PRESS RELEASE

RESULTS AS AT 30 SEPTEMBER 2020

NET PROFIT IN THE FIRST NINE MONTHS AT € 263 MILLION

CONSTANT GROWTH IN INCOME/LOSS FROM OPERATIONS[1] IN THE FIRST THREE QUARTERS OF 2020: € 319 MILLION IN THE FIRST QUARTER - € 388 MILLION IN THE SECOND QUARTER AND € 562 MILLION IN THE THIRD QUARTER

A positive operating performance was recorded in the third quarter:

- **Net interest income of € 520 million, up by 8.4% compared to the 2nd quarter**
- **Net fee and commission income of € 418 million, marking an increase of 11.0% compared to the 2nd quarter**
- **Operating income[2] of € 1,143 million, growth of 14.2% compared to the 2nd quarter**
- **Operating expenses of € 582 million, down by 5.2% compared to the 2nd quarter**
- **Net income for the third quarter of € 157 million. Excluding the impacts deriving from the change in the bank's own credit risk and the effects of the PPAs[3] carried out in previous years, the net profit recorded in the third quarter amounted to € 167 million, compared to € 76 million in the second quarter**

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[1] The deterioration in the bank's own credit risk, registered following the outbreak of the pandemic, influenced the fair value measurement of the certificates issued by the Group, classified under liabilities held for trading, generating a positive impact on the income statement in the first nine months of 2020 amounting to € 43.9 million, before taxes (€ +29.4 million net of the associated taxes). This effect was not generated homogeneously in the period; in fact, while the first quarter recorded a gross positive impact of € 206.0 million (€ 137.9 million net of the tax effect), in the second quarter, the bank's own credit risk instead improved due to the exit from the *lockdown* period and the economic measures put in place to deal with the economic crisis, involving a negative impact on the income statement of € 165.4 million before taxes (€ 110.7 million net of taxes). Finally, in the third quarter, the change in the bank's own credit risk again involved a more contained positive effect, amounting to € 3.3 million gross (€ 2.2 million net of taxes). These accounting impacts have a significant effect on the income statement results in the quarters being compared, hindering a full understanding of the real operating performance. For said reason, the income statement attached to this press release shows, in a separate item, the contribution deriving from the change in the bank's own credit risk net of taxes, as illustrated in paragraph 1 of the Explanatory Notes of this press release

[2] See note 1.

[3] "Effects of the PPA" mean the economic impacts of the reversal effect of the Purchase Price Allocations recorded following the business combinations completed in previous years. For more details, please refer to paragraph 3 of the Explanatory Notes of this press release.

Good trend registered also in balance sheet items as at 30 September 2020:

- **Core performing loans to customers[4] increased (€ 96.5 billion, +6.0%) as did core direct funding[5] (€ 96.5 billion, +9.9%) compared to December 2019**
- **New disbursements to customers amounted to € 20.3[6]billion, up by 26.6% compared to the first nine months of 2019, of which € 7.1 billion relating to the measures secured by state guarantee**

Non-performing loans continued to drop:

- **Net non-performing loans at € 5.1 billion (-8.2% compared to December 2019)**
- **Net NPE ratio [7] down to 4.7% from 5.2% at the end of 2019 and gross NPE ratio of 8.6%, (9.1% at the end of 2019). The ratios are expected to decline further following the disposals of non-performing loans, expected to be finalised by the end of 2020, for an amount estimated at up to € 1.2 billion; as a result of these transactions, the gross NPE ratio would fall to 7.7%, or to 6.7% when calculated in coherence with the EBA definition**
- **Texas Ratio[8] significantly improved at 45.5% (52.3% in December 2019)**
- **Cost of risk at 98 basis points (73 basis points in 2019)[9], which includes:**
  - **higher adjustments on performing loans resulting from the consideration of the worsening in the macroeconomic scenario generated by the health crisis[10]**
  - **greater adjustments relating to new objectives of transfer of UTPs and Bad loans to be completed by the end of the year**

Maintenance of a solid equity base:

CET1 ratio[11]: phased-in at 15.4%; IFRS 9 fully-phased at 14.1%

MDA buffer on TCR: 639 basis points phased-in and 475 basis points fully phased

Excellent liquidity position, with unencumbered eligible assets of € 25.8 billion[12]

[4] Mortgages, loans, current accounts and personal loans.
[5]Current accounts and deposits.
[6] Management figure.
[7] Ratio obtained from the ratio between net non-performing exposures and total exposures related to the balance sheet items of "Loans to customers" measured at amortised cost".
[8] The Texas Ratio measures the ratio between the net value of non-performing loans and the Group's tangible equity.
[9] Cost of risk calculated as ratio between net adjustments on loans and net receivables from customers including those classified as assets held for disposal.
[10] The expected losses relating to non-impaired exposures were calculated by taking the macroeconomic forecasts published by the European Central Bank and the Bank of Italy as a reference, on 4 and 5 June 2020 respectively.
[11] Ratios calculated by including profit being accrued as at 30 September 2020.
[12] Data updated as at the end of October 2020.

In the third 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 increase in revenues and the reduction in costs enabled the bank to record a result from continuing operations before taxes[13] of € 239 million, compared to € 106 million registered in the second quarter, despite the higher write-downs on loans carried out to take account of the effects of the new targets for the transfer of non-performing loans, which is expected to be completed by the end of the current year.

Excluding the impacts deriving from the change in the bank's own credit risk and the effects of the PPAs carried out in previous years, the net profit recorded in the third quarter was a positive € 167 million (€ 76 million in the second quarter).

Including these elements, the net result of the third quarter came to € 157 million, leading to comprehensive income in the first nine months of the year of € 263 million.

The results achieved made it possible to inject fresh impetus into the reduction of non-performing exposures through an increase in the objectives for the disposal of UTP exposures and bad loans, to be completed by the end of the current year, which will make it possible to further improve the NPE ratio, gross and net.

Loan quality was also constantly analysed through a new process of monitoring of the credit profile of customers, with particular attention to the quality of the moratoria granted and the state guarantees to protect credit exposures.

The capital and liquidity positions were confirmed as extremely solid: CET1 Ratio phased-in and CET1 fully loaded stood, respectively, at 15.4% and 14.1%; MDA buffer on TCR phased-in and fully loaded respectively at 639 basis points and at 475 basis points[14]; LCR 198% and NSFR >100%[15].

The trend in loans was positive, with the disbursement of € 20.3 billion in new loans from the start of the year.

"Core" direct funding recorded an increase of € 8.7 billion, amounting to +9.9% compared to volumes at the start of the year.

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

- **total of roughly € 12.0 billion between loans disbursed (€7.1 billion) and approved or at the approval phase (€4.9 billion) in favour of companies as part of the measures set forth in the Liquidity Decree (of which € 1.4 billion 100% guaranteed by the Guarantee Fund for SMEs and € 10.6 billion with guarantee of between 70% and 90%);**
- **roughly € 15.6 billion in loans subject to moratorium, of which € 12.2 billion based on the measures set forth in the Cura Italia (Heal Italy) Decree Law and € 3.4 billion based on the ABI Protocol.**

[13] See note 1.
[14] The MDA buffers do not consider the benefits of the temporary measures introduced by the ECB.
[15] Monthly LCR in September 2020 and NSFR management relating to the third quarter of 2020.

Key balance sheet items

- Net loans to customers € 108.7 billion (+2,7%), of which performing loans up +3.3% and non-performing loans down by -8.2% compared to 31 December 2019;
- Direct customer funding of € 117.4 billion [16](€ 108.9 billion at the end of December 2019): during the period, the growth trend in the core funding was confirmed (€ +8.7 billion compared to the end of 2019);
- [17]Indirect customer funding € 88.4 billion (compared to € 89.7 billion as at 31 December 2019), of which:
    - asset management € 58.0 billion;
    - asset administration € 30.4 billion.

Key income statement items

- Net interest income
    - € 519.9 million in the 3rd quarter of 2020 (€ 479.5 million in the 2nd quarter of 2020; + 8.4%)
    - € 1,473.5 million as at 30 September 2020 (€ 1,507.1 million in the first nine months of 2019; -2.2%)
- Net fee and commission income:
    - € 417.7 million in the 3rd quarter of 2020 (€ 376.4 million in the 2nd quarter of 2020; + 11.0%)
    - € 1,234.6 million as at 30 September 2020 (€ 1,332.3 million in the first nine months of 2019; -7.3%)
- Operating expenses:
    - € 581.5 million in the 3rd quarter of 2020 (€ 613.8 million in the 2nd quarter of 2020; - 5.2%)
    - € 1,830.3 million as at 30 September 2020 (€ 1,947.9 million in the first nine months of 2019; -6.0%)
- Net adjustments to customer loans:
    - € 324.3 million in the 3rd quarter of 2020 (€ 263.0 million in the 2nd quarter of 2020; + 23.3%)
    - € 800.6 million as at 30 September 2020 (€ 558.0 million in the first nine months of 2019; + 43.5%)
- Net result without PPA and change in the bank's own credit risk:
    - € 166.5 million in the 3rd quarter of 2020 (€ 76.3 million in the second quarter 2020)

[16] Direct funding includes certificates with unconditional capital protection (€ 3.3 billion at 30 September 2020 compared to € 3.2 billion at the end of 2019), but excludes repurchase agreements.
[17] Management accounting data net of certificates with unconditional capital protection included under "direct funding".

    - € 263.1 million as at 30 September 2020 (€ 725.0 million in the first nine months of 2019 which included extraordinary income deriving from the transfer of equity investments and business units)
- Net result:
    - € 157.3 million in the 3rd quarter of 2020 (€ -46.4 million in the 2nd quarter of 2020)
    - € 262.5 million as at 30 September 2020 (€ 701.2 million in the first nine months of 2019)
- Result net of non-recurring components:
    - € 135.5 million in the 3rd quarter of 2020 (€ -24.4 million in the 2nd quarter of 2020)
    - € 263.9 million as at 30 September 2020 (€ 394.6 million in the first nine months of 2019).

Capital position[18]**:**

- CET1 ratio "IFRS9 *fully-phased*" 14.1% (13.0% as at 31 December 2019);
- CET 1 ratio "IFRS9 *phased-in*" 15.4% (14.8% as at 31 December 2019);
- MDA buffer on TCR "IFRS9 *fully phased*" 475 basis points
- MDA buffer on TCR "IFRS9 *phased-in*" 639 basis points

Credit quality

- Net non-performing loan stock of € 5.1 billion, marking a decrease of € 0.5 billion compared to the end of 2019 (-8,2%).

- Coverage:
    - Bad loans: 57.6% (up compared to 56.2% as at 31 December 2019); considering also write-offs, the coverage was 64.1%;
    - Unlikely to pay: 42.7% (39.1% at 31 December 2019);
    - Total non-performing loans: 48.0% (45.0% as at 31 December 2019); considering also write-offs, the coverage was 51.2%.

Liquidity profile

- *Unencumbered eligible assets* of € 22.1 billion at 30 September 2020;
- LCR 198% and NSFR >100%[19].

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[18] Ratios calculated by also including profit being accrued as at 30 September 2020. The data as at 31 December 2019 were re-stated as a result of the request of the European Central Bank not to proceed with the distribution of dividends.
[19]Monthly LCR in September 2020 and management NSFR relating to the third quarter of 2020.

Milan, 5 November 2020 – The Board of Directors of Banco BPM met today under the chairmanship of Mr. Massimo Tononi, which approved the balance sheet and income statement as at 30 September 2020 of the Banco BPM Group.

The first nine months of the year were influenced by the international emergency related to the Coronavirus epidemic. In this context, characterised by heavy repercussions on the global economy as well as on business operations, the Group has put a detailed series of measures into place in order to protect customers and employees, as well as provide concrete support to businesses, households and the communities in which the Group operates, in observance of regulations in force.

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

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

On the customer relations side, special attention has been paid to simplifying operations to guarantee, by strengthening on-line and digital banking transactions, the management of customer relations with an “omni-channel” 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 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 September, the total amount of loans in respect of which the Bank agreed the moratorium measures set out in the Cura Italia (Heal Italy) Decree and the ABI Protocol came to € 15.6 billion.
In addition, as part of government measures to support the economy, the Bank has allocated € 12 billion of loans in favour of companies (already approved or in the process of being approved) covered by the guarantees provided for by the law decrees, of which € 7.1 billion already disbursed.

During the period, 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 transaction was followed, in February, by a non-preferred senior bond issue of € 750 million, expiring in 5 years, which is incorporated in the Group's EMTN Programme and, in September, a new subordinated Tier 2 issue, expiring in ten years, for an amount of € 500 million.

In this context, characterised by significant elements of uncertainty in the global and Italian economies, directly or indirectly related to the Coronavirus epidemic, the Group achieved an operating profit [20] of € 1,269.0 million and a net profit of € 262.5 million.

[20] See note 1.

Economic performance of operations in Q3 2020 compared to Q2 2020

Net interest income amounted to € 519.9 million, an increase of 8.4% compared to the figure for the second quarter of 2020 (€ 479.5 million). This increase derives primarily from the higher contribution made by TLTRO III financing operations which, in consideration of the *net lending* objective reached by the Group, starting from 24 June 2020, make provision for the payment of *special interest*, equal to 0.5%, in addition to the rate applicable for the entire duration of the loan.[21]

The **result of investee companies measured using the equity method** is a positive € 36.8 million, with a decreased contribution compared to that of the second quarter, amounting to € 48.0 million. However, the contribution of the third quarter does not include the amount pertaining to the result of the Anima Holding Group[22]. Within this aggregate, the main contribution was provided by consumer credit brought in by the shareholding in Agos Ducato for € 27.2 million, down compared to € 30.3 million in the second quarter.

Net fee and commission income in the third quarter amounted to € 417.7 million, and showed growth of 11.0% compared to the second quarter, which had been heavily impacted by the crisis stemming from the Covid-19 epidemic, thanks to the contribution of both commercial banking services (+6.6%) and the management, brokerage and consulting services sector (+16.2%).

Other net operating income totalled € 11.7 million, compared to the figure of € 14.9 million for the second quarter of 2020.

The net financial result[23] in the third quarter was a positive € 157.3 million, compared to € 82.7 million in the second quarter. The contribution of the third quarter benefitted from the recognition of a capital gain on measurement, amounting to € 146.6 million, of the shareholding in SIA S.p.A. as a result of the signing of the agreement between the investee and Nexi S.p.A., targeted at the completion of the incorporation of SIA in Nexi[24].

By virtue of the trends described, the total **operating income** therefore amounted to € 1,143.3 million, a considerable increase compared to € 1,001.5 million recorded in the second quarter (+14.2).

Personnel expenses, amounting to € 356.9 million, showed a reduction of 10.3% compared to € 398.0 million in the second quarter, mainly due to the savings relating to the health emergency situation, as well as the reduction, with respect to the amount expected previously, in the expense connected with the Group personnel incentive system.

Other administrative expenses[25], amounting to € 159.8 million, recorded growth of 3.7% compared to

[21] If, at 31 March 2021, the amount of eligible loans is at least equal to the existing amount as at 1 March 2020, the interest rate (negative) applicable to TLTRO III refinancing operations for the period from 24 June 2020 to 23 June 2021 (so-called *special interest period)* will be increased by a further 0.50% compared to the average rate applicable to *Deposit facilities*. As at 30 September 2020, Banco BPM presents an amount of eligible loans comfortably above the existing amount as at 1 March 2020.

[22] The Anima Holding Group's Board of Directors will examine the balance sheet and income statement as at 30 September 2020 in the meeting on 6 November 2020. The result of the third quarter pertaining to Banco BPM will be subject to accounting measurement in the fourth quarter. The contribution guaranteed by the economic result pertaining to the Banco BPM Group in the second quarter was € 6.6 million.

[23] The item does not include the accounting effect, shown in a separate item of the reclassified income statement, deriving from the change in the bank's own credit risk on the fair value measurement of its own liabilities issued (certificates), which led to the recognition of income in the quarter of € 3.3 million, compared to the negative impact recorded in the second quarter of € -165.4 million.

[24] See paragraph 1 of the Explanatory Notes of this press release for more details.

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

€ 154.1 million in the second quarter of 2020, also due to the higher expenses deriving from management of the Covid-19 emergency.

Net adjustments to property, plant and equipment and intangible assets totalled € 64.8 million, compared with € 61.7 million in the second quarter.

Total **operating expenses** therefore came to € 581.5 million, marking a decrease of 5.2% compared to € 613.8 million in the second quarter.

The **result of operations** in the third quarter stood at € 561.8 million, up by 44.9% compared to € 387.7 million in the second quarter.

Net adjustments on loans to customers amounted to € 324.3 million, marking growth of 23.3% compared to the second quarter, mainly due to the revision, as part of the NPE strategy, of the objectives of the disposal of non-performing loans, to be realised by the end of the current year.

In the third quarter, **profits from the disposal of investments in associates and companies subject to joint control and other investments** amounted to € 1.3 million, while in the second quarter the amount was insignificant.

The result of the fair value measurement of property, plant and equipment of the third quarter was of an insignificant amount; in the previous quarter, capital losses of € 5.1 million had instead been recorded.

Due to the trends described, the **result of continuing operations before taxes** amounted to € 239.5 million, compared to € 106.2 million in the second quarter.

Income tax on continuing operations for the period amounted to € -22.5 million (€ -13.3 million in the second quarter).

Expenses relating to the banking system net of taxes were charged to the income statement in the quarter for € 53.0 million, represented by the estimate of the annual contribution for 2020 which will be required by the Interbank Deposit Protection Fund; in the second quarter, the additional contributions required by the National Resolution Fund were charged to the income statement for € 18.2 million.

The share of income attributable to minority interests generated a positive contribution of € 2.5 million (it was a positive € 1.5 million in the second quarter)-

In the third quarter, the impact of the **Purchase Price Allocation net of taxes**, highlighted in the relevant item of the reclassified income statement, amounted to € -11.4 million, compared to € -12.0 million in the second quarter of 2020.

In the third quarter, the **change in the credit rating on Certificates issued by the Group, net of taxes**, shown in a separate item of the reclassified income statement, generated income of € 2.2 million (€ 3.3 million before taxes), compared to the negative impact of € -110.7 million (€ - 165.4 million gross) in the second quarter.

Therefore, the third quarter of 2020 closed with a **net profit for the period** of € 157.3 million, compared to a net loss of € -46.4 million realised in the second quarter. Without considering the effects of the change in the bank's own credit risk and the effects of the PPA, the profit in the third quarter stood at

€ 166.5 million (€ 76.3 million in the second quarter).

The **result net of non-recurring components** in the third quarter came to € 135.5 million, compared to a loss of € -24.4 million in the second quarter of 2020.

<u>Economic performance of operations in the first nine months of 2020 compared to 30 September 2019</u>

Net interest income stood at € 1,473.5 million, compared to € 1,507.1 million in the corresponding period of the previous year. The trend in net interest income was negatively impacted by the trend in interest rates and the lower contribution from non-commercial activities, as well as a lower contribution from non-performing loans resulting from the de-risking plan implemented in previous years, partially offset by the positive contribution from TLTRO loans.

The result of the investee companies carried at equity was positive for € 107.1 million, compared with € 97.3 million in the first nine months of previous year.

Net fee and commission income amounted to € 1,234.6 million, down 7.3% compared with € 1,332.3 million in the same period of the previous year. The contraction is generalised across all components of the aggregate (management, brokerage and advisory services -8.5%; services connected with commercial banking activities (-6.3%) and attributable to the impact on operations of the *lockdown* measures.

Other net operating income totalled € 43.3 million, down € 16.6 million compared to the first nine months of 2019, mainly due to the gradual fall in fast-track commissions (-48.2%) and the lower contribution of rental income (-16.9%).

The **net financial result** [26]was € 240.8 million, compared to € 143.8 million in the first nine months of the previous year. This result includes the capital gain deriving from the fair value measurement of the shareholding in SIA S.p.A.. Also in the first nine months of 2019, capital gains totalling € 75.4 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 the shareholding in Nexi S.p.A..

By virtue of the trends described, total **operating income** amounted to € 3,099.3 million, a decrease of 1.3% compared to € 3,140.4 million in the first nine months of 2019.

Personnel expenses totalled € 1,173.9 million, marking a reduction of 6.8% compared to € 1,259.5 million in the first nine months of the previous year, due to the revision of expenses relating to the incentive system and other reductions in costs related to the effects of the health emergency. The total number of employees was 21,752 as at 30 September 2020, compared to 21,941 at the end of 2019.

Other administrative expenses[27] amounted to € 468.5 million, down by 4.2% compared to the first nine months of 2019, thanks to the strict control of costs, despite the higher charges deriving from the management of the Covid-19 emergency.

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[26] This result excludes the positive impact of € 43.9 million deriving from the change in the bank's own credit risk on the valuation of the certificates issued by the Group, shown in a separate item of the reclassified income statement.
[27]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.

Write-downs of property, plant and equipment and intangible assets amounted to € 187.9 million, compared to € 199.7 million as at 30 September 2019, and include write-downs of € 2.4 million. The comparison with the first nine months of 2019 shows a significant fall in the depreciation of property, plant and equipment (€ -16.4 million), due to the process of rationalisation of the property segment launched by the Group.

Total **operating expenses** amounted to € 1,830.3 million, falling by 6.0% compared to 30 September 2019.

Therefore, the **result of operations** amounted to € 1,269.0 million, up by € 76.5 million (+6.4%) compared to the same period of the previous year.

Net adjustments on loans to customers amounted to € 800.6 million, up by € 242.6 million compared to the same period of the previous year. This amount includes adjustments on performing loans deriving from the consideration of the worsening in the macroeconomic scenario stemming from the pandemic. In addition, value adjustments to non-performing loans include the effect of the revision of the NPE strategy, which involves the completion of the disposal of a higher volume of UTP and bad loans by the end of the current year. Due to these effects, the cost of credit, measured by the ratio of net value adjustments on loans to net loans, was 98 basis points, compared with 69 basis points recorded for the same period of the previous year (73 basis points as at 31 December 2019).

The loss from the fair value measurement of property, plant and equipment came to € 5.7 million.

The income statement for the first nine months recorded **net adjustments on securities and other financial assets** of € 8.3 million (net recoveries for € 4.2 million euro as at 30 September 2019).

Net provisions for risks and charges amounted to € 6.7 million (€ 8.4 million in the corresponding period of previous year).

In the first nine months of 2020, **profits on disposal of investments in associates and companies subject to joint control and other investments** were limited to € 1.5 million. In the first nine months of 2019, by contrast, gross capital gains totalling € 336.8 million were recognised, deriving from the reorganisation of the consumer loan segment (€ 189.5 million) and establishment of the partnership with Credito Fondiario to manage recovery activities for non-performing loans (€ 142.7 million).

Due to the trends described, **profit before tax from continuing operations** stood at € 449.3 million compared to a profit of € 939.5 million recorded in the first nine months of previous year, which, however, included gains on the disposal of equity investments and business units indicated above.

The **income taxes for the period on continuing operations** came to € -61.5 million (€ -132.4 million at 30 September 2019).

Expenses relating to the banking system, net of taxes were charged to the income statement for the period, amounting to € 128.7 million (€ 88.4 million in the first nine months of 2019) relating to the ordinary contribution to the Single Resolution Fund (SRF), the estimate of the contribution due to the Interbank Deposit Protection Fund and the additional contribution paid to the National Resolution Fund (€ 190.7 million before tax compared to € 130.9 million as at 30 September 2019).

The share of income attributable to minority interests at 30 September 2020 was a positive € 4.0 million (€ 6.3 million at 30 September 2019).

The item of the reclassified income statement known as **Purchase Price Allocation net of taxes** came to € -29.9 million. The figure for the first nine months of 2019 amounted to € -11.0 million.

The impact of the **Change in the credit rating on the Certificates issued by the Group, net of taxes**, shown in a separate item of the reclassified income statement, was a positive € 29.4 million (€ -43.9 million before taxes) and is in contrast to a negative figure of € -12.8 million (€ -19.1 million gross) in the first nine months of the previous year.

The first nine months of 2020 therefore closed with a **net profit** of € 262.5 million, compared to a net result of € 701.2 million at 30 September 2019.

The net **result of non-recurring components** came to € 263.9 million, compared to € 394.6 million at 30 September 2019.

Evolution of key balance sheet items

As at 30 September 2020, **direct funding**[28] totalled € 117.4 billion, showing an increase of 7.8% compared to the € 108.9 billion as at 31 December 2019. In comparison with the figures at the end of 2019 an increase of € 8.7 billion was recorded for the segment represented by current accounts and demand deposits of the commercial network (+9.9%). As regards the bond securities issued, the new issues in the period essentially offset the reimbursements of the securities that expired and the stock as at 30 September was in line with the figure at 31 December last year (€ -0.1 billion). Funding guaranteed by the *stock ofcertificates* with unconditional capital protection at 30 September 2020 amounted to € 3.3 billion, up +2.3% compared to € 3.2 billion at 31 December 2019.

Indirect funding net of capital-protected *certificates* totalled € 88.4 billion, down 1.5% compared to 31 December 2019, but essentially in line with the figure at 30 June.
The component of managed funding amounted to € 58.0 billion, a slight drop compared to € 58.3 billion at 31 December 2019, but a slight increase compared to the end of the first half (+0.3%), thanks to the contribution of funds and Sicavs which offset the decrease in the bancassurance segment.
Administered assets stood at € 30.4 billion, marking a decrease of € 1.0 billion (-3.3%) compared to the end of 2019, relating to the trend in the markets, and € 0.1 billion when compared with the second quarter of 2020 (-0.5%).

Financial assets amounted to € 47.0 billion, an increase of 26.7% compared to € 37.1 billion as at 31 December 2019; the increase was mainly concentrated in debt securities (€ + 8.6 billion) and, in particular, in the portfolio of securities held to maturity measured at amortised cost. The breakdown as at 30 September 2020 is made up of debt securities of € 39.9 billion, equity securities and UCITS units of € 1.9 billion, derivatives for € 2.4 billion and other financial assets, mainly represented by repurchase agreements of € 2.8 billion. Exposures in debt securities issued by sovereign States amounted to € 34.8 billion, of which € 23.9 billion relating to Italian Government bonds. Investments in Italian Government bonds are classified under financial assets measured at amortised cost for € 14.8 billion, in the portfolio of financial assets measured at fair value through other comprehensive income for € 6.2 billion and for € 3.0 billion in the portfolio of financial assets at fair value through profit and loss as they are held for trading.

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

Net **loans to customers** [29]totalled € € 108.7 billion as at 30 September 2020, up by € 2.9 billion compared to the figure of 31 December 2019; the increase is entirely due to performing exposures, which rose by € 3.3 billion (+3.3%), with a volume of new loans to households and businesses of € 20.3 [30]billion in the period, while *non-performing* exposures fell further compared to the end of 2019 (€ -0.5 billion, corresponding to -8.2%).

Net non-performing loans (bad loans, unlikely to pay and past due and/or non-performing overdue) amounted to € 5.1 billion as at 30 September 2020.
An analysis of the individual items shows the following dynamics:

- net bad loans of € 1.5 billion, with a decrease of 1.8% compared to 31 December 2019;
- net unlikely to pay of € 3.5 billion, down by 11.0% compared to € 3.9 billion as at 31 December 2019;
- net past due exposures amounting to € 78 million (€ 73 million as at 31 December 2019).

The coverage rate for the entire impaired loans aggregate rose to 48.0% (45.0% as at 31 December 2019).
More specifically, as at 30 September 2020, the coverage ratio was as follows:

- bad loans 57.6% (56.2% as at 31 December 2019);
- unlikely to pay 42.7% (39.1% at 31 December 2019);
- past due exposures 21.8% (25.9% at 31 December 2019).

The *coverage ratio* of performing loans came out at 0.42%, compared to 0.33% as at 31 December 2019.

Group capital ratios[31]

As at 30 September 2020, the Common Equity Tier 1 ratio *phased-in* stood at 15.44%, compared to 14.73% as at 30 June 2020. The increase in the ratio in the quarter is attributable, on the one hand, to the increase in Common Equity Tier 1 capital resulting from the positive trend in the reserves from the valuation of financial assets measured at fair value through other comprehensive income as well as the positive impact of the Group performance, and on the other, to the reduction of the component relating to the credit risk of the risk weighted assets resulting from the significant increase in public guarantees on loans granted to companies as part of the measures set forth in the Liquidity Decree.
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 CET 1 ratio IFRS 9 *fully phased* stood at 14.10%, also up compared to 30 June 2020 (equal to 13.31%).

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[29]The aggregate does not include loans to customers that, following the application of IFRS 9, must be measured at *fair value* as per mandatory requirements. These loans, amounting to € 0.4 billion, are included in financial assets measured at *fair value*.
[30]Operating data.
[31]The figures and the capital ratios illustrated in this press release were calculated by also including the profit in the process of being accrued resulting from the consolidated balance sheet and income statement of the Group as at 30 September 2020 approved by the Board of Directors on today's date.
It should be noted that, based on the provisions of Art. 26, paragraph 2 of EU Regulation 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 permission of the competent authority (the ECB), which requires these profits to be verified by the auditing firm. The balance sheet and income statement of the Group as at 30 September 2020 was not subject to a limited audit.

The Tier 1 ratio phased-in was 16.71% compared to 15.96% as at 30 June 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 stood at 19.33%, compared to 17.94% at 30 June 2020 and benefitted, in the third quarter, from the new issue of a Tier 2 instrument for a nominal € 500 million carried out in September.

The buffer related to the limit envisaged for the distribution of dividends (Maximum Distributable Amount or MDA buffer) was 639 basis points (475 basis points on a *fully-phased* basis).

The Common Equity Tier 1 ratio fully phased, calculated by considering the foreseeable effects of the regulatory "headwinds" relating to the market risk and the operating risk that are expected to materialise in the 4th quarter of the year, is forecast to drop by roughly 50 basis points.

BUSINESS OUTLOOK

The global scenario continues to be impacted by the effects of the evolution of the ongoing health crisis.
After a third quarter which was, on average, stronger than expected, the macroeconomic prospects for the final part of the year remain uncertain and conditional on the decisions that the Governments and the Authorities will take to counteract a fresh outbreak in the Covid-19 pandemic.
In this problematic scenario, the Italian economy, owing to its structure, could again exhibit the elements of fragility that already emerged in spring, but the ability to react demonstrated in the summer allows us to look towards future development with relative optimism, which may also benefit from the expansionary effects of the Recovery Fund.
Given this context, the objectives of the 2020-2023 Strategic Plan of the Group, 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 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.
The operating performance in the final part of the year will, inevitably, be conditional on the evolution of the pandemic scenario and the subsequent changes in the Government measures.
At the current state of play, “core revenues”, represented by net interest income and net fee and commission income, are expected to be in line with the values recorded in the third quarter, so as with operating expenses, net of components of lower cost relating to the revision of expenses relating to the incentive system and the one-off reductions of spending related to the effects of the health emergency.
In relation to the cost of credit, "guidance" essentially in line with the annualised level registered at 30 September is confirmed, which incorporates not only the most recent prospects relating to the macroeconomic scenario, but the effect of the announced revision of the NPL strategy which makes provision for the upcoming disposal of additional portfolios of non-performing loans.
Unless the scenario worsens again to a significant extent, which, given the exceptional nature and uncertainty of the current environment, cannot be ruled out, the Group's solid capital position, combined with its ability to generate capital organically, will not preclude shareholder remuneration,

subject to the guidelines that will be provided by the Supervisory Authorities on the distribution of dividends.

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

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The Banco BPM Group results as at 30 September 2020 will be presented to the financial community in the *conference call* scheduled for today, 5 November 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.

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[32]. For the sake of completeness, please note that the quarterly reports include also 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 2020 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 standards

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 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 specified below:

- the balance sheet line-item "30. Financial liabilities designated at fair value" is linked to the reclassified balance sheet item "Other financial liabilities measured at fair value" with respect to the component represented by certificates issued by the Parent company as of June 2020, while the other components of line-item 30 are still linked to the reclassified aggregate under "Direct funding";
- as of 30 September 2020 the income effect tied to the changes in creditworthiness related to the issuance of certificates classified in the "Trading financial liabilities" portfolio – that up until Q3 2020 was included in the line-item "Net financial result" –- is now posted under the ad hoc line-item "Change in creditworthiness on Certificates issued by the Group, after tax". This choice stems from the need to isolate the income effect from the volatility of the above creditworthiness, reported in 2020, as from a management viewpoint it is not deemed representative of the Group's actual profitability. The figures of prior periods under comparison have been restated on a like-for-like basis;
- the reclassified income statement includes in a separate line-item, i.e., "Purchase Price Allocation after tax", the PPA reversal effect resulting from the business combinations completed in previous years. The figures of prior periods under comparison have been restated on a like-for-like basis.

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

The accounting standards adopted to prepare the accounting position as at 30 September 2020 - 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 the related interpretations by the International Financial Reporting Interpretations Committee

[32] The contents of the quarterly reporting, the timing of approval and the communication method have been communicated to the public with the news release "2017 Corporate Calendar" published by Banco BPM on 30 January 2017.

(IFRIC), endorsed by the European Commission and in force as at 31 December 2019, pursuant to EC Regulation no. 1606 of 19 July 2002 (including the interpretation documents dubbed SIC and IFRIC) and illustrated in th consolidated financial report as at 31 December 2019, to which you may refer.
Moreover, the communications of the Regulators (Bank of Italy, Consob, ESMA, EBA, ECB) were taken into consideration, insofar as applicable, which provide some clarifications on how to interpret certain accounting standards or on the accounting treatment of specific transactions.
With regard to the recognition of the "special interest" applied to TLTRO III refinancing transactions between 24 June 2020 and 23 June 2021, it should be pointed out that in the absence of specific indications from the accounting standards on the treatment of this particular case, the Group defined an internal policy for the recognition of accrued interest considering three different periods (before 24 June 2020; from 24 June 2020 to 23 June 2021; after 23 June 2021), along which accruals are measured based on the floating rates applied by the operation rules in the different periods. As a result, the interest benefit tied to the Special Interest Rate Period will be recognized through profit and loss over the period from 24 June 2020 to 23 June 2021. Upon preparing the abridged half-yearly consolidated financial statements as at 30 June 2020, pending the completion of the case analysis, a different treatment had been temporarily taken into consideration, based on which the allocation of the expected benefit to be reaped from the Special Interest Rate Period was to be spread across the entire loan term.
As to the valuation of the stake held in SIA S.p.A., in compliance with IFRS 13, in the absence of market values, the measurement of the fair value was based on a mark-to-model valuation, where anyhow the inputs directly observable on the market were maximized. More precisely, the stake's fair value was measured based on the swap rate of 1.5761 Nexi share for each SIA share as provided for in the Memorandum of Understanding signed by the parties on 5 October 2002 and on the market price of Nexi shares on 30 September 2020, corresponding to € 17.12 per share. Note that from now on, the fair value of the stake is set to change based on Nexi's shares market price changes, and the ensuing impact will be recognized through profit or loss.
The IFRS 9 impairment model was applied also when preparing the accounting situation at 30 September 2020, taking into account the NPL disposal scenarios (so called multi-scenario approach). To this respect it should be pointed out that, as compared to what illustrated in the 2019 annual report, in addition to Bad loans, said approach included also Unlikely-to-pay loans (UTP), in keeping with the updated version of the NPL management strategy. More specifically, for these exposures, in addition to the recovery estimates based on the ordinary management (known as work-out scenario), the expected loss measured also the presence – duly calibrated based on the disposal targets, of the recoverable cash flows under a disposal scenario (known as disposal scenario). The estimate of the recoverable cash flow under a disposal scenario took into consideration the parameters considered by the perspective buyers when defining the purchase price, duly calibrated to take into account comparable transactions observed on the market. To this respect, please note that the decision passed by the Board today to positively assess the binding offers for the purchase of a UTP portfolio submitted on 2 November 2020 has taken place after the reporting date, hence under IAS 10 it does not call for a change/reclassification of the balances of the consolidated financial statements as at 30 September 2020, which was approved on the same date.

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 quarterly report as at 30 September 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 September 2020, calling for adjustments that cannot be predicted or estimated today with respect to the carrying amount of assets and liabilities recognized in the balance sheet.

The main uncertainty factors that could affect future scenarios in which the Group operates, should certainly include the negative effects on the global and Italian economies directly or indirectly connected with the evolution of the Coronavirus (Covid-19) pandemic, that should not be underestimated. The estimated operating and financial situation as at 30 September has been affected by the strong uncertainty as to the negative effects directly and indirectly caused by the ongoing health crisis (hereinafter also "Covid-19").
The spreading of the Covid-19 pandemic and its fallout for public health, economic activities, and commerce, may well significantly affect the growth of the Italian and global economies on the downside. For the time being the scope of this occurrence is still unclear, and will depend on the evolution of the pandemic and on the ability to recover of the production activities after the lockdown period that have characterized the first half of the year, considering also the resurgent wave of the pandemic after 30 September 2020. Said recovery shall also depend on the effectiveness of the monetary, fiscal and social support measures adopted by the competent authorities (Governments, ECB, European Union).
As long as the outline of the crisis and of the national and European interventions remain fuzzy and unclear, the exercise of including the Covid-19 impact in financial estimates will be extremely difficult, as these effects will depend upon a gamut of variables that to date are still unforeseeable.

The consolidated half-yearly financial report as at 30 June 2020 provided a detailed illustration of the estimate process calling for significant judgmental elements for the selection of the underlying assumptions and hypotheses. Since this same explanation holds true for the financial report as at 30 September to which this news release refers, for further information please refer to said report.

2. Covid–19: impact on operating results for the period

As already described, the results of 9M 2020 were significantly affected by the consequence of the pandemic which is still underway. Illustrated below are the main impacts the pandemic had on the operating results.

<u>Net fees and commissions</u>
The pandemic had a significant negative P&L impact in terms of reduction in operating income as a direct consequence of the lower business volumes caused by the lockdowns and of the change in the savers' propensity to carry out financial investments. This impact – which mainly took place in the second quarter – is more clearly reflected by the drop in net fees and commissions, amounting to € - 97.7 million compared to the same period last year.

Net financial result
The Covid-19 pandemic involved a high level of volatility on financial markets. In particular it caused a marked reduction in the valuation of financial assets in Q1, followed by a strong recovery in Q2 and then stabilized in Q3. This volatility did not impact only financial assets, but also financial liabilities issued by the Group and measured at fair value, whose valuations have been strongly affected by the volatility of Banco BPM's creditworthiness.
More specifically, at 31 March 2020, the worsening of Banco BPM's creditworthiness and the consequent reduction in fair value of its financial liabilities measured at fair value led to the recognition of unrealized capital gains posted under the line-item "Net financial result", and amounting to € 206.0 million. After the 31 March, the improvement of the creditworthiness led to a progressive reduction in the above capital gain and a consequent significant negative P&L impact in Q2, totaling € - 165.4 million. € 3.3 million of capital gains were recognized in Q3, which reported limited variations. Overall, the change in creditworthiness in the first nine months of the year reported a positive P&L effect of € 43,9 million. Said effects, as illustrated above, are posted under the separate reclassified P&L line-item "Change in own creditworthiness on Certificates issued by the Group, after tax".
As to the balance sheet, at 30 September 2020, the overall effect from the change in own creditworthiness has been almost completely reabsorbed; the residual unrealized capital gain totaled € 9.1 million (at 31 December 2019 the residual capital gain came in at € 34.8 million).

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

Net adjustments to customer loans
When measuring loan impairment, IFRS 9 requires that non only historical and current information be considered, but also forward-looking information that could influence the recoverability of the credit exposures.
The update of the macro-economic scenario which took into consideration the projections published by the ECB and by the Bank of Italy at the beginning of June, together with the rating changes and the staging of the loans under assessment, led to a significant increase in loan loss provisions for performing loans, that were charged to income in the period.

With respect to the Covid-10 pandemic impact on the measurement at fair value of the Group's real estate assets and on the value recoverability of intangible assets with an indefinite useful life and of DTAs, with respect to the accounting situation as at 30 September 2020 the same assessments conducted upon preparing the half-yearly report as at 30 June 2020 hold true, since by the end of the third quarter no facts or circumstances occurred, such as to call for different assessments. Note that said conclusions will need to be reexamined upon preparing the year-end annual report. To this regard, should the pandemic resurgence reported after the reference date of the accounting situation as at 30 September 2020 continue or even worsen with consequent negative impacts on the global and Italian economies, it cannot be ruled out that the outcome of the assessments could end up being significantly different. To this regard, it is important to keep in due consideration the sensitivity analyses included in the Half-yearly Financial Report, to which reference should be made for further information.

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

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

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

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

More specifically, the 9M 2020 consolidated P&L impact from the reversal effect of value adjustments of acquired net assets (mainly tied to the former Gruppo Banca Popolare di Milano) came in at € -17.8 million on NII (in connection with the evolution of the various valuations of purchased assets) and at € -27.0 million on other net operating income (due to the depreciation of intangibles recognized under the PPA). Net of the tax effect, the overall impact at 30 September 2020 totaled € -29.9 million (€ -11.0 million in 9M 2019).

4. Charges generated by the contribution to resolution mechanism

In 9M 2020, the P&L line-item "After-tax banking industry charges" was charged with the amount of ordinary and additional charges due by banks to the Resolution Funds and the Interbank Deposit Guarantee Fund for FY 2020, which, net of the tax effect, totaled € 128.7 million (€ 88.4 million ordinary and extraordinary contributions were charged to income at 30 September 2019). Gross of the tax effect, the total charge added up to € 190.7 million (€ 130,9 million in 9M 2019).

5. Changes in consolidation scope

The following changes in consolidation scope were reported in the period: exit of the subsidiary Leasimpresa Finance S.r.l. following the cancellation from the competent Companies Registrar after the liquidation procedure had been completed.
The vehicle Italfinance Securitisation 2 S.r.l. exits the scope of companies accounted for under the full-consolidation method as a result of the early closing of the underlying securitization.

In Q2 the company Anima Holding S.p.A., in which Banco BPM holds a 19.385% stake, enterd the scope of consolidation under the equity method. This stake is considered strategic and is set to be held permanently. Considering the governance changes introduced by the associate, the shareholding meets the definition of significant influence by Banco BPM.

6. Non-recurring items in the consolidated income statement of Gruppo Banco BPM

With Communication no. DEM/6064293 dated 28 July 2006, CONSOB invited companies that issue financial instruments listed on Italian regulated markets to provide a disclosure on the impact of non-recurring events and transactions.
Please note that according to the policy adopted by the Group, the following items are classified as non-recurring:

- gains or losses on the sale of all fixed assets (shareholdings, tangible fixed assets except financial assets held to maturity (that can be sold according to the materiality and frequency thresholds under IFRS9);
- gains and losses on non-current assets held for sale;
- P&L components with a large carrying amount tied to efficiency gain or reorganization actions, etc. (i.e., redundancy fund charges, voluntary redundancy schemes, merger/integration charges);
- P&L components with a large carrying amount that are not likely to occur frequently (e.g., fines, impairment of tangible assets, goodwill and other intangible assets, impact from regulatory changes, exceptional results);
- P&L impact generated by the fair value measurement of property and other tangible assets (works of art);
- tax effect tied to the above P&L impacts.

On the other hand, the following impacts are generally considered recurring:

- P&L impacts from the sale or valuation of all financial assets (other than loans), including held-to-maturity financial assets;
- barring exceptional cases, P&L impacts from valuation aspects (loan loss provisions, write-downs on other financial assets or provisions for risks and charges);
- P&L impacts from changes in reference valuation parameters implemented in valuation models adopted on an ongoing basis;
- P&L impacts whose single amount is not material or not measurable, meeting the definition of contingent assets and/or liabilities (e.g., costs and revenues and/or adjustment of costs and revenues accrued in other financial years);
- tax effect tied to the above P&L impacts.

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

Based on the criteria described above, the following non-recurring items were reported in 9M 2020:

- the line-item "personnel expenses" includes one-off savings of wage components as an indirect result of the pandemic of € 31.6 million;
- the line-item "net amortization and depreciation on tangible and intangible assets" includes the amortization due to fixed assets impairment of € 2.4 million;
- the line-item "gain or loss on the fair value measurement of tangible assets" includes a capital loss of € 5.7 million;
- the line-item "gain (loss) on disposal of equity and other investments", by definition non-recurring, posts a positive amount of € 1.5 million;
- "income tax for the period on continuing operations" include the tax impact of the above non -recurring items totaling € -8.4 million;
- the line-item "after-tax banking industry charges" includes additional contributions paid to the National Resolution Fund of € 18.2 million (gross € 26.9 million, net of a tax effect of € 8.7 million).

As a whole, considering also the minority interest effect (€ + 0.3 million), non-recurring items in 9M 2020 posted a negative amount of € 1.3 million.

In 9M 2019, restated for a like-for-like comparison, the following non-recurring items had been recognized:

- the line-item "impairment of tangible and intangible assets" included a € 2.7 million write-off as a result of the impairment of fixed assets;
- the fair value measurement of tangible assets generated the recognition of capital gains for € 27.5 million (recognized as a result of the reclassified P&L at 30 September 2019 following the change in the property valuation criterion which was applied for the first time upon preparing the annual report as at 31 December 2019);
- the line-item "net provisions for risks and charges" included non-recurring allowances totaling € 6.2 million relative to the estimate of charges tied to contract obligation;
- the line-item "gains on disposal of equity and other investments", amounting to € 336.8 million, mainly included the € 189.5 million capital gain generated by the reorganization of the consumer credit business, and the € 142.7 million capital gain from the sale to Credito Fondiario of a 70% stake in CF Liberty Servicing S.p.A;
- the line-item "income tax for the period on continuing operations" includes the € 2.8 million positive tax effect of the above listed non-recurring items, as well as that of other non-recurring items for a grand total of € 18.1 million;
- the line-item "after-tax banking industry charges" includes € 15.2 million represented by additional contributions paid to the National Resolution Fund (€ 22.6 million), net of the associated tax effect of € 7.4 million.

On the whole, considering also the minority interest effect (€ + 0.6 million), non-recurring items in 9M 2019 posted a positive amount € 306,6 million.

7. Capital requirements regulation

On 1 January 2014, the new harmonized prudential rules for banks and investment firms contained in the Capital Requirements Regulation (EU) no. 575/2013 ("CRR") and in the Capital Requirements Directive 2013/36/EU (CRD IV") of 26 June 2013 have come into effect, transposing the banking supervisory standards defined by the Basel Committee (Basel 3 framework) in the European Union. The Regulation and its technical rules are directly applicable in national legislations and represent the so called "Single Rulebook".

The minimum capital requirements for 2020 are:

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

The Bank of Italy confirmed the Countercyclical Capital Buffer ratio for exposures to Italian counterparties at zero per cent also for the third and fourth quarter 2020.

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

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

- *CET1 ratio*: 9.385%;
- *Tier 1 ratio*: 10.885%;
- *Total Capital ratio*: 12.882%.

Following the Covid-19health emergency, with letter dated 8 April 2020 the ECB decided to amend the decision made in December 2019 illustrated above, establishing that the 2.25% SREP requirement must be maintained by Banco BPM as follows: 56.25% as Common Equity Tier 1 (CET1) and 75% as Tier 1 Capital (Tier 1). Therefore, taking also into account the reduction in the countercyclical capital buffer established by the competent national authorities for exposures towards countries where the Group operates from 0.005% in December 2019 to the current 0.002%i, the minimum requirements Banco BPM must comply with in 2020, starting June 2020 until a new communication is issued, are:

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

Banco BPM elected to fully apply the transitional provision under the new article 473 bis of EU Regulation no. 575/2013, which phases in the impact on own funds generated by the adoption of the new impairment model introduced by IFRS9. Under the transitional provision, it is possible to include a transitional positive component to the Tier 1 capital by a percentage of the increase in expected loan loss provisions further to the adoption of IFRS 9. The percentage decreases over time over a 5-year period, as described below:

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

From 1 January 2023 the impact from the first-time adoption of IFRS 9 will be fully recognized in the calculation of own funds. Without prejudice to the impacts from the above transitional provision, Banco BPM does not benefit from any Tier 1 capital impact as at 30 September 2020 as a result of the new transitional regime under the changes made to Regulation 873/2020 article 473 bis regarding the higher provisions set aside in the current year for expected losses on performing loans as compared to their amount on 1 January 2020.

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

8. Sovereign risk exposure represented by debt securities

The table below provides an illustration of the Group's sovereign risk exposure (debt securities included in the financial assets portfolios) at 30 September 2019, broken down by single Country and by category of the classification accounting portfolio:

30 September 2020 *(million euro)* **Countries/Accounting portfolios**	**Fin. ass. measured at amortized cost**	**Fin. ass. measured at fair value through other comprehensive income**	**Fin. ass. measured at fair value through profit or loss**	**Total**
Italy	14.754	6.200	2.955	23.909
USA	2.071	-	-	2.071
France	1.663	1.776	-	3.439
Germany	537	643	-	1.180
Spain	1.325	1.719	363	3.407
Other Countries	531	218	1	750
Total	**20.881**	**10.556**	**3.319**	**34.756**

At 30 September 2020, the Group's sovereign debt exposure totaled € 34.8 billion (€ 26.4 billion at 31 December 2019), of which 60.1% were classified in the portfolio of financial assets measured at amortized cost, 30.4% under financial assets measured at fair value through other comprehensive income, and 9.5% in the portfolio of financial assets measured at fair value through profit or loss, as they were held for trading.
Out of this exposure, about 94% refers to securities issued by members of the European Union; notably about 69% by Italy.
As regards financial assets measured at fair value through other comprehensive income, at 30 September 2020 the reserves generated by the fair value measurement totaled € 165.9 million, gross of tax effect (€ 70.0 million related to Italian government bonds).
As to financial assets measured at amortized cost, the book value came out at € 20.9 billion, of which € 14.8 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 at 31 December 2020 (level 1 in the fair value classification) totaled € 21.6 billion (€ 15.3 billion being the fair value of the Italian govies alone).
Finally, note that debts securities management still follows the same choices of the prior financial years;, hence no financial assets reclassification has been reported across the different accounting categories

9. Other explanatory notes

The reclassified balance sheet and income statement reflect on a consolidated basis the financial accounts of Banco BPM and its subsidiaries with respect to 30 September 2020, or, when not available, to the most recently approved financial reports.
Similarly, the equity method-based treatment of associates was carried out based on the accounting information submitted to Banco BPM as at 30 September 2020, or, if not available, on the most recent financial reports prepared by the associates. More specifically, as already explained when commenting results, the Q3 2020 P&L balances do not include the contribution from Gruppo Anima Holding, as the associate's results as at 30 September 2020 will be examined by the Board of Directors in the meeting held on 6 November 2020.

Attachments

- Reclassified consolidated statement of financial position at 30 September 2020 compared with data as at 31 December 2019
- 9M 2020 reclassified consolidated income statement compared with data of the same period of 2019
- Reclassified consolidated income statement – 2020 and 2019 quarterly evolution
- Reclassified consolidated income statement as at 30 September 2020 net of non-recurring itemsi

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BANCO BPM GROUP

Reclassified consolidated balance sheet

(in euro thousand)	30/09/2020	31/12/2019	Chg.	Chg. %
Cash and cash equivalents	806,190	912,742	-106,552	-11.7%
Financial assets at amortised cost	125,679,620	115,889,891	9,789,729	8.4%
- Due from banks	16,961,809	10,044,427	6,917,382	68.9%
- Customer loans (*)	108,717,811	105,845,464	2,872,347	2.7%
Other financial assets	46,954,419	37,069,089	9,885,330	26.7%
- Financial assets designated at FV through P&L	10,548,339	7,285,091	3,263,248	44.8%
- Financial assets designated at FV through OCI	13,852,787	12,526,772	1,326,015	10.6%
- Financial assets at amortised cost	22,553,293	17,257,226	5,296,067	30.7%
Equity investments	1,638,329	1,386,079	252,250	18.2%
Property and equipment	3,497,101	3,624,312	-127,211	-3.5%
Intangible assets	1,248,318	1,269,360	-21,042	-1.7%
Tax assets	4,618,164	4,619,636	-1,472	0.0%
Non-current assets held for sale and discontinued operations	110,847	131,082	-20,235	-15.4%
- Customer loans	38,597	93,744	-55,147	-58.8%
- Other assets and group of assets	72,250	37,338	34,912	93.5%
Other assets	2,101,015	2,136,010	-34,995	-1.6%
Total assets	**186,654,003**	**167,038,201**	**19,615,802**	**11.7%**
Direct funding	115,416,549	109,506,299	5,910,250	5.4%
- Due to customers	99,423,576	93,375,026	6,048,550	6.5%
- Debt securities issued and financial liabilities designated at FV	15,992,973	16,131,273	-138,300	-0.9%
Due to banks	31,887,904	28,515,685	3,372,219	11.8%
Leasing debts	672,390	732,536	-60,146	
Other financial liabilities designated at fair value	19,588,083	10,919,429	8,668,654	79.4%
Liability provisions	1,186,863	1,486,683	-299,820	-20.2%
Tax liabilities	637,510	619,269	18,241	2.9%
Liabilities associated with assets held for sale	2,528	5,096	-2,568	-50.4%
Other liabilities	4,804,141	3,366,122	1,438,019	42.7%
Total Liabilities	**174,195,968**	**155,151,119**	**19,044,849**	**12.3%**
Minority interests	22,039	26,076	-4,037	-15.5%
Shareholders' equity	12,435,996	11,861,006	574,990	4.8%
Consolidated Shareholders' Equity	**12,458,035**	**11,887,082**	**570,953**	**4.8%**
Total Liabilities and Shareholders' Equity	**186,654,003**	**167,038,201**	**19,615,802**	**11.7%**

(*) 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 with restatement of the impact of Purchase Price Allocation (PPA) and of the impact from the change in own credit risk (OCR) on own liabilities at FV into separate line items (post-tax)

(in euro thousand)	30/09/2020	30/09/2019 restated	Chg.	Chg. %
Net interest income	1,473,542	1,507,110	-33,568	-2.2%
Income (loss) from investments in associates carried at equity	107,070	97,338	9,732	10.0%
Net interest, dividend and similar income	**1,580,612**	**1,604,448**	**-23,836**	**-1.5%**
Net fee and commission income	1,234,585	1,332,256	-97,671	-7.3%
Other net operating income	43,274	59,895	-16,621	-27.8%
Net financial result	240,797	143,810	96,987	67.4%
Other operating income	**1,518,656**	**1,535,961**	**-17,305**	**-1.1%**
Total income	**3,099,268**	**3,140,409**	**-41,141**	**-1.3%**
Personnel expenses	-1,173,929	-1,259,479	85,550	-6.8%
Other administrative expenses	-468,471	-488,786	20,315	-4.2%
Net value adjustments on property and equipment and intangible assets	-187,885	-199,660	11,775	-5.9%
Operating costs	**-1,830,285**	**-1,947,925**	**117,640**	**-6.0%**
Profit (loss) from operations	**1,268,983**	**1,192,484**	**76,499**	**6.4%**
Net adjustments on loans to customers	-800,582	-558,031	-242,551	43.5%
Profit (loss) on fair value measurement of tangible assets	-5,732	-27,521	21,789	-79.2%
Net adjustments on other assets	-8,279	4,163	-12,442	
Net provisions for risks and charges	-6,707	-8,392	1,685	-20.1%
Profit (loss) on the disposal of equity and other investments	1,544	336,789	-335,245	-99.5%
Income (loss) before tax from continuing operations	**449,227**	**939,492**	**-490,265**	**-52.2%**
Tax on income from continuing operations	-61,464	-132,408	70,944	-53.6%
Systemic charges after tax	-128,685	-88,382	-40,303	45.6%
Income (loss) attributable to minority interests	4,028	6,317	-2,289	-36.2%
NET INCOME (LOSS) BEFORE THE IMPACT OF PPA AND OF THE FV ON OWN LIABILITIES	**263,106**	**725,019**	**-461,913**	**-63.7%**
Purchase Price Allocation (PPA) net of tax	-29,949	-11,004	-18,945	172.2%
Impact from the change in OCR on own liabilities at FV net of tax	29,377	-12,786	42,163	
NET INCOME (LOSS) FOR THE PERIOD	**262,534**	**701,229**	**-438,695**	**-62.6%**

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

BANCO BPM GROUP

Reclassified consolidated income statement with restatement of the impact of Purchase Price Allocation (PPA) and of the impact from the change in own credit risk (OCR) on own liabilities at FV into separate line items (post-tax)

(in euro thousand)	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019 restated	Q2 2019 restated	Q1 2019 restated
Net interest income	519,921	479,507	474,114	473,959	495,805	512,117	499,188
Income (loss) from investments in associates carried at equity	36,768	48,036	22,266	33,917	27,952	32,628	36,758
Net interest, dividend and similar income	**556,689**	**527,543**	**496,380**	**507,876**	**523,757**	**544,745**	**535,946**
Net fee and commission income	417,651	376,371	440,563	462,167	444,065	453,673	434,518
Other net operating income	11,675	14,855	16,744	16,129	17,785	17,928	24,182
Net financial result	157,325	82,712	760	223,037	61,363	722	81,725
Other operating income	**586,651**	**473,938**	**458,067**	**701,333**	**523,213**	**472,323**	**540,425**
Total income	**1,143,340**	**1,001,481**	**954,447**	**1,209,209**	**1,046,970**	**1,017,068**	**1,076,371**
Personnel expenses	-356,950	-397,954	-419,025	-437,052	-415,622	-417,984	-425,873
Other administrative expenses	-159,797	-154,094	-154,580	-149,780	-158,632	-163,135	-167,019
Net value adjustments on property and equipment and intangible assets	-64,796	-61,710	-61,379	-69,289	-68,586	-67,745	-63,329
Operating costs	**-581,543**	**-613,758**	**-634,984**	**-656,121**	**-642,840**	**-648,864**	**-656,221**
Profit (loss) from operations	**561,797**	**387,723**	**319,463**	**553,088**	**404,130**	**368,204**	**420,150**
Net adjustments on loans to customers	-324,340	-262,999	-213,243	-220,499	-208,387	-197,692	-151,952
Profit (loss) on fair value measurement of tangible assets	-316	-5,094	-322	-131,012	-739	-19,306	-7,476
Net adjustments on other assets	104	-3,728	-4,655	1,596	4,138	3,996	-3,971
Net provisions for risks and charges	907	-9,809	2,195	-62,633	-2,712	-10,102	4,422
Profit (loss) on the disposal of equity and other investments	1,324	129	91	-3,638	-24	336,646	167
Income (loss) before tax from continuing operations	**239,476**	**106,222**	**103,529**	**136,902**	**196,406**	**481,746**	**261,340**
Tax on income from continuing operations	-22,464	-13,293	-25,707	-31,745	-51,460	-24,138	-56,810
Systemic charges after tax	-53,001	-18,169	-57,515	-4,495	-31,521	-15,240	-41,621
Income (loss) attributable to minority interests	2,520	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	**166,531**	**76,297**	**20,278**	**109,909**	**115,271**	**445,593**	**164,155**
Purchase Price Allocation (PPA) net of tax	-11,422	-11,962	-6,565	-3,650	-3,842	-4,700	-2,462
Impact from the change in OCR on own liabilities at FV net of tax	2,194	-110,739	137,922	-10,487	-13,184	6,677	-6,279
NET INCOME (LOSS) FOR THE PERIOD	**157,303**	**-46,404**	**151,635**	**95,772**	**98,245**	**447,570**	**155,414**

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

BANCO BPM GROUP

Reclassified consolidated income statement with restatement of the impact of Purchase Price Allocation (PPA) and of the impact from the change in own credit risk (OCR) on own liabilities at FV into separate line items (post-tax)

(in euro thousand)	30/09/2020	30/09/2019 restated	Variaz.	Var. %
Net interest income	1,473,542	1,507,110	-33,568	-2.2%
Income (loss) from investments in associates carried at equity	107,070	97,338	9,732	10.0%
Net interest, dividend and similar income	**1,580,612**	**1,604,448**	**-23,836**	**-1.5%**
Net fee and commission income	1,234,585	1,332,256	-97,671	-7.3%
Other net operating income	43,274	59,895	-16,621	-27.8%
Net financial result	240,797	143,810	96,987	67.4%
Other operating income	**1,518,656**	**1,535,961**	**-17,305**	**-1.1%**
Total income	**3,099,268**	**3,140,409**	**-41,141**	**-1.3%**
Personnel expenses	-1,205,512	-1,259,479	53,967	-4.3%
Other administrative expenses	-468,471	-488,786	20,315	-4.2%
Net value adjustments on property and equipment and intangible assets	-185,453	-196,996	11,543	-5.9%
Operating costs	**-1,859,436**	**-1,945,261**	**85,825**	**-4.4%**
Profit (loss) from operations	**1,239,832**	**1,195,148**	**44,684**	**3.7%**
Net adjustments on loans to customers	-800,582	-558,031	-242,551	43.5%
Net adjustments on other assets	-8,279	4,163	-12,442	
Net provisions for risks and charges	-6,707	-2,192	-4,515	206.0%
Income (loss) before tax from continuing operations	**424,264**	**639,088**	**-214,824**	**-33.6%**
Tax on income from continuing operations	-53,084	-153,313	100,229	-65.4%
Systemic charges after tax	-110,516	-73,142	-37,374	51.1%
Income (loss) attributable to minority interests	3,762	5,760	-1,998	-34.7%
NET INCOME (LOSS) BEFORE THE IMPACT OF PPA AND OF THE FV ON OWN LIABILITIES	**264,426**	**418,393**	**-153,967**	**-36.8%**
Purchase Price Allocation (PPA) net of tax	-29,949	-11,004	-18,945	172.2%
Impact from the change in OCR on own liabilities at FV net of tax	29,377	-12,786	42,163	
NET INCOME (LOSS) FOR THE PERIOD	**263,854**	**394,603**	**-130,749**	**-33.1%**

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