net provisions for risks and charges	-9,809	2,195	-62,633	-2,712	-10,102	4,422
Profit (loss) on the disposal of equity and other investments	129	91	-3,638	-24	336,646	167
Income (loss) before tax from continuing operations	**106,222**	**103,529**	**136,902**	**196,406**	**481,746**	**261,340**
Tax on income from continuing operations	-13,293	-25,707	-31,745	-51,460	-24,138	-56,810
Systemic charges after tax	-18,169	-57,515	-4,495	-31,521	-15,240	-41,621
Income (loss) attributable to minority interests	1,537	-29	9,247	1,846	3,225	1,246
NET INCOME (LOSS) BEFORE THE IMPACT OF PPA AND OF THE FV ON OWN LIABILITIES	**76,297**	**20,278**	**109,909**	**115,271**	**445,593**	**164,155**
Purchase Price Allocation (PPA) net of tax	-11,962	-6,565	-3,650	-3,842	-4,700	-2,462
FV on own liabilities net of tax	-110,739	137,922	-10,487	-13,184	6,677	-6,279
NET INCOME (LOSS) FOR THE PERIOD	**-46,404**	**151,635**	**95,772**	**98,245**	**447,570**	**155,414**

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

BANCO BPM GROUP

Reclassified consolidated income statement net of non-recurring items with restatement of the impact of Purchase Price Allocation (PPA) and of the FV on own liabilities into separate line items (post-tax)

(in euro thousand)	30/06/2020	30/06/2019 restated	Variaz.	Var. %
Net interest income	953,621	1,011,305	-57,684	-5.7%
Income (loss) from investments in associates carried at equit	70,302	69,386	916	1.3%
Net interest, dividend and similar income	**1,023,923**	**1,080,691**	**-56,768**	**-5.3%**
Net fee and commission income	816,934	888,191	-71,257	-8.0%
Other net operating income	31,599	42,110	-10,511	-25.0%
Net financial result	83,472	82,447	1,025	1.2%
Other operating income	**932,005**	**1,012,748**	**-80,743**	**-8.0%**
Total income	**1,955,928**	**2,093,439**	**-137,511**	**-6.6%**
Personnel expenses	-816,979	-843,857	26,878	-3.2%
Other administrative expenses	-308,674	-330,154	21,480	-6.5%
Net value adjustments on property and equipment and intang	-120,974	-130,399	9,425	-7.2%
Operating costs	**-1,246,627**	**-1,304,410**	**57,783**	**-4.4%**
Profit (loss) from operations	**709,301**	**789,029**	**-79,728**	**-10.1%**
Net adjustments on loans to customers	-476,242	-349,644	-126,598	36.2%
Net adjustments on other assets	-8,383	25	-8,408	
Net provisions for risks and charges	-7,614	9,632	-17,246	
Income (loss) before tax from continuing operations	**217,062**	**449,042**	**-231,980**	**-51.7%**
Tax on income from continuing operations	-41,067	-103,752	62,685	-60.4%
Systemic charges after tax	-57,515	-41,621	-15,894	38.2%
Income (loss) attributable to minority interests	1,256	3,917	-2,661	-67.9%
NET INCOME (LOSS) BEFORE THE IMPACT OF PPA AND OF THE FV ON OWN LIABILITIES	**119,736**	**307,586**	**-187,850**	**-61.1%**
Purchase Price Allocation (PPA) net of tax	-18,527	-7,162	-11,365	158.7%
FV on own liabilities net of tax	27,183	398	26,785	N.S.
NET INCOME (LOSS) FOR THE PERIOD NET OF NON RECURRING ITEMS	**128,392**	**300,822**	**-172,430**	**-57.3%**

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