PRESS RELEASE

RESULTS AS AT 30 JUNE 2021

► NET PROFIT: € 361 MILLION (+243.4% YOY); ADJUSTED NET PROFIT[1]: € 382 MILLION

The results confirm the effectiveness of the actions on the business and on cost containment

► CORE NET PERFORMING LOANS[2] UP AT € 99.8 BILLION (+5.1% YOY)

► GROSS NPE RATIO[3] IMPROVING TO 6.2% (FROM 7.5% IN Q1 – 2021), WHICH DROPS TO 5.2% CALCULATED ACCORDING TO THE EBA METHODOLOGY[4]

The additional progress in the risk profile was achieved by maintaining solid levels of loan coverage

► SOLID EQUITY POSITION: CET 1 RATIO FULLY PHASED AT 12.9% - MDA BUFFER FULLY PHASED AT 402 BASIS POINTS

The ratios and capital buffers remain at high levels even after absorbing significant regulatory headwinds

► REDEFINITION OF BANCASSURANCE PARTNERSHIPS COMPLETED

The renewed agreement with Covéa last June, which follows that with Cattolica, outlines a more flexible business model, which contributes to further development of the Bank's revenues

ECONOMIC RESULTS OF THE HALF-YEAR GROWING SHARPLY

- **"CORE" REVENUES[5] AT € 1,969 MILLION, +11.2% YOY, ALSO UP ON THE PRE-COVID PERIOD**

1 Amount net of non-recurring components as indicated in section 5 of the Explanatory Notes of this press release.
2 Mortgages, loans, current accounts and personal loans.
3 Ratio of gross non-performing exposures and total exposures relating to the balance sheet item "Loans to customers measured at amortised cost".
4 Methodology used by EBA for the presentation of data in the context of the EU Transparency Exercise.
5 Aggregate consisting of net interest income and net fee and commission income.

- **OPERATING INCOME AT € 2,324 MILLION, +18.8% YOY**
- **INCOME FROM OPERATIONS[6] AT € 1,048 MILLION, +48.2% YOY**
- **COST/INCOME RATIO[7] AT 54.9% COMPARED TO 63.8% AT THE END OF JUNE 2020**
- **COST OF RISK AT 86 BPS, DROPPING TO 52 BPS EXCLUDING THE NON-CORE COMPONENTS[8]**
- **NET PROFIT OF € 361 MILLION, +243.4% YOY, € 382 MILLION ADJUSTED, +197.5% YOY**

HIGHLY SIGNIFICANT QUARTERLY PERFORMANCE:

- **OPERATING INCOME AT € 1,196 MILLION, +6.0% QOQ**
- **INCOME FROM OPERATIONS AT € 564 MILLION, +16.6% QOQ**
- **NET PROFIT OF € 261 MILLION, +161.0% QOQ, € 231 MILLION ADJUSTED, +53.3% QOQ**

FINALISATION OF AN ADDITIONAL STEP IN THE DERISKING STRATEGY:

- **THE ASSIGNMENT OF NON-PERFORMING LOANS EQUAL TO € 1.5 BILLION IN BAD LOANS FINALISED IN Q2 ("ROCKETS" PROJECT) RESULTED IN:**
  - **A REDUCTION IN GROSS BAD LOANS TO 2.1 BILLION FROM € 3.6 BILLION AS AT 31 MARCH 2021 (-40.6%), WITH A DECREASE IN THE INCIDENCE ON GROSS LOANS FROM 3.1% AT THE END OF MARCH TO 1.9%**
  - **A REDUCTION IN GROSS NON-PERFORMING LOANS TO € 7.1 BILLION FROM € 8.7 BILLION AS AT 31 MARCH (-18.6%), WITH A DECREASE IN THE GROSS NPE RATIO FROM 7.5% AT THE END OF MARCH TO 6.2%, WHICH DROPS TO 5.2% USING THE EBA METHODOLOGY**
- **FURTHER IMPROVEMENT IN THE TEXAS RATIO[9] TO 31.4% AGAINST 37.1% AS AT 31 MARCH 2021 AND AT 38.6% AT THE END OF 2020**

SIGNIFICANT GROWTH IN CORE BUSINESS VOLUMES

---

[6] This interim result does not include banking industry charges, equal to € -78.6 million, the accounting effects of the Purchase Price Allocations (PPA) carried out in previous years, equal to € -20.0 million, the income deriving from the impact of the realignment of tax values to book values of operating property, equal to € 79.2 million, or the effects of the change in the credit rating of the Group on its certificate issues, equal to € -11.9 million. Effective from 31 December 2020, these components are stated, net of taxes, in separate items of the reclassified income statement. The data from previous periods used for comparison have been re-stated accordingly.

[7] Calculated as the ratio between operating expenses and operating income resulting from the reclassified Income Statement.

[8] Management data.

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

- **CORE NET PERFORMING LOANS TO CUSTOMERS EQUAL TO € 99.8 BILLION (+5.1% YOY)**
- **NEW DISBURSEMENTS TO CUSTOMERS AMOUNTED TO € 12.1[10] BILLION, OF WHICH € 4.7 BILLION RELATING TO THE MEASURES SECURED BY STATE GUARANTEE**
- **CORE DIRECT FUNDING[11] EQUAL TO € 104.2 BILLION (+11.9% YOY)**
- **MANAGED ASSETS AT € 62.9 BILLION (+8.8% YOY), WITH POSITIVE NET INFLOWS OF € 1.7 BILLION SINCE THE BEGINNING OF THE YEAR**

RESILIENT PORTFOLIO UNDER THE COVID-19 MORATORIA

- **PERFORMING COVID-19 MORATORIA DECREASED TO € 4.8 BILLION AT THE BEGINNING OF AUGUST:**
  - **DOWN 70% COMPARED TO THE ORIGINAL € 16.2 BILLION**
  - **EQUAL TO AROUND 4.3% OF THE LOANS PORTFOLIO**

CONFIRMATION OF THE SOLID EQUITY POSITION WITH A CET 1 RATIO FULLY PHASED AT 12.9% AND AN MDA BUFFER FULLY PHASED AT 402 BPS, WHICH INCLUDE 95 BPS OF EXPECTED REGULATORY HEADWINDS RECOGNISED DURING THE HALF YEAR

SOLID LIQUIDITY POSITION, WITH LCR AT 216%, NSFR >100% AND UNENCUMBERED ELIGIBLE ASSETS OF APPROXIMATELY € 16.5 BILLION[12]

POSITIVE EU-WIDE STRESS TEST RESULTS, WHICH CONFIRMED THE BANK'S ABILITY TO GENERATE VALUE UNDER THE BASELINE SCENARIO AND TO SUPPORT SIGNIFICANT SHOCK IN THE ADVERSE SCENARIO, WITH RESULTS BETTER THAN THE PREVIOUS STRESS TEST (2018), EVEN CONSIDERING A HIGHLY PENALISING ADVERSE SCENARIO

FURTHER ACCELERATION IN ONLINE CUSTOMER ACTIVITY AND RANGE OF SERVICES AND PRODUCTS OFFERED:

- **SIGNIFICANT GROWTH IN CUSTOMERS USING THE NEW MOBILE APP, WHICH ROSE TO 1.5 MILLION (+ 15% YOY), WITH EXCELLENT LEVELS OF CUSTOMER SATISFACTION WITH THE SERVICES OFFERED (MOBILE APP RATINGS: 4.7/5.0 IOS AND 4.6/5.0 ANDROID)**
- **ONGOING REDUCTION IN BRANCH ACTIVITIES REGARDING TRANSACTIONAL OPERATIONS (SHARE OF REMOTE RETAIL TRANSACTIONS ROSE TO 85% OF THE TOTAL)**

[10] Management data.
[11] Current accounts and deposits.
[12] Monthly Liquidity Coverage Ratio in June 2021 and management Net Stable Funding Ratio referred to the second quarter of 2021.

ESG INTEGRATION INTO THE BUSINESS MODELS CONTINUES, WITH CONSIDERABLE RECOGNITION ALSO FROM ESG RATING AGENCIES:

- **GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK PUBLISHED**
- **FIRST SOCIAL BOND ISSUE OF € 500 MILLION SUCCESSFULLY CONCLUDED IN JULY, TO FINANCE SMES IMPACTED BY THE PANDEMIC EMERGENCY**
- **IMPROVEMENTS IN ESG RATINGS ASSIGNED BY STANDARD ETHICS, ISS AND SUSTAINALYTICS**

During the half, despite the difficult macroeconomic framework, continuing to be impacted by the Covid-19 health crisis, the Group's commercial and organisational efforts have enabled it to record a notable recovery in operating results. In particular, operating income recorded an excellent performance, amounting to € 2,324 million, marking growth of 18.8% compared to the same period in the previous year. This figure also represents a highly positive result, bringing the level of operating income back to that of the period prior to the crisis triggered by the pandemic.

The operating income performance allowed the Group to record profit from operations equal to € 1,048 million, up by 48.2% compared to the first half of 2020.

Pre-tax profits reached € 526 million, against € 210 million in the previous year, with a 150.7% increase. On an adjusted basis, this result was even higher, at € 644 million, with a 196.7% increase.

By virtue of the dynamics reported above, the net result for the half year reached € 361.3 million, against € 105.2 million in the previous year, with a 243.4% increase. The adjusted net result rose to € 382 million (+197.5% YoY).

The figures for the second quarter show economic performance that confirms and improves upon the positive results previously recorded in Q1.

Operating income amounted to € 1,196 million, up by 6.0% on the first quarter, while the growth in profit from operations was even greater, reaching € 564 million during the quarter (+16.6% QoQ).

Profit after tax from continuing operations came to € 216 million, with a 22.4% increase QoQ.

Lastly, the net result for the quarter stood at € 261.2 million, compared to € 100.1 million in the first quarter, up by 161.0% QoQ. At adjusted level, that result came to € 231.2 million (+53.3% QoQ).

As regards non-performing loans, the derisking process was further accelerated with the assignment of € 1.5 billion in bad loans finalised in June ("Rockets Project").

Specifically, that project enabled a significant reduction in bad loans, bringing their incidence on total gross loans from 3.1% as at 31 March 2021 to 1.9% at 30 June 2021, and bringing total gross non-performing loans from € 8.7 billion to € 7.1 billion, with a gross NPE ratio down from 7.5% to 6.2% (5.2% calculated using the EBA methodology).

The loan portfolio continues to be closely monitored, through a constant review of the customers' credit profile, whereby special attention was given to positions for which Covid-19 moratoria have been granted, which, also given the low adherence of customers to the "Sostegni BIS" Decree Law (Second Support Decree Law), decreased significantly, to € 4.8 billion in performing loans at the beginning of August (-70% against € 16.2 billion granted originally) and which, in relation to past due positions at the end of June[13], recorded a default rate of 1.25%.

Disbursements secured by State guarantee over the half year were equal to € 4.7 billion (out of a total disbursed amount of medium/long-term loans of € 12.1 billion), bringing the total disbursed amount of said secured loans to € 14.9 billion in the period from 2020 to the end of the first half of 2021.

An extremely healthy equity position was confirmed, even after the impact of the expected regulatory headwinds (-95 bps):

- ***CET1 Ratio phased-in and CET1 Ratio fully phased at 14.1% and 12.9% respectively;***
- ***MDA buffer on TCR phased-in and fully phased equal to 539 basis points and 402 basis points, respectively.***

During the half year, the bancassurance partnership agreements with Cattolica Assicurazioni (for the joint ventures Vera Vita and Vera Assicurazioni) and with Covéa (for the joint ventures Bipiemme Vita and Bipiemme Assicurazioni) were redetermined. The new agreements grant Banco BPM the right to an early exit from the two partnerships, thereby guaranteeing significant strategic flexibility for the future development of the Group's business model.

Key balance sheet items

- Net loans to customers equal to € 109.4 billion: +0.9% YoY (of which performing loans +2.6% and non-performing loans -31.2% compared to 30 June 2020) and stable compared to 31 December 2020 (of which performing loans +0.6% and non-performing loans -13.4%);
- Direct funding from customers[14] equal to € 122.6 billion: +7.1% YoY and +2.0% compared to the end of December 2020): the growth trend in the "core" funding

[13]Expired moratoria include positions for which payments have resumed, positions fully repaid and cancelled and those replaced by other classifications.

[14] Direct funding includes certificates with unconditional capital protection (€ 3.6 billion as at 30 June 2021 compared to € 3.7 billion at the end of 2020), and excludes repurchase agreements.

was confirmed (€ +11.1 billion YoY and € +4.2 billion compared to the end of 2020);

- Indirect funding from customers[15] equal to € 96.5 billion: +9.1% YoY and +5.3% compared to 31 December 2020, of which:
  - asset management € 62.9 billion;
  - asset administration € 33.5 billion.

Key income statement items

- Net interest income:
  - € 522.4 million in Q2 2021 (€ 496.8 million in Q1 2021; +5.1%)
  - € 1,019.2 million in H1 2021 (€ 953.6 million in H1 2020; +6.9%)
- Net fee and commission income:
  - € 478.7 million in Q2 2021 (€ 471.4 million in Q1 2021; +1.5%)
  - € 950.1 million in H1 2021 (€ 816.9 million in H1 2020; +16.3%)
- Operating expenses:
  - € 631.6 million in Q2 2021 (€ 643.9 million in Q1 2021; -1.9%)
  - € 1,275.5 million in H1 2021 (€ 1,248.7 million in H1 2020; +2.1%)
- Profit (loss) from operations:
  - € 564.2 million in Q2 2021 (€ 483.8 million in Q1 2021; +16.6%)
  - € 1,048.0 million in H1 2021 (€ 707.2 million in H1 2020; +48.2%)
- Net adjustments to customer loans:
  - € 255.5 million in Q2 2021 (€ 217.1 million in Q1 2021; +17.7%)
  - € 472.6 million in H1 2021 (€ 476.2 million in H1 2020; -0.8%)
- Profit (loss) before tax from continuing operations[16]:
  - € 266.7 million in Q2 2021 (€ 259.1 million in Q1 2021; +2.9%)
  - € 525.8 million in H1 2021 (€ 209.8 million in H1 2020; +150.7%)
- Profit (loss) before tax from continuing operations adjusted:[17]
  - € 309.2 million in Q2 2021 (€ 334.9 million in Q1 2021; -7.7%)
  - € 644.1 million in H1 2021 (€ 217.1 million in H1 2020; +196.7%)
- Net result:
  - € 261.2 million in Q2 2021 (€ 100.1 million in Q1 2021; +161.0%)
  - € 361.3 million in H1 2021 (€ 105.2 million in H1 2020; +243.4%)
- Adjusted net result net of non-recurring components:
  - € 231.2 million in Q2 2021 (€ 150.8 million in Q1 2021; +53.3%)
  - € 382.0 million in H1 2021 (€ 128.4 million in H1 2020; +197.5%)

Equity position[18]**:**

[15] Management data net of certificates with unconditional capital protection included under "direct funding".
[16] See note 6.
[17] Amount net of non-recurring components as indicated in section 5 of the Explanatory Notes of this press release.
[18] Ratios calculated by including the 2021 H1 profit and deducting the expected dividend pay-out on said profit.

- CET1 ratio “IFRS9 *fully-phased*” 12.9% (12.7% as at 31 March 2021);
- CET 1 ratio “IFRS9 *phased-in*” 14.1% (13.7% as at 31 March 2021);
- MDA buffer on TCR “fully phased IFRS 9” 402 basis points
- MDA buffer on TCR “IFRS9 *phased-in*” 539 basis points

Credit quality

- Stock of net non-performing loans equal to € 3.7 billion: -13.4% compared to the end of 2020 and -31.2% YoY
- Decrease in the incidence of gross bad loans on the total portfolio of non-performing loans (to 30.1% from 41.7% at the end of 2020) and an increase in the secured component of bad loans to 69%, compared to 64% at the end of 2020 (calculated on gross values);
- *Coverage:*
    - Bad loans: 55.4% (56.1% as at 30 June 2020); considering also write-offs, the coverage was 65.1%;
    - Unlikely to pay: 44.6% (39.3% as at 30 June 2020);
    - Total non-performing loans: 47.4% (45.1% as at 30 June 2020); considering also write-offs, the coverage was 51.4%.

Liquidity profile

- *Unencumbered eligible assets* of € 16.5 billion as at 30 June 2021;
- TLTRO III at € 37.5 billion
- LCR 216% and NSFR >100%[19].

Milan, 5 August 2021 - At today's meeting, chaired by Mr. Massimo Tononi, the Board of Directors of Banco BPM approved the balance sheet and income statement as at 30 June 2021 of the Banco BPM Group.

The first half of 2021 was still strongly impacted by the international emergency triggered by the Coronavirus epidemic. In this context, characterised by heavy repercussions on the global economy as well as on business operations, the Group continued to implement the measures put in place during the previous year in order to protect customers and its employees, as well as provide concrete support to businesses, households and the communities in which the Group operates, in observance of regulations in force.

As part of the economic support measures, the total amount of moratoria on performing loans granted by the *Decreto Cura Italia* (Heal Italy Decree) and by the Protocollo ABI (Italian Banking Association protocol) in place at 1 August 2021 came to € 4.8 billion, down by 70% compared to an original € 16.2 billion, with a default rate on expired moratoria as at 30 June 2021 limited to 1.25%. Disbursements secured by State guarantee over the first half were equal to € 4.7 billion (out of a total

[19]Monthly LCR in June 2021 and management NSFR relating to the first quarter of 2021.

disbursed amount of medium/long-term loans of € 12.1 billion), bringing the total disbursed amount of said guaranteed loans to € 14.9 billion.

The Group continued to strengthen customer digital operations as part of the Digital and Omnichannel Transformation programme (".DOT"). In particular, in the first half of 2021, the following should be noted: the full deployment of the new mobile apps/solutions for private customers, which were warmly received based on customer feedback/reviews and increased levels of use (mobile app ratings: 4.7/5.0 iOS and 4.6/5.0 Android, as surveyed on 28 July 2021); new releases/functionalities of on-line services for Business customers, whose satisfaction grew by around 6 p.p.; authorisation of all branches to activate the "Digital Identity" for the Individuals customer category, with a view to a gradually paperless relationship with the Bank, to which the first 100,000 customers adhered; the provision to all Personal customers of remote advisory and financial solutions, initially capitalising on the simplification of the rules introduced, and more recently by developing the "signature clearing room", extended to all Individual customers; the continuation of the development of "Omnichannel Sales", both in terms of functionality/product availability and in terms of support/development through new touch point Omnichannel Customer Journey, based on advanced analytics.

Regarding Digital Adoption, the number of customers using the new app is sharply growing, exceeding 1.5 million, with growth of 15% on the same period of 2020. The share of private customers that carried out transactions online in the first half of 2021 rose to 53% from 48% in the same period of the previous year.

The total incidence of remote transactions (ATM, internet and mobile banking) in the Retail segments (individual + businesses) came to 85% in the half year (from 82% in the first half of 2020 and 73% in the same period of 2019), further lightening the branch activities dedicated to transactional operations. Due to the positive contribution of the Group's new APP, the number of mobile transactions exceeded 10 million in the half year, recording a growth of over 50% compared to the same period of 2020.

As regards ESG, in July Banco BPM finalised the placement of its first Social Bond issue (Senior Preferred) intended for institutional investors for an amount of € 500 million, with an annual coupon of 0.875%, maturing on 15 July 2026.
The bond, issued within the sphere of the recently published Green, Social and Sustainability Bond Framework under the € 25 billion EMTN programme, will finance a selected portfolio of SMEs that have been granted disbursements covered by the public guarantee envisaged by the Liquidity Decree to address the Covid-19 emergency.
The Framework integrates perfectly with Banco BPM's ESG (Environmental, Social and Governance) strategy and represents the effective implementation of the environmental and social sustainability objectives that will increasingly guide and characterise the Bank's various business areas.
Banco BPM also obtained certification for its Framework from the Institutional Shareholder Services companies group (ISS) as an independent party with expertise on environmental, social and sustainability issues: Second Party Opinion (SPO).
The issue had great interest from institutional investors, to which it was targeted, and was mainly subscribed by Banks (43%) and Funds (40%).
During the half year, considerable recognition was also obtained from ESG rating agencies. In particular, in June, Standard Ethics upgraded the ESG rating from EE- to EE; in April, ISS improved the Governance Quality Score from 7 to 1 and, in July, Sustainalytics improved the assigned ESG risk rating from 27.7 to 25.5.

Lastly, during the second quarter, the work of the 7 business initiatives of the ESG Action Plan launched in February continued at full operation, with the aim of solidifying the integration of Sustainability within company activities and the business.

During the first half, the Group further accelerated the derisking process through a plan for the assignment of non-performing loans for a total of € 1.65 billion, gross (including some "small tickets").

This includes "Project Rockets", which entailed the assignment of bad loans for a gross amount of € 1.5 billion.
That operation was finalised in June, in the form of a securitisation, with the assignment of loans to the special purpose vehicle Aurelia SPV S.r.l., which issued the Notes (Senior, Mezzanine and Junior). A State guarantee (GACS) will be requested on the Senior Notes, whose extension was approved by the European Commission. 95% of the mezzanine and junior notes were purchased by companies controlled by Elliott funds.

The completion of this transaction had a significant positive effect for the Group in terms of the reduction in the stock of gross non-performing loans, which fell from € 8.6 billion at the end of 2020 to € 7.1 billion as at 30 June, and improvement in the credit quality indicators, with a reduction of the gross NPE ratio from 7.5% to 6.2%. With regard solely to gross bad loans, the decrease from € 3.6 billion to € 2.1 billion (-40.7%) reduced their incidence on total gross loans from 3.1% to 1.9%.

In March, the Group also signed an important agreement with Cattolica Assicurazioni, which regulates the terms and methods of continuation of the partnership in the bancassurance sector.
More specifically, the agreement provides, in exchange for Banco BPM's waiving of the call already exercised[20], for the recognition to Banco BPM of a right of early exit from the partnership, originally due to end in 2033, which can be exercised in the period between 1 January and 30 June 2023. In particular, the parties agreed to grant Banco BPM an unconditional purchase option on the 65% stake held by Cattolica in the JV Vera Vita and Vera Assicurazioni.
The agreement provides for protection mechanisms for both parties linked to the exercise price of the call and to the price adjustments for any retained profits, distributions of reserves or extraordinary dividends or share capital increases or capital payments in regard to the joint ventures.

Moreover, at the end of June, Banco BPM redefined the agreements for the partnership currently in place with the Covéa, referring to the joint ventures Bipiemme Vita, 81%-owned by Covéa Coopérations and 19%-owned by Banco BPM, and Bipiemme Assicurazioni, wholly-owned by Bipiemme Vita.
Those agreements also provide for the recognition, in favour of Banco BPM, of an unconditional option to purchase 81% of the capital of Bipiemme Vita, which can be exercised in the period from 8 September 2021 to 31 December 2023. Where said option is not exercised, the partnership can continue until the end of 2028, except where the put and call options recognised respectively to Covéa and the Bank are exercised in given time windows.

In May, through its subsidiary Banca Akros, Banco BPM acquired 100% of the capital of Oaklins Italy S.r.l., for a consideration of € 3.5 million.
Due to that acquisition, Banca Akros will access an international network operating in M&A, complementary to the domestic investment banking already conducted by the Bank, thereby enhancing its offering to its customers of M&A and financial advisory services.

---

[20] On 15 December 2020, Banco BPM informed Cattolica of its intention to exercise the call option on the controlling stakes held by Cattolica in the capital of the Vera Vita and Vera Assicurazioni joint ventures.

During the first half, the Group also carried out several important capital management operations: in January, the third issue of Additional Tier 1 instruments was launched for an amount of € 400 million, targeted to institutional investors, while in June the placement of a Subordinated Tier 2 Bond issue, targeted to institutional investors, for a nominal value of € 300 million and a 10-year maturity was completed, as part of the Group's Euro Medium Term Notes Programme.

It should also be noted that, in first half, in agreement with the Trade Union Organisations, the agreed number of employees that will be encouraged to retire on a voluntary basis was increased from 1,500 to 1,607 (without additional expenses) while the number of new hires to be carried out was increased from 750 to around 800. More than half of agreed retirements took place by June 2021; as a consequence, the cost savings deriving from the exits shall be registered essentially starting from the third quarter of 2021. Moreover, during the period the reorganisation and streamlining plan of the commercial network was completed, which involved the closure of 300 small-sized outlets.

Moreover, as part of the initiatives to streamline the Group's corporate and operational structure, simplify the structure, optimise and enhance the value of resources, and reduce costs, on 19 July, the merger by incorporation of the subsidiary ProFamily S.p.A. into Banco BPM was finalised, and, also in July, the plan for merger by incorporation of the subsidiary Release into the Parent Company was approved, which is tentatively planned by the end of the year.

Lastly, on 30 July 2021, the EBA announced the results of the EU-wide stress tests, in which Banco BPM also participated.
The Stress Tests were conducted using a particularly penalizing adverse scenario, together with a starting point (final data as at 31 December 2020) which had already been impacted by the consequences of the pandemic.
Banco BPM achieved significant results, highlighting:

- the ability to generate value in the Baseline scenario;
- resilience to significant shock in the adverse scenario, achieving better results than in the previous stress tests conducted in 2018, even considering the particularly penalising scenario, as noted;
- results exceeding the minimum capital requirements.

In this context, which continues to be characterised by significant uncertainty at the global and Italian level, directly or indirectly related to the Coronavirus epidemic, the Group reported an operating profit[21] of € 1,048.0 million and a net profit of € 361.3 million. Excluding non-recurring components represented essentially by higher adjustments connected to the increase in the non-performing loan assignment target and the impact of the realignment of tax values to book values of operating property, net profit was equal to € 382.0 million.

Economic performance of operations in H1 2021 compared to H1 2020

Net interest income was equal to € 1,019.2 million, a 6.9% increase on the first half of 2020 (€ 953.6 million): this was due to the greater contribution made by TLTRO III financing operations which, in view of the achievement of the net lending objectives, starting from 24 June 2020, provide for the

[21] See note 6.

payment of a special interest rate, equal to -0.5%, in addition to the rate applied for the entire duration of the loan.[22]

The **profit from equity investments measured with the equity method** was equal to € 98.1 million, up compared to the figure for the corresponding period of last year (€ 70.3 million). The amount in the first half of 2021 includes the contribution of the associate Anima Holding[23] (equal to € 34.5 million), measured at equity since the second quarter of 2020.
The main contribution to the item in question is provided by consumer credit channelled from the equity interest held in Agos Ducato, equal to € 50.8 million, up compared to € 47.6 million in H1 2020.

Net fee and commission income in the first half totalled € 950.1 million, marking significant growth (+16.3%) compared to the same period of the previous year.
This trend is attributable to the contribution from both management, brokerage and advisory services (+24.8% compared to 30 June 2020), and the commercial banking services segment (+8.7% compared to the first half of 2020).

Other net operating income totalled € 39.9 million, compared to the figure of € 31.6 million for the first half of the previous year.

The **net financial result[24]** for the first half was a positive € 216.3 million compared to the figure of € 83.5 million recorded as at 30 June 2020; specifically, during the half, excellent results derived from the gains in disposal of securities for € 90.9 million, profit on trading of € 65.6 million and the total result of the measurement of assets and liabilities at fair value for € 49.5 million.

By virtue of the trends described, the total **operating income** therefore amounted to € 2,323.5 million, a considerable increase compared to € 1,955.9 million recorded in the same period of the previous year (+18.8%).

Personnel expenses, of 844.0 million, showed growth of 3.3% compared to the € 817.0 million in the first half of 2020, which had benefited from the savings relating to the provisions allocated for the incentive system in the previous year. As at 30 June 2021, the total number of employees was 20,551, down compared to 21,663 resources at the end of 2020, due to the exit of around 1,000 resources on 30 June 2021 as part of the programme entailing the use of the Solidarity Fund for the sector. That decrease in personnel will result in cost savings starting from the second half of 2021.

Other administrative expenses[25], equal to € 308.0 million, are substantially in line with the figure for the first half of 2020, equal to € 308.7 million.

Value adjustments on property, plant and equipment and intangible assets were equal to € 123.5

---

[22] For the period from 24 June 2020 to 23 June 2021 (special interest period), the Bank was able to benefit from a special interest rate on TLTRO III refinancing operations equal to -0.50% in addition to the average rate applicable to Deposit facilities (currently -0.50%), given that, as at 31 March 2021, the amount of eligible loans significantly exceeded the amount of those loans as at 1 March 2020. The aforementioned 0.50% special interest rate will also be applied to the 24 June 2021-23 June 2022 period, provided that the amount of eligible loans as at 31 December 2021 is at least equal to their amount as at 1 October 2020. As at 30 June 2021, the amount of eligible loans was well above this threshold.
[23] For an illustration of the methods used to recognise the contribution of Anima Holding, please refer to Explanatory Note no. 8.
The item does not include the accounting effect, shown in a separate item of the reclassified income statement, of the change in the credit rating of the Group in regard to the fair value measurement of its own certificate issues, which led to the recognition of a € -17.8 million charge in the half, compared to the positive impact of € +40.6 million recorded as at 30 June 2020.[24]
[25] The aggregate does not include the "systemic charges", represented by the contributions to the Resolution Funds, reported in a separate item of the reclassified income statement, net of the relative tax.

million, in line with the figure of € 123.1 million in the first half of 2020.

Total **operating expenses** therefore amounted to € 1,275.5 million, up by 2.1% compared to € 1,248.7 million in the first half of 2020.

Profit from operations in the first half stood at € 1,048.0 million, up by 48.2% compared to € 707.2 million in the same period of the previous year.

Net adjustments on loans to customers in the first half were equal to € 472.6 million, substantially in line with same period of the previous year (€ 476.2 million). Those adjustments also include the extraordinary charge deriving from the assignment of loans finalised as part of Project "Rockets" as a result of the change in the non-performing loans strategy decided during the half year, estimated at € 94.0 million;

As at 30 June 2021, the cost of credit, measured by the ratio of net value adjustments on loans to net loans, was 86 basis points, decreasing to 52 basis points excluding "non-core" components[26].

Fair value gains (losses) on property, plant and equipment show a loss of 36.9 million at 30 June 2021, compared to € 5.4 million in the first half of the previous year.

The item **net adjustments to securities and other financial assets** includes net gains of € 0.5 million (€ 8.3 million in net adjustments as at 30 June 2020).

Net provisions for risks and charges in the first half were equal to € 12.8 million, while in the corresponding period of the previous year, net provisions of € 7.6 million were recorded.

As at 30 June 2021, no significant **gains (losses) on disposal of interests in associates and joint ventures and other investments** were recognised, as also in the first half of last year.

Due to the trends described, the **income (loss) before tax from continuing operations** was equal to € 525.8 million compared to € 209.8 million in the first half of 2020.

Taxation charges on profit or loss from continuing operations were equal to € -133.3 million (€ -39.0 million in the first half of 2020).

Income (loss) after tax from continuing operations therefore was equal to € 392.5 million, a 129.9% increase compared to € 170.8 million in the first half of the previous year.

The income statement for the period also included **charges related to the banking system, net of taxes**, equal to € 78.6 million (€ 75.7 million in the first half of 2020), consisting of the ordinary contribution to the Single Resolution Fund (SRF) and the additional contribution to the National Resolution Fund (€ 116.4 million before tax, against € 112.1 million as at 30 June 2020).

The item **Impact of the realignment of tax values to book values** includes the positive impact on the income statement for € 79.2 million, resulting from the exercise of the right of realignment of the tax values of the Group's operating properties to book values.

---

[26] Management data.

In the period, the **change in the credit rating on Certificates issued by the Group, net of taxes**, has a negative impact equal to € 11.9 million (€ -17.8 million gross of taxes), with respect to the income recognised in the first half of 2020 equal to € 27.2 million (€ 40.6 million pre-tax), which felt the effects of the onset of the pandemic on the financial markets.

As at June 30, 2021, the impact of the **Purchase Price Allocation net of taxes** was equal to € -20.0 million, against € -18.5 million in the first half of 2020.

Considering the share of income due to non-controlling interests, equal to € 0.1 million, the first half of 2021 closed with a **net profit for the period** equal to € 361.3 million (€ 105.2 million as at 30 June 2020).

The **adjusted net result** came to € 382.0 million in the first half, compared to € 128.4 million recorded in the first half of 2020 (197.5%).

Economic performance of operations in Q2 2021 compared to Q1 2021

Net interest income totalled € 522.4 million, up by 5.1% from the figure in the first quarter of 2021 (€ 496.8 million), also due to the greater contribution from TLTRO-III loans.

The **result of investee companies measured using the equity method** is a positive € 56.5 million, with an increased contribution compared to that of the first quarter, amounting to € 41.5 million. Within this aggregate, the main contribution was provided by consumer credit, driven by the investment held in Agos Ducato and the result of Anima Holding.[27]

Net fee and commission income in the second quarter amounted to € 478.7 million, up by 1.5% compared to the extremely positive result recorded in the first quarter, mainly due to the contribution of fee and commission income on management, brokerage and advisory services (+3.6% compared to the first quarter).

Other net operating income totalled € 21.7 million, compared to the figure of € 18.2 million for the first quarter of 2021.

The net financial result in the second quarter was a positive € 116.5 million, compared to € 99.7 million in the first quarter, with significant growth of 16.9%, mainly due to the fair value measurement of certain positions in equity instruments.

By virtue of the trends described, the **total operating income** therefore amounted to € 1,195.9 million, up by 6.0% compared to € 1,127.7 million recorded in the first quarter.

Personnel expenses, equal to € 417.1 million, showed a decrease of 2.3% compared to the € 426.9 million in the first quarter, mainly due to the effects of one-off components of remuneration, which were an indirect effect of the pandemic.

Other administrative expenses[28] were stable, going from € 154.1 million in the first quarter of 2021 to € 153.9 million in the second quarter of 2021.

---

[27] For an illustration of the methods used to recognise the contribution of Anima Holding, please refer to Explanatory Note no. 8.
[28] The aggregate does not include the "systemic charges", represented by the contributions to the Resolution Funds, reported in a separate item of the reclassified income statement, net of the relative tax.

Net adjustments to property, plant and equipment and intangible assets totalled € 60.6 million, compared with the figure of € 62.8 million in the first quarter.

Total **operating expenses** therefore came to € 631.6 million, marking a decrease of 1.9% compared to € 643.9 million in the first quarter.

Profit from operations in the quarter stood at € 564.2 million, up by 16.6% compared to € 483.8 million in the first quarter.

Net adjustments to loans to customers came to € 255.5 million, marking an increase of 17.7% compared to the first quarter, aimed at guaranteeing the prudential provisioning standards.

The loss from the fair value measurement of property, plant and equipment came to € 37.0 million in the second quarter.

As a result of the trends described above, the **income from continuing operations before taxes** came to € 266.7 million compared to the € 259.1 million recorded in the first quarter.

Income tax on continuing operations for the period amounted to € 50.6 million (€ 82.7 million in the first quarter).

The income statement for the quarter included **charges related to the banking system, net of taxes,** of € 19.3 million, referring to the additional contribution to the National Resolution Fund. In the first quarter, the ordinary contribution to the Single Resolution Fund (SRF) of € 59.2 million was charged.

The item **Impact of the realignment of tax values to book values** includes the positive impact on the income statement for € 79.2 million, resulting from the exercise of the right of realignment of the tax values of the Group's operating properties to book values.

In the third quarter, the **change in the credit rating on Certificates issued by the Group, net of taxes**, generated a negative impact of € 5.1 million (€ 7.6 million before taxes), compared to the charge of € 6.8 million in the first quarter (€ 10.2 million gross).

In the second quarter, the impact of the **Purchase Price Allocation net of taxes** was equal to € -9.7 million, against € -10.3 million in the first quarter of 2021.

Given the share of the profit or loss attributable to non-controlling interests, the second quarter of 2021 ended with a net **profit for the period** of € 261.2 million, compared to the net profit of € 100.1 million recorded in the first quarter.

The adjusted net result was € 231.2 million in the second quarter, compared to € 150.8 million in the first quarter of 2021.

<u>Changes in key balance sheet items</u>

Direct customer funding[29] as at 30 June 2021 amounted to € 122.6 billion, up compared to 31 December 2020 by +2.0 and by 7.1% compared to 30 June 2020.
More specifically, over the period, there was an increase of € 4.5 billion in the segment represented by the current accounts and demand deposits of the commercial network (+4.6%)[30]. As regards bonds issued, the stock as at 30 June came to € 13.3 billion, down by € 1.5 billion compared to 31 December 2020, due to higher reimbursements of securities that had matured than new issues in the period.
In comparison on an annual basis, demand deposits increased by € 11.6 billion (+12.7%)[31], while the decrease in securities issued was equal to € 3.2 billion (-19.4%).
The funding guaranteed by the stock of certificates with unconditionally protected capital as at 30 June 2021 was equal to € 3.6 billion, substantially in line with the € 3.7 billion as at 31 December 2020 (€ 3.1 billion as at 30 June 2020).

Indirect customer funding, net of capital-protected certificates, was equal to € 96.5 billion, up 5.3% compared to 31 December 2020 and 9.1% on an annual basis.
The component of managed funding was equal to € 62.9 billion, an increase compared to the figure of € 59.6 billion as at 31 December 2020 (+5.6%), due to the contribution of funds and SICAVs and asset management. Deposits relating to the bancassurance sector were stable.
Administered assets reached € 33.5 billion, an increase of € 1.6 billion (+4.9%) compared to the end of 2020.
On an annual basis, managed assets increased by 8.8%, mainly due to the contribution of funds and SICAVs (€ +5.0 billion), while the administered asset component increased by 9.8%.

Financial assets were equal to € 46.0 billion, up by 11.6% compared to € 41.2 billion as at 31 December 2020; the increase was mainly concentrated in debt securities (+ € 5.8 billion) and, in particular, in the portfolio of securities measured at fair value through other comprehensive income. The aggregate in question as at 30 June 2021 consisted of debt securities for € 39.7 billion, equities and UCITS units for € 3.0 billion, derivative instruments for € 1.8 billion and other financial assets, mainly repurchase agreements, for € 1.4 billion. Holdings of debt securities issued by sovereign states were equal to € 34.8 billion, of which € 21.2 billion represented by Italian government securities. Investments in Italian government securities are classified under financial assets at amortised cost for € 13.2 billion, in the portfolio of financial assets measured at fair value through other comprehensive income for € 6.3 billion and in the portfolio of financial assets at fair value through profit and loss for € 1.6 billion, being held for trading.

Net loans to customers[32] totalled € 109.4 billion as at 30 June 2021, stable compared to the figure as at 31 December 2020. Performing exposures rose (+0.6%), with a volume of new loans to households and businesses of € 12.1[33] billion in the period, whereas non-performing exposures fell 13.4% compared to the end of 2020, due to the disposal transactions finalised in the first half. On an annual basis, net loans recorded an increase of € 1 billion (+0.9%), deriving from the balance of the increase in performing exposures of € 2.7 billion (+2.6%) and the decrease in non-performing loans of € 1.7 billion (-31.2%).

---

[29]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.
[30] Management data.
[31] Management data.
[32] The aggregate does not include loans to customers which, following the application of IFRS 9, must be measured at fair value. These loans, amounting to € 0.3 billion, are included in financial assets measured at fair value.
[33] Management data.

Net non-performing loans (bad loans, unlikely to pay and past due and/or overdue exposures) amounted to € 3.7 billion as at 30 June 2021.
An analysis of the individual items shows the following changes:

- net bad loans of € 0.9 billion, down by 35.2% compared to 31 December 2020 and 38.9% compared to 30 June 2020;
- unlikely to pay loans of € 2.7 billion, down by 4.0% compared to 31 December 2020 and 28.5% compared to 30 June 2020;
- net past-due exposures of € 96 million (€ 46 million as at 31 December 2020 and € 111 million as at 30 June 2020). This increase is due to the introduction, from 1 January 2021, of the new definition of default.

The coverage rate for the entire impaired loans aggregate came to 47.4% (50.0% as at 31 December 2020).
More specifically, as at 30 June 2021, the coverage ratio was as follows:

- bad loans 55.4% (59.1% as at 31 December 2020);
- Unlikely to pay loans 44.6% (43.7% as at 31 December 2020);
- past due 15.6% (26.4% at 31 December 2020).

The evolution of the coverage of non-performing loans is correlated to the significant decrease in the incidence of gross bad loans on the total portfolio of non-performing loans (from 41.7% at the end of 2020 to 30.1% as at June 2021) resulting from the finalisation of the Rockets assignment and an increase in the secured component of bad loans (from 64% at the end of 2020 to 69% in June 2021).

The *coverage ratio* of performing loans came out at 0.44%, stable compared to 31 December 2020.

Group capital ratios[34]

As at 30 June 2021, the phased-in Common Equity Tier 1 ratio stood at 14.1%, against 13.7% as at 31 March 2021. The increase in the ratio in the quarter is attributable to the growth in regulatory capital, primarily due to the result for the period of the growth in valuation reserves, as well a the decrease in deferred tax assets, transformed into tax credits following the assignment of bad loans of Project Rockets. That dynamic was only partially offset by the growth in risk-weighted assets, which was also impacted by the regulatory headwinds resulting from the new methods for calculating counterparty risk and credit risk relating to exposures in UCI shares and units in the banking book, which entered into force on 30 June 2021[35].
The phased-in ratio benefits from the exercise of the option for the full application of the transitional rules introduced with the new Article 473-bis of Regulation (EU) no. 575/2013, which dilutes over time the impact on own funds deriving from the application of the new impairment model introduced by the accounting standard IFRS 9. Excluding the impacts of the aforementioned transitional rules, the CET 1 ratio IFRS 9 *fully phased* stood at 12.9%, up compared to the figure as at 31 March 2021, equal to 12.7%.

The phased-in Tier 1 ratio was 15.8% compared to 15.4% as at 31 March 2021, while the Total Capital ratio came to 18.8%, compared to 17.9% as at 31 March 2021, increasing also due to the issue of a new Tier 2 instrument for € 300 million in June 2021.

[34] Ratios calculated by including the profit of the first half of 2021 and deducting the amount of the expected dividend pay-out for the year compared to the profit for the period under way.
[35] These regard the amendments to Regulation EU no. 575/2013, introduced by Regulation EU no. 876/2019.

The buffer compared to the limit set for the possibility of distributing dividends (*Maximum Distributable* Amount or MDA buffer) was equal to +539 basis points (against +500 basis points as at 31 March 2021)[36].

The fully-phased Tier 1 ratio was 14.5%, up compared to 14.3% as at 31 March 2021. The Total Capital ratio came to 17.5%, compared to 16.8% as at 31 March 2021.

The buffer compared to the limit set for the possibility of distributing dividends (*Maximum Distributable Amount* or MDA buffer) was equal to +402 basis points on a *fully phased* basis (compared to +375 basis points as at 31 March 2021).[37]

BUSINESS OUTLOOK

The ongoing pandemic continues to affect the global economic situation and the business outlook remains strictly dependent on both its evolution and the measures taken to combat it and contain its impacts on economic activity.
In that scenario, following a first quarter showing slight recovery, in the second quarter of the year the Italian economy recorded highly sustained growth, specifically benefiting from the strong recovery in market and industry service sectors, as well as substantial stability in agriculture.
The current trend, which led international organisations and research institutes to revise their estimates upwards, could also benefit from the use of the initial funds of Next Generation EU and the continuing favourable monetary conditions.
With regard to the operating performance of the Group in the rest of the year, the external context will inevitably continue to represent an important influence.
As things stand, core revenues, represented by net interest income and net fee and commission income, are expected to decrease slightly on those of the first half, reflecting seasonal elements typical of the second half of the year.
The actions will continue on curbing the trend of operating expenses, with a view to mitigating the negative impacts resulting from both the uncertain repeatability of certain recoveries and cost reductions that characterised last year, above all as regards personnel expenses, and the increases relating to the application of the national contract for the industry and the increase in IT investments.
The current level of the cost of credit is expected to be substantially confirmed.
Save for significant new deteriorations in the scenario, which, given the exceptional nature and uncertainty of the context cannot be ruled out, the Group expects to generate net earnings per share of around 35 cents which, also considering its robust equity position, should allow for remuneration of shareholders, with a pay out ratio of around 40%.
As regards the evolution of medium/long-term operations, the Group will present its new strategic plan by the date of approval of the balance sheet and income statement as at 30 September 2021.

***

Mr Gianpietro Val, as the financial reporting officer, in compliance with Art. 154 bis, Par. 2 of the Consolidated Finance Law, hereby states that the accounting information illustrated in this press release is consistent with documented evidence, accounting books and book- keeping entries.

[36] Data calculated by considering a countercyclical buffer of 0.002%.
[37] See previous note.

***

The Gruppo Banco BPM results as at 30 June 2021 will be presented to the financial community in the conference call scheduled for today, 5 August 2021 at 6:00 p.m. (CET). The supporting documentation for the conference call is available on the authorised storage system's website (www.emarketstorage.com) and on the Bank's website (www.bancobpm.it), where the details for connecting to the call can also be found.

The Consolidated Half-yearly Financial Report as at 30 June 2021 will be made available to the public, in accordance with the law, at the Company's registered office and at Borsa Italiana, as well as on the website www.gruppo.bancobpm.it and on the website of the authorised storage mechanism www.emarketstorage.com.

Explanatory notes

The comments on the performance of the key balance sheet and P&L items illustrated in this press release refer to the reclassified consolidated balance sheet and income statement attached below and included in the consolidated half-yearly financial Report as at 30 June 2021, which has been prepared in compliance with IAS 34 and approved today by the Board of Directors. Please find below some explanatory notes that are deemed useful to better understand the approach followed in preparing the above-mentioned accounting statements, as well as the information on the H1 results contained in this press 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 more easily understandable aggregate operating and financial data. These layouts have been prepared based on the financial statement layouts indicated in the Bank of Italy's Circular no. 262/2005, applying the same aggregation and classification criteria presented in the Consolidated Financial Statements as at 31 December 2020.
In order to guarantee a like-for-like comparison with the above consolidation and classification criteria, the data published in previous periods under comparison have been restated.
More specifically, 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 for all quarters under comparison under the ad hoc line-item "Impact from the change in own credit risk on certificates issued (OCR), after tax". This choice stems from the need to isolate the income effect from the volatility of the above Own Credit Risk, reported in particular in 2020, as from a management viewpoint it is not deemed representative of the Group's actual profitability.

The accounting standards adopted to prepare the accounting position as at 30June 2021 - 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 (IFRIC), endorsed by the European Commission and in force as at 30 June 2021, pursuant to EC Regulation no. 1606 of 19 July 2002.
Moreover, the communications of the Regulators (Bank of Italy, Consob, ESMA, EBA, ECB) were taken into consideration, insofar as applicable, which provide a clarification on how to interpret certain accounting standards or on the accounting treatment of specific transactions.

With regard to TLTRO III refinancing transactions, it should be pointed out that in the absence of specific indications in the accounting standards on the treatment of this particular case, the Group defined an internal accounting policy, based on which the financing is equated to a floating rate financial instrument, where the measurement of the interest applicable from time to time is estimated based on the likelihood that certain net lending targets are actually met. As a result, in the event that the achievement of the targets is deemed certain or likely, the reduction in interest rate, amounting to 0.5% for the period between 24 June 2020 and 23 June 2022, will be recognized through profit and loss over said period. To this regard, it should be pointed out that the interest accrued on the above liabilities recognized through profit and loss in H1 2021 (€ 165.5 million) has been ascertained to the maximum extent, namely on the basis of the negative rate of -0.5% for the period prior to 24 June 2020 and of -1% for the period from 24 June 2020 to 30 June 2021. Note that the net lending target for the period from 24 June 2020 to 23 June 2021 (set to be measured on 31 March 2021) has been achieved. The achievement of the net lending target for the period from 24 June 2021 to 30 June 2021 (set to be definitively measured on 31 December 2021) is deemed most likely as it had already been vastly achieved on 30 June 2021.

The adoption of certain accounting standards necessarily calls for the use of estimates and assumptions that have an impact on the value of assets and liabilities recognized in the balance sheet. The assumptions used to calculate estimates take into account all information available on the date of preparation of the half-yearly financial report as at 30 June 2021, together with any assumed scenarios considered reasonable, also based on past experience. Owing to their nature, it is therefore not possible to rule out that the forward-looking 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 consolidated half-yearly

financial report as at 30 June 2021 and may therefore call for adjustments that cannot be predicted or estimated today with respect to the carrying amount of assets and liabilities recognized in the balance sheet. To this regard, please note that the estimates carried out to prepare the situation as at 30 June 2021 could be revised should the circumstances they have been based on change, as a result of new information or the longer experience accrued.
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 Covid-19 pandemic, that shall depend also on the effectiveness of the vaccination campaign underway. Up until the future scenario of the healthcare crisis and of the national and European measures put in place to tackle it takes on a more definite outline, the inclusion of the Covid-19 effects in the budget estimates will be a particularly complex exercise, inasmuch as these effects will depend on a series of variables that cannot be predicted at present, if not with a significant level of uncertainty.
The consolidated half-yearly financial report as at 30 June 2020, that shall be made available within the time limits required under the law, provides a detailed illustration of the estimate processes calling for significant judgmental elements for the selection of the underlying assumptions and hypotheses, also with respect to the impact of the healthcare crisis.

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

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

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

More specifically, the H1 2021 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 € -13.3 million on net interest income (in connection with the evolution of the various valuations of purchased assets) and at € -16.6 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 June 2021, posted under the reclassified P&L line-item "Purchase Price Allocation, after tax", added up to € -20.0 million (€ -18.5 million in H1 2020).

3. Charges generated by the contribution to the resolution mechanism

In H1 2021, the P&L line-item "After-tax banking industry charges" was charged with the amount of ordinary and additional charges paid to the Resolution Funds for FY 2021, which, net of the tax effect, totaled € 78.6 million (€ 75.7 million of ordinary and additional contributions had been charged to income in H1 2020). Gross of tax effect, the total charge added up to € 116.4 million, of which € 87.8 million of ordinary contributions paid to the Single Resolution Fund (€ 85.2 million in H1 2020) and € 28.6 million of additional contributions paid to the National Resolution Fund (€ 26.9 million in H1 2020).

4. Changes in consolidation scope

In the first half of the year the only change in consolidation scope has been the acquisition, through the subsidiary Banca Akros, of a 100% share in the company Oaklins Italy S.r.l., which as of the closing of accounts on 30 June 2021 is accounted for on a fully consolidated basis.

In this half-yearly report, the real estate company Marinai d'Italia S.r.l. in liquidation and its subsidiaries Perca S.r.l. and Meleti S.r.l. are classified as non-current assets held for sale and discontinued operations in compliance with IFRS 5 following the finalization of the contract for their sale on 15 July 2021.

The company FIN.E.R.T. – in liquidation – has been cancelled from the Companies Registry on 1 July 2021.

Note that in January 2021, Banco BPM acquired the full ownership of the associate Release, following the purchase of no. 39,923,532 ordinary shares of the subsidiary from BPER Banca S.p.A..

Finally, the merger of ProFamily into the Parent company Banco BPM took legal effect on 19 July, and accounting and fiscal effect on 1 January 2021.

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

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

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

- P&L components with a large carrying amount tied to efficiency gain or reorganization actions, etc. (i.e., redundancy fund charges, voluntary redundancy schemes, merger/integration charges);
- P&L components with a large carrying amount that are not likely to occur frequently (e.g., fines, impairment of tangible assets, goodwill and other intangible assets, extraordinary debiting/crediting by the Resolution Funds and the Interbank Deposit Protection Fund, 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 those held in the HtC and the financial liabilities portfolios;
- barring exceptional cases, P&L impacts from valuation aspects (loan loss provisions, write-downs on other financial assets or provisions for risks and charges);
- P&L impacts from changes in reference valuation parameters implemented in valuation models adopted on an ongoing basis;
- P&L impacts whose single amount is not material or not measurable, meeting the definition of contingent assets and/or liabilities (e.g., costs and revenues and/or adjustment of costs and revenues accrued in other financial years);
- tax effect tied to the above P&L impacts.

Whenever deemed significant, the information on the effect that events or transactions that are non-recurring or that do not take place frequently in the ordinary course of business have on the Group's balance sheet and financial position, as well as on its cash flows, is provided in the comments on the evolution of balance sheet items.

Based on the criteria described above, the following non-recurring items were reported in H1 2021:
- the line-item "personnel expenses" includes savings on one-off wage components as an indirect consequence of the pandemic of € 14.4 million;
- the line-item "net amortization and depreciation on tangible and intangible assets" includes the amortization due to fixed assets impairment of € 1.3 million;
- the line-item "net write-downs on customer loans" includes the amount tied to the losses related to the loan disposal finalized under the "Rockets" project following the change in the NPE management strategy decided in the first half of the year. The negative P&L impact, that is deemed "non-recurring", came in at € 94.0 million;
- the line-item "gain or loss on the fair value measurement of tangible assets" posts a net write-down of € 36.9 million;
- the line-item "gain or loss on disposal of equity and other investments", by definition non-recurring, posted a net loss of € 0.4 million;
- "Income tax for the period on continuing operations" includes the tax impact of the above non-recurring items totaling € 37.7 million;
- the line-item "after-tax banking industry charges" includes additional contributions paid to the National Resolution Fund of € 19.3 million (€ 28.6 million gross of a tax effect of € 9.3 million);
- the line-item "impact from realignment of tax values to book values" includes the € 79.2 million gain from opting to realign the tax values to the book values of the Group's operating property.

As a whole, non-recurring items in the first six months of the year gave rise to a negative amount of € 20.7 million.

Excluding the above effects, the net (adjusted) result accruing at the end of H1 would come to € 382.0 million.

In the income statement of the same period of the prior year, restated for a like-for-like comparison, the following non-recurring items had been recognized:
- the line-item "net amortization and depreciation on tangible and intangible assets" included € 2.1 million of amortization and depreciation;
- the line-item "gain or loss on the fair value measurement of tangible assets" included a capital loss of € 5.4 million;
- the line-item "gain or loss on disposal of equity and other investments" posted a net gain of € 0.2 million;
- "income tax for the period on continuing operations" included the tax impact of the above non-recurring items totaling € 2.1 million;
- the line-item "after-tax banking industry charges" included additional contributions paid to the National Resolution Fund of € 18.2 million (€ 26.9 million gross of a tax effect of € 8.7 million).

As a whole, considering also the effect attributable to minority interest (amounting to € 0.3 million), the net P&L impact in H1 of non-recurring items gave rise to a negative amount of € 23.2 million.

Excluding the above amount, net (adjusted) income would have come to € 128.4 million.

6. Capital requirements regulation

The minimum capital requirements for 2021 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 H1 2021.

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 2021 O-SII buffer is equal to 0.19% and will reach 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.
In compliance with art. 16(2)(a) of the same Regulation no. 1024/2013, which gives the ECB the power to require that supervised banks hold an amount of own funds greater than the minimum capital requirements provided for under current regulations, the top-up to be added to the above requirements was 2.25%.

Following the Covid-19 health 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 countercyclical capital buffer established by the competent national authorities for exposures towards countries where the Group operates equal to 0.002%, the minimum requirements Banco BPM must comply with in 2021and until a new communication is issued, are[38]:

- CET1 ratio: 8.458% at phase-in level and 8.518% fully loaded;
- Tier 1 ratio: 10.379% at phase-in level and 10.439% fully loaded;
- Total Capital ratio: 12.942% at phase-in level and 13.002% fully loaded.

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

- period between 1 January and 31 December 2018: 95% of the increase in expected loan loss provisions 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 June 2021 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.

7. Sovereign risk exposure represented by debt securities

The table below provides an illustration of the Group's sovereign risk exposure (debt securities included in the financial assets portfolios) at 30 June 2021, broken down by single Country and by category of the classification accounting portfolio:

30 June 2021 *(million euro)* **Countries/Accounting portfolios**	**Fin. ass. measured at amortized cost**	**Fin. ass. measured at fair value through other comprehensive income**	**Fin. ass. measured at fair value through profit or loss**	**Total**
Italy	13.242	6.295	1.625	21.162
France	1.906	2.108	247	4.261
USA	2.353	1.327	-	3.680
Spain	1.382	1.371	436	3.189
Germany	735	889	15	1.639
Other Countries	534	298	-	832
Total	**20.152**	**12.288**	**2.323**	**34.763**

At 30 June 2021, the Group's sovereign debt exposure totaled € 34.8 billion (€ 29.0 billion at 31 December 2020), of which 58.0% were classified in the portfolio of financial assets measured at amortized cost, 35.3% under financial assets measured at fair value through other comprehensive income, and 6.7% 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 89% refers to securities issued by members of the European Union; notably about 61% by Italy.

[38] These requirements are calculated as follows:

- The pillar I minimum requirement of 8% (of which 4.5% CET1; 1.5% AT1 and 2% AT2)
- the P2R requirement of 2.25% set by the ECB must be met by 56.25% with CET1 and by 75% with TIER1;
- the capital conservation buffer of 2.50% to be fully met with CET1;
- the O-SII buffer of 0.19% for 2021 and of 0.25% as of 1 January 2022 to be fully met with CET1;
- the countercyclical capital buffer of 0,002% to be fully met with CET1 capital.

As regards financial assets measured at fair value through other comprehensive income, at 30 June 2021 the reserves generated by the fair value measurement of debt securities totaled € 91.1 million, gross of tax effect, of which € 27.5 million refer to government bonds (€ + 26.1 million for Italian government bonds and € + 1.4 million for other government bonds).
As to financial assets measured at amortized cost, the book value came out at € 20.2 billion, of which € 13.2 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 30 June 2021 (level 1 in the fair value classification) totaled € 20.8 billion (€ 13.6 billion being the fair value of the Italian government bonds alone).
The debt securities management still follows the same decisions made the prior financial years; no business model change calling for a portfolio reclassification took place during the period.

8. Other explanatory notes

The reclassified balance sheet and income statements reflect on a consolidated basis the financial accounts of Banco BPM and its subsidiaries with respect to 30 June 2021, 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 2021, or, if not available, on the most recent financial reports prepared by the associates.
It should be pointed out that, for the investment held in Anima Holding, measured under the equity method as of 1 April 2020, the contribution to the consolidated income statement for H1 2021 includes also the prorated operating result generated by the associate in the last quarter of 2020, amounting to € 9.8 million. Please note that, when preparing the 2020 annual report, it had not been possible to recognize the Q4 contribution, as Anima Holding approved its draft financial statements on 1 March 2021, hence after Banco BPM.

Attachments

- Reclassified consolidated statement of financial position at 30 June 2021 compared with data as at 31 December 2020
- H1 2021 reclassified consolidated income statement compared with data of H1 2020
- Reclassified consolidated income statement – 2021 and 2020 quarterly evolution
- H1 2021 reclassified consolidated income statement net of non-recurring items

Contacts:

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

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

Press Office
stampa@bancobpm.it

BANCO BPM Group

Reclassified consolidated balance sheet

(in euro thousand)	30/06/2021	31/12/2020	Chg.	Chg. %
Cash and cash equivalents	20,718,259	8,858,079	11,860,180	133.9%
Financial assets at amortised cost	117,948,446	120,455,666	-2,507,220	-2.1%
- Due from banks	8,574,201	11,120,681	-2,546,480	-22.9%
- Customer loans	109,374,245	109,334,985	39,260	0.0%
Other financial assets	45,955,539	41,175,632	4,779,907	11.6%
- Financial assets designated at FV through P&L	8,586,411	9,118,571	-532,160	-5.8%
- Financial assets designated at FV through OCI	15,446,918	10,710,796	4,736,122	44.2%
- Financial assets at amortised cost	21,922,210	21,346,265	575,945	2.7%
Equity investments	1,688,530	1,664,772	23,758	1.4%
Property and equipment	3,434,805	3,552,482	-117,677	-3.3%
Intangible assets	1,221,008	1,218,632	2,376	0.2%
Tax assets	4,679,750	4,704,196	-24,446	-0.5%
Non-current assets held for sale and discontinued operations	100,031	72,823	27,208	37.4%
- Customer loans	6,732	11,374	-4,642	-40.8%
- Other assets and group of assets	93,299	61,449	31,850	51.8%
Other assets	2,783,778	1,982,900	800,878	40.4%
Total assets	**198,530,146**	**183,685,182**	**14,844,964**	**8.1%**
Direct funding	120,146,355	116,936,669	3,209,686	2.7%
- Due to customers	106,883,300	102,162,461	4,720,839	4.6%
- Debt securities issued and financial liabilities designated at FV	13,263,055	14,774,208	-1,511,153	-10.2%
Due to banks	44,269,311	33,937,523	10,331,788	30.4%
Leasing debts	722,106	760,280	-38,174	-5.0%
Other financial liabilities designated at fair value	12,683,212	14,015,427	-1,332,215	-9.5%
Liability provisions	1,276,783	1,415,473	-138,690	-9.8%
Tax liabilities	311,668	464,570	-152,902	-32.9%
Other liabilities	6,198,958	3,928,139	2,270,819	57.8%
Total Liabilities	**185,610,830**	**171,458,081**	**14,152,749**	**8.3%**
Minority interests	1,289	1,894	-605	-31.9%
Shareholders' equity	12,918,027	12,225,207	692,820	5.7%
Consolidated Shareholders' Equity	**12,919,316**	**12,227,101**	**692,215**	**5.7%**
Total Liabilities and Shareholders' Equity	**198,530,146**	**183,685,182**	**14,844,964**	**8.1%**

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

BANCO BPM Group

Reclassified consolidated income statement

(in euro thousand)	30/06/2021	30/06/2020	Chg.	Chg. %
Net interest income	1,019,196	953,621	65,575	6.9%
Income (loss) from investments in associates carried at equity	98,079	70,302	27,777	39.5%
Net interest, dividend and similar income	**1,117,275**	**1,023,923**	**93,352**	**9.1%**
Net fee and commission income	950,074	816,934	133,140	16.3%
Other net operating income	39,918	31,599	8,319	26.3%
Net financial result	216,260	83,472	132,788	159.1%
Other operating income	**1,206,252**	**932,005**	**274,247**	**29.4%**
Total income	**2,323,527**	**1,955,928**	**367,599**	**18.8%**
Personnel expenses	-844,039	-816,979	-27,060	3.3%
Other administrative expenses	-308,033	-308,674	641	-0.2%
Net value adjustments on property and equipment and intangible assets	-123,453	-123,089	-364	0.3%
Operating costs	**-1,275,525**	**-1,248,742**	**-26,783**	**2.1%**
Profit (loss) from operations	**1,048,002**	**707,186**	**340,816**	**48.2%**
Net adjustments on loans to customers	-472,578	-476,242	3,664	-0.8%
Profit (loss) on fair value measurement of tangible assets	-36,889	-5,416	-31,473	n.m.
Net adjustments on other assets	528	-8,383	8,911	n.m.
Net provisions for risks and charges	-12,805	-7,614	-5,191	68.2%
Profit (loss) on the disposal of equity and other investments	-437	220	-657	n.m.
Income (loss) before tax from continuing operations	**525,821**	**209,751**	**316,070**	**150.7%**
Tax on income from continuing operations	-133,326	-39,000	-94,326	241.9%
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**392,495**	**170,751**	**221,744**	**129.9%**
Systemic charges after tax	-78,553	-75,684	-2,869	3.8%
Realignment of fiscal values to accounting values	79,220	-	79,220	n.m.
Impact from the change in Own Credit Risk on certificates issued, net of tax	-11,920	27,183	-39,103	n.m.
Purchase Price Allocation (PPA) net of tax	-20,037	-18,527	-1,510	8.2%
Income (loss) attributable to minority interests	112	1,508	-1,396	-92.6%
NET INCOME (LOSS) FOR THE PERIOD	**361,317**	**105,231**	**256,086**	**243.4%**

BANCO BPM Group

Reclassified consolidated income statement - Quarterly evolution

(in euro thousand)	II Q 2021	I Q 2021	IV Q 2020	III Q 2020	II Q 2020	I Q 2020
Net interest income	522,367	496,829	509,019	519,921	479,507	474,114
Income (loss) from investments in associates carried at equity	56,535	41,544	23,729	36,768	48,036	22,266
Net interest, dividend and similar income	**578,902**	**538,373**	**532,748**	**556,689**	**527,543**	**496,380**
Net fee and commission income	478,679	471,395	429,225	417,651	376,371	440,563
Other net operating income	21,747	18,171	12,731	11,675	14,855	16,744
Net financial result	116,533	99,727	77,845	157,325	82,712	760
Other operating income	**616,959**	**589,293**	**519,801**	**586,651**	**473,938**	**458,067**
Total income	**1,195,861**	**1,127,666**	**1,052,549**	**1,143,340**	**1,001,481**	**954,447**
Personnel expenses	-417,135	-426,904	-407,212	-356,950	-397,954	-419,025
Other administrative expenses	-153,903	-154,130	-125,341	-159,797	-154,094	-154,580
Net value adjustments on property and equipment and intangible assets	-60,603	-62,850	-67,229	-64,796	-61,710	-61,379
Operating costs	**-631,641**	**-643,884**	**-599,782**	**-581,543**	**-613,758**	**-634,984**
Profit (loss) from operations	**564,220**	**483,782**	**452,767**	**561,797**	**387,723**	**319,463**
Net adjustments on loans to customers	-255,513	-217,065	-536,225	-324,340	-262,999	-213,243
Profit (loss) on fair value measurement of tangible assets	-36,964	75	-30,989	-316	-5,094	-322
Net adjustments on other assets	939	-411	7,249	104	-3,728	-4,655
Net provisions for risks and charges	-5,615	-7,190	-35,587	907	-9,809	2,195
Profit (loss) on the disposal of equity and other investments	-393	-44	-354	1,324	129	91
Income (loss) before tax from continuing operations	**266,674**	**259,147**	**-143,139**	**239,476**	**106,222**	**103,529**
Tax on income from continuing operations	-50,628	-82,698	47,946	-22,464	-13,293	-25,707
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**216,046**	**176,449**	**-95,193**	**217,012**	**92,929**	**77,822**
Systemic charges after tax	-19,309	-59,244	-10,216	-53,001	-18,169	-57,515
Restructuring costs	-	-	-187,030	-	-	-
Realignment of fiscal values to accounting values	79,220	-	128,324	-	-	-
Godwill impairment	-	-	-25,100	-	-	-
Impact from the change in Own Credit Risk on certificates issued, net of tax	-5,105	-6,815	-41,116	2,194	-110,739	137,922
Purchase Price Allocation (PPA) net of tax	-9,705	-10,332	-11,543	-11,422	-11,962	-6,565
Income (loss) attributable to minority interests	78	34	220	2,520	1,537	-29
NET INCOME (LOSS) FOR THE PERIOD	**261,225**	**100,092**	**-241,654**	**157,303**	**-46,404**	**151,635**

BANCO BPM Group

Reclassified consolidated income statement net of Non-Recurring items

(in euro thousand)	30/06/2021	30/06/2020	Chg.	Chg. %
Net interest income	1,019,196	953,621	65,575	6.9%
Income (loss) from investments in associates carried at equity	98,079	70,302	27,777	39.5%
Net interest, dividend and similar income	**1,117,275**	**1,023,923**	**93,352**	**9.1%**
Net fee and commission income	950,074	816,934	133,140	16.3%
Other net operating income	39,918	31,599	8,319	26.3%
Net financial result	216,260	83,472	132,788	159.1%
Other operating income	**1,206,252**	**932,005**	**274,247**	**29.4%**
Total income	**2,323,527**	**1,955,928**	**367,599**	**18.8%**
Personnel expenses	-858,397	-816,979	-41,418	5.1%
Other administrative expenses	-308,033	-308,674	641	-0.2%
Net value adjustments on property and equipment and intangible assets	-122,179	-120,974	-1,205	1.0%
Operating costs	**-1,288,609**	**-1,246,627**	**-41,982**	**3.4%**
Profit (loss) from operations	**1,034,918**	**709,301**	**325,617**	**45.9%**
Net adjustments on loans to customers	-378,551	-476,242	97,691	-20.5%
Net adjustments on other assets	528	-8,383	8,911	n.m.
Net provisions for risks and charges	-12,805	-7,614	-5,191	68.2%
Income (loss) before tax from continuing operations	**644,090**	**217,062**	**427,028**	**196.7%**
Tax on income from continuing operations	-170,987	-41,067	-129,920	316.4%
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**473,103**	**175,995**	**297,108**	**168.8%**
Systemic charges after tax	-59,253	-57,515	-1,738	3.0%
Impact from the change in Own Credit Risk on certificates issued, net of tax	-11,920	27,183	-39,103	n.m.
Purchase Price Allocation (PPA) net of tax	-20,037	-18,527	-1,510	8.2%
Income (loss) attributable to minority interests	112	1,256	-1,144	-91.1%
NET INCOME (LOSS) FOR THE PERIOD	**382,005**	**128,392**	**253,613**	**197.5%**