Consolidated interim financial report

as at 30 June 2024

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This document is a courtesy translation into English of the document in Italian approved by the Board of Directors. In case of any discrepancies or doubts between the English and the Italian versions of the Report, the Italian version prevails.

Banco BPM S.p.A.

Registered office: Piazza F. Meda, 4 - 20121 Milan, Italy
Administrative headquarters: Piazza Nogara, 2 - 37121 Verona, Italy
Fully paid up share capital as at 30 June 2024: € 7,100,000,000.00
Tax Code and Milan Companies' Register Enrolment no.: 09722490969
A company representing Banco BPM VAT Group, VAT no. 10537050964
Member of the Interbank Deposit Guarantee Fund and the National Guarantee Fund
Parent Company of Banco BPM Banking Group
Enrolled in the Bank of Italy Register of Banks and the Register of Banking Groups

OFFICERS, DIRECTORS AND INDEPENDENT AUDITORS AS AT 30 JUNE 2024

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Deputy Chairman	Maurizio Comoli
Chief Executive Officer	Giuseppe Castagna
Directors	Mario Anolli
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	Paolo Bordogna
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	Manuela Soffientini
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Alternate Auditors	Sara Antonelli
	Marina Scandurra
	Mario Tagliaferri

General Management

Co-General Manager	Domenico De Angelis
Co-General Manager	Edoardo Maria Ginevra

Manager responsible for preparing the Company's financial reports

Gianpietro Val

Independent Auditors

PricewaterhouseCoopers S.p.A.

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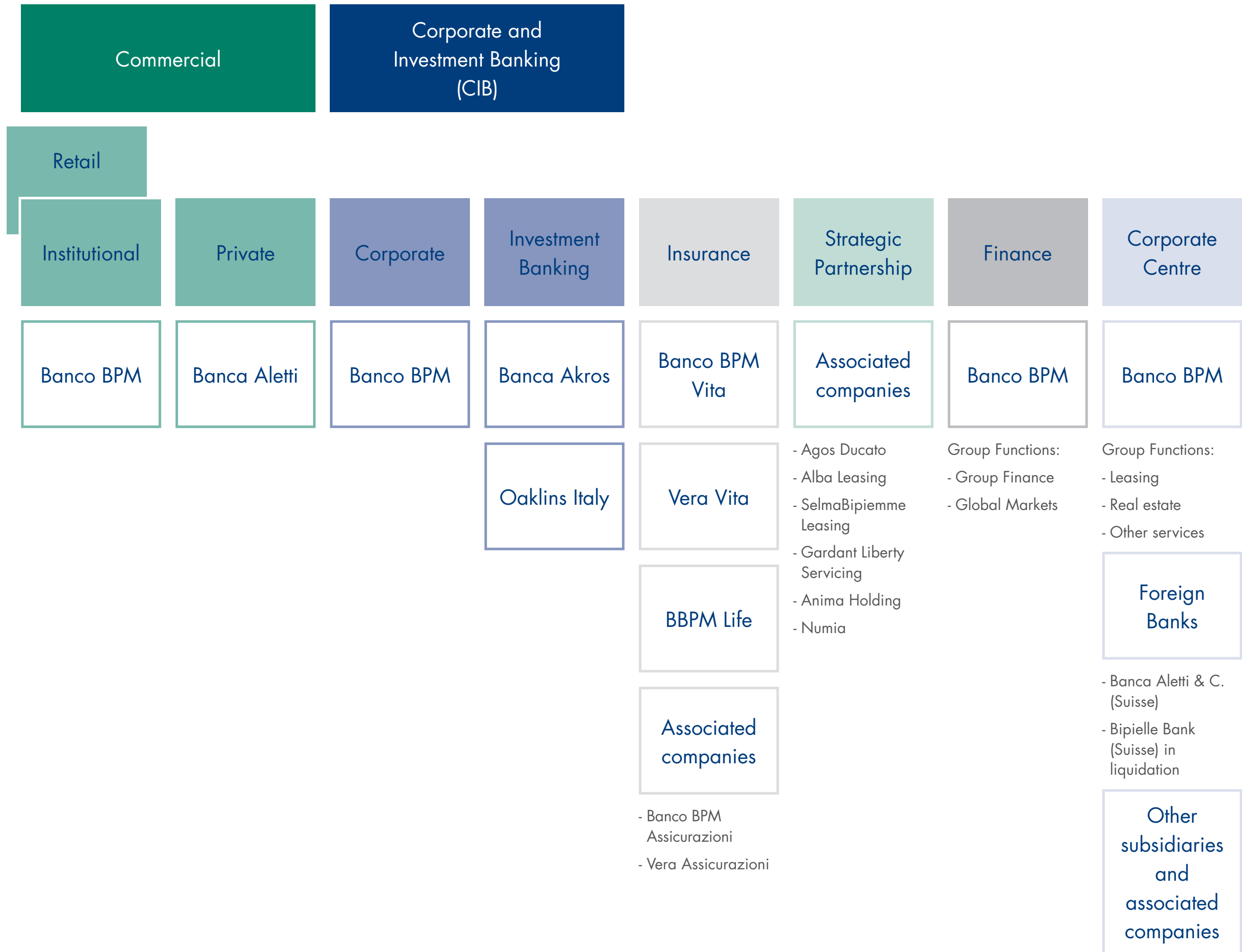
BUSINESS LINES OF THE BANCO BPM GROUP



GROUP TERRITORIAL NETWORK

Banco BPM Group Branches in Italy	Numero
Banco BPM	1,382
Banca Aletti	53
Banca Akros	1
Total	**1,436**

Presence abroad

The Group's foreign operations include a subsidiary company, Banca Aletti Suisse, and Representative Offices in China (Hong Kong) and India (Mumbai).

Group financial highlights and economic ratios

Highlights

The tables below provide the income statement and balance sheet highlights of the Group, calculated based on the reclassified financial statements. The underlying calculations for these are illustrated in the "Results" section of this Report.
Some economic and financial ratios are also provided, based on accounting data, corresponding to those used by the Company Management to analyse performance and consistent with the most widespread practices in the banking sector.
The definitions of the ratios and of the main balance sheet and income statement items commented on in this report are illustrated in the following section "Results", to which reference should be made for further details.
The attachments to the consolidated condensed interim financial statements provide a statement of reconciliation between the reclassified financial statements and those prepared on the basis of Circular no. 262.

(millions of euro)	**I half 2024**	**I half 2023 (*)**	**% Change**
Income statement figures			
Financial margin	1,797.7	1,613.5	11.4%
Net fee and commission income	1,021.4	977.8	4.5%
Operating income	2,794.4	2,577.2	8.4%
Operating expenses	(1,338.6)	(1,274.7)	5.0%
Profit (loss) from operations	1,455.8	1,302.5	11.8%
Profit (loss) before tax from continuing operations	1,241.8	1,015.6	22.3%
Profit (loss) after tax from continuing operations	845.9	698.5	21.1%
Parent Company's profit (loss) for the year	750.1	624.4	20.1%

(*) The figures relating to the previous period have been restated, for a like-for-like comparison with 2024, reclassifying the income from activities related to the e-money sector under "Net fee and commission income", previously shown in the item "Other operating income and expenses".

(millions of euro)	**30/06/2024**	**31/12/2023**	**% Change**
Balance sheet figures			
Total assets	197,781.9	202,132.0	(2.2%)
Loans to customers (net)	101,972.6	105,426.7	(3.3%)
Financial assets and hedging derivatives	50,158.6	43,706.4	14.8%
Group shareholders' equity	13,733.0	14,038.1	(2.2%)
Customers' financial assets			
Direct bank funding	124,149.1	120,770.1	2.8%
Direct funding with protected capital certificates (*)	*129,811.5*	*126,044.0*	*3.0%*
Indirect funding	115,497.9	110,772.7	4.3%
Indirect funding without protected capital certificates	*111,173.2*	*106,166.1*	*4.7%*
- Asset management	64,067.4	62,003.1	3.3%
- Mutual funds and SICAVs	43,447.8	41,927.2	3.6%
- Securities and fund management	4,576.8	4,369.3	4.7%
- Insurance policies	16,042.9	15,706.6	2.1%
- Administered assets	51,430.5	48,769.6	5.5%
- Administered assets without protected capital certificates	*47,105.8*	*44,163.0*	*6.7%*

(*) Starting from 2024, the direct funding aggregate also includes short-term repurchase agreements. The figures relating to the previous year have been restated to provide a like-for-like comparison.

	30/06/2024	**31/12/2023**	**Absolute change**
Information on the organisation			
Average number of employees and other staff (*)	18,788	19,011	(223)
Number of bank branches	1,436	1,436	0

(*) Weighted average of staff calculated on a monthly basis in terms of full-time equivalent resources. Does not include the Directors and Statutory Auditors of Group Companies.

Financial and economic ratios and other Group figures

	30/06/2024	31/12/2023 (*)
Profitability ratios (%)		
Financial margin/Operating income	64.33%	64.28%
Net fee and commission income/Operating income	36.55%	35.94%
Operating expenses/Operating income	47.90%	48.14%
Operational productivity figures (thousands of euro)		
Loans to customers (net) per employee (1)	5,427.5	5,545.5
Annualised operating income per employee (euro) (1) (**)	297.5	281.0
Annualised operating expenses per employee (euro) (1) (**)	142.5	135.2
Credit risk ratios (%)		
Net bad loans/Loans to customers (net)	0.59%	0.59%
Net unlikely to pay/Loans to customers (net)	0.93%	1.11%
Net bad loans/Shareholders' equity	4.38%	4.46%
Texas ratio	13.13%	14.43%
Other ratios		
Financial assets and hedging derivatives/Total assets	25.36%	21.62%
Total derivatives/Total assets	1.42%	1.42%
- trading derivatives/total assets	0.93%	0.94%
- hedging derivatives/total assets	0.49%	0.48%
Net trading derivatives/Total assets	0.10%	0.06%
Loan to deposit ratio (net loans/direct funding)	78.55%	83.64%
Regulatory capitalisation and liquidity ratios		
Common equity tier 1 ratio (CET1 capital ratio) (2)	15.17%	14.16%
Tier 1 capital ratio (2)	17.40%	16.33%
Total capital ratio (2)	20.92%	19.00%
Liquidity Coverage Ratio (LCR)	140%	187%
Leverage ratio	5.42%	5.22%
Banco BPM stock		
Number of outstanding shares	1,515,182,126	1,515,182,126
Official closing prices of the stock		
- Final	6.014	4.781
- Maximum	6.720	5.324
- Minimum	4.732	3.403
- Average	5.757	4.259

(*) The figures relating to the previous year have been restated, for a like-for-like comparison with 2024, reclassifying the income from activities related to the e-money sector under "Net fee and commission income", previously shown in the item "Other operating income and expenses".

(**) The annualised result does not represent a forecast of profits for the year.

(1) Weighted average of employees calculated on a monthly basis in terms of full-time equivalent resources, as shown in the previous table. Does not include the Directors and Statutory Auditors of Group Companies.

(2) The capital ratios as at 30 June 2024 were calculated by including the economic result in progress at the end of the first half of 2024 net of the portion that is expected to be distributed as a dividend based on the specific applicable legislation and other allocations of profit.

Interim report on operations

ECONOMIC SCENARIO

The international scenario

In the first half of 2024, the global economy continued to show signs of vitality, but still encountered significant obstacles on the path of growth - adverse geopolitical events, friction in global supply chains and still prudent monetary policies. Global GDP growth for 2024 is estimated at +3.2% by the International Monetary Fund (IMF) and at +3.0% by the World Bank (in line with 2023). Growth rates at levels still lower than those prevailing prior to the pandemic, the symptom of a recovery supported by the resilience of certain advanced economies, in particular the United States, which, however, are impacted by the effects of prolonged monetary tightening, as well as the structural challenges that some major economies, including China, are finding themselves having to face.
An improvement in the economic scenario in the early months of this year resulted from the further fall in inflation in most of the major Western economies, in response to the above-mentioned monetary policies and energy price stabilisation: the most recent IMF estimate indicates average global inflation for 2024 of 5.9%, down from 6.7% in 2023. Concerns about geopolitical instability and the uncertainties of Chinese economic performance remain alive but have not had a decisive impact on the expectations of economic operators.
Among the main economies, in the United States, after the brilliant performance of the previous year, signs of cyclical cooling came in the first quarter of 2024: GDP grew by an annualised +1.4% (+3.4% in the 4th quarter of 2023). The slowdown was caused by lower personal consumption expenditure (PCE) and an increase in imports: the former grew by 2.5% (services +4.0%, goods down by 0.4%), imports rose by 7.2% (+2.2% in the 4th quarter of 2023), reflecting robust domestic demand, while exports grew by much less: +0.9% (a clear deceleration compared to 5.1% of the previous quarter), reflecting weaker foreign demand. For the second quarter, preliminary GDP estimates instead indicate a new acceleration in growth: +2.8% annualised quarterly, driven by personal consumption expenditure, +2.3%, private investments in inventories and non-residential fixed investments, the latter +5.2% during the period. Imports grew by 6.9%, while exports increased by 2.0%. Lastly, personal disposable income grew by 1.0% in the second quarter, marking a slowdown compared to +1.3% in the first quarter. The consensus growth estimate for the whole of 2024 is +2.3%.
In June, total non-farm employment increased by 206 thousand (353 thousand in January), while the unemployment rate reached 4.1% (3.7% in January), indicating a modest trend towards normalisation in a still vigorous job market. However, the hourly wage growth rate remains strong, +3.9% YoY in June after slowing down from +4.5% in January. The number of unfilled job openings remained high but fell appreciably: around 8.14 million in May, from 8.86 million in January, still indicating a relatively strong demand for labour. Inflation, while maintaining a downward trend, showed a certain stickiness: after the +3.1% recorded in January, it began growing again in March 2024 (+3.5%) and then fell to +3.0% in June. The "core" index, excluding food and energy, fell gradually from 3.9% in January to 3.3% in June, indicating in any case the persistence of inflationary pressures. These are mainly linked to continuing inflation in the prices of services which, after beginning the year at 4.9% in January, rose to 5.3% in April, and finally closed at 5.0% in June. This trend, together with concern for tight conditions in the labour market, influenced the stance of monetary policy, which remained restrictive even in a still very lively economy.
Partially thanks to the driving force of the electric automotive sector, which is experiencing sharp growth, China, despite its structural challenges, has managed to find a new commercial push in international markets and at the same time deal with weaknesses in the real estate sector. In the first quarter of 2024, Chinese GDP showed stronger than expected growth on the whole, accelerating compared to the last quarter of 2023 thanks to a vigorous recovery in foreign trade: +5.3% on an annual basis. This allowed the government to maintain the growth target of around 5% for 2024. The Chinese real estate sector, which is in difficulty, continued to show weakness, with real estate investments down 9.5% on an annual basis in the first quarter. Demand remained weak, also due to weak consumption: the increase in retail sales for the 1st quarter of 2024 reached just +4.7% YoY. For the second quarter, indications are of a continuation of the positive tone: exports (gross) rose by 8.6% YoY in June. Gross fixed investments continued to record year-on-year increases that were higher than 4% on average, and the composite PMI index stopped at 52.8 in June after reaching a high of 54.1 in May, in any case remaining in the second quarter above the average values recorded in the first three months of the year.
Employment figures indicate ongoing efforts to stabilise the labour market: the unemployment rate fell from 5.3% at the beginning of the year to 5.0% in June. The consumer price trend remained at levels close to deflation: thanks to the economic recovery, inflation, albeit weak, returned to 0.2% in June, while the core index (excluding food and energy) recorded +0.6% in the same month (energy and food therefore provide a negative contribution).

In the first part of the year, the Japanese economy experienced a deterioration of underlying conditions. In the first quarter of 2024, GDP dropped by 0.7% on a quarterly basis, with widespread weakness across all of the main demand items. Consumption was down by 0.8%, investments in machinery and plants by 0.4%, but, above all, exports fell heavily: -5.1% compared to the previous quarter. The first few months of the second quarter confirmed the significant slowdown in exports, which mainly affected the manufacturing industry where production fell by -0.9% monthly in April. Some signs of a recovery come from the PMI indices, which showed a further drop in orders from abroad but also an improvement in domestic demand, surpassing the expansion threshold (50) for the first time in over a year: the manufacturing PMI index was 50.0 in June, after the high of 50.4 in May, compared to 48 recorded in January.
In the first quarter of the year the GDP of India recorded growth of 7.8%, slightly lower than +8.4% at the end of 2023. For the second quarter, indications from the economic situation remain quite positive; despite some signs of a slowdown, the PMI indices remain in the area of expansion: 58.3 for the manufacturing PMI in June and 60.5 for services. After closing a dull 2023, the Brazilian economy recorded a rebound in growth (GDP) equal to 0.8% QoQ. The inflation rate remains under control: +4.2% YoY in June after starting the year with a 4.5% in January.
Global trade has suffered in the recent past, and again in the first few months of 2024, from the continuous reshaping of supply chains as a result of geopolitical tensions and the ensuing regionalisation, in addition to inflationary pressures which, although decreasing, have continued to persist, causing friction between retailers and manufacturers with regard to supply prices. Forecasts for 2024 indicate a modest acceleration of the aggregate to 2.1% (-1.3% in 2023) linked to the improvement in the underlying tone of demand. The prices of commodities traded at international level recorded a certain degree of volatility. Oil prices were affected by the evolution of tensions in the Middle East and the policy adopted by the OPEC cartel, which continued to affect their performance with "announcement effects" and production cuts: Brent crude oil rose from an average of USD 82.3 in 2023, to exceed USD 90 in the first few months of 2024 and then return to around USD 87 at the end of June. Metal prices reflected the good tenor of economic activity - particularly demand from the tech and infrastructure sectors - and, as regards precious metals, of geopolitical tensions. Copper surpassed USD 5 in May (approximately USD 3.8 at the beginning of the year) while in the same month gold exceeded USD 2,435 (approx. USD 2,030 at the beginning of the year) and silver exceeded USD 32 (approx. 23 USD at the beginning of the year).

The economy in Europe and Italy

In the first half year of the year, the Eurozone economy maintained overall growth, although the trend varied from country to country. Economic expansion at the beginning of the period was higher than expected, interrupting a period of stagnation that lasted throughout the second half year of the previous year: indeed, GDP in the first three months of 2024 increased by 0.3% QoQ and 0.4% YoY. On the supply side, while difficulties continued in the manufacturing segment, the result was mainly driven by services and, in part, construction. In the 1st quarter of 2024, investments in construction recorded a rather marked uptick in Germany and Spain (up by 2.7% and 3.0%, respectively, compared to the previous period), which was more limited in Italy (1.2%), and a slight decline in France (-0.7%). In Germany, growth was driven by the residential sector, favoured by an exceptionally mild climate, while in Spain the non-residential sector, which may have been supported by NGEU funds.
In detail, GDP growth is the result of the positive contribution of the foreign component (+0.7%) and domestic demand (+0.3%) and a negative contribution of the change in inventory. An analysis of the various components of domestic demand shows growth in household spending, +0.2% QoQ (unchanged compared to the 4th quarter of 2023) supported by a relative recovery in buying power, while gross fixed investments recorded a contraction of 1.5% QoQ (the first of the last 2 years), partly influenced by the negative trend (-0.9%) in the component relating to means of transport. The positive contribution of the foreign component is instead the result of +1.4% QoQ growth in exports, driven by lively foreign demand, concentrated on services, and a contraction of -0.3% for imports, reflecting growth that was more sluggish than consumption. On the other hand, the contribution to the growth of public spending was nil. Among the main partner economies, GDP growth stood out in Spain (+0.8%) and Italy (+0.3%), while in Germany economic activity remained sluggish. In the second half of the year, the strengthening of global demand and the gradual decline in interest rates, together with the recovery of household purchasing power thanks to expected wage increases, are giving more impetus to the Eurozone GDP growth, expected to reach +0.7% on average for the year.
The first indications for the second quarter showed a temporary improvement in the conditions of the manufacturing sector: the PMI (Manufacturing Purchasing Manager Index) rose from 45.7 in April to 47.3 in May and then settled at 45.8 in June, a value that is still in the area of contraction. After a peak of 53.3 in April, the services PMI fell to

52.8 in June 2024, marking however the fifth consecutive month of expansion. Available data appear to be consistent with the current consensus GDP growth estimate for the whole of 2024 of 0.7%.
Despite limited economic growth, the Eurozone labour market remains strong: in March, the unemployment rate in the EU stood at an all-time low of 6.0%. Nominal wage growth in the EU started to slow down, after peaking at 5.8% in 2023, and is expected to slow down further. Inflation maintained a downward trend, although characterised by a certain stickiness in part linked to the dynamics of labour costs: in June, it reached 2.5% per year, compared to +2.8% in January and +5.5% recorded twelve months earlier. The "core" component instead stopped at 2.9% in June, compared to 3.3% in January. Also in this case, the inflation of the services component plays a central role: after opening the year at 4.0% in January, it remained at this level, marking a low only in April at 3.7% to reposition itself at 4.1% from May onwards.
In a context characterised by higher debt service costs and lower nominal GDP growth, the EU debt/GDP ratio is expected to stabilise at the end of 2024 at 89.7% for the Eurozone (88.6% at the end of 2023) - against a forecast deficit/GDP ratio of 3.6%.
As regards the Italian economy, in the first quarter of the current year the expansionary GDP phase that had characterised the second half of 2023 continued: +0.3% compared to the previous quarter (+0.7% YoY), thanks to the positive contribution of both domestic demand net of inventories (+0.3%) and net foreign demand (+0.7%). On the other hand, the contribution of inventories was negative at -0.7%. In detail in terms of domestic demand, while gross fixed investments (+0.5%) showed a net deceleration (+1.4% and +2.0% in the third and fourth quarter of 2023, respectively), they were confirmed as more dynamic than final consumption (+0.2%). The growth of the latter was supported by the recovery in household consumption (+0.3%), after the sharp drop in the previous quarter (-1.4%).
On the supply side, there were positive quarterly changes in value added both in manufacturing and in services (+0.3% for both segments). In particular, there continues to be a lively trend in construction (+2.9%) against a decline in manufacturing in the strict sense (-0.4%). In particular, residential construction showed an unexpected trend, continuing to grow at a sustained pace despite the downsizing of tax incentives. The end of the Superbonus has not yet led to a drop in investments as originally expected, but only a slowdown. As regards the second quarter, available indications point to a slowdown in growth (estimated at +0.1% on QoQ). Amongst the other economic indicators, retail sales in May showed not very lively performance: +0.4% YoY, while in June, business confidence deteriorated for the third consecutive month, against an improvement in consumer confidence. On the other hand, also in May, industrial output grew by +0.5% QoQ (but -3.3% YoY), interrupting the decline of the previous two months.
Lastly, measures to support development include the recent remodulation of the NRRP, which led to an increase in the available budget: the new NRRP is worth 194.4 billion (+2.9 billion compared to the original NRRP), characterised by a greater focus on resources for businesses (Transition 5.0, green supply chains and net zero technologies, etc.). In addition, the resources will in large part be disbursed through automatic instruments. Plan implementation will certainly be decisive in supporting Italian growth. Overall, GDP growth expectations for 2024 are around +0.9%, essentially in line with the +1.0% recorded in 2023.

The job market maintained good performance during the period: in May, the employment rate reached 62.2% and the number of employees had increased by 2% compared to twelve months earlier. Between March and May, there was an increase in the level of employment of 0.6% compared to the previous four months, widespread among permanent employees and the self-employed of both genders. Contractual wage growth slowed: in the final quarter it was 2.8%, down from 4.3% in the previous quarter.
Furthermore, also in the first few months of 2024, the normalisation of price trends continued, with the impact from the first stages of distribution on downstream supply chains. The disinflationary process in Italy is more pronounced than that recorded in the main European countries: the harmonised index of consumer prices (HICP) grew by 0.9% YoY in June: 1.6% below the Eurozone average. The national index of consumer prices for the entire population (NIC), gross of tobacco, also in June, increased by 0.1% on a monthly basis and by 0.8% on an annual basis. "Core inflation" (net of energy and fresh food) decelerated, as did that net of energy only (both from +2.0% to +1.9%).
In the latest EFD (economic and finance document), it is expected that, in 2024, the deficit-to-GDP ratio will be 4.3%, while the debt-to-GDP will be 137.8%, to then continue to rise in subsequent years.

Monetary policy and the financial markets

The monetary policies of the major central banks remained prudent during the first half of 2024, surprising operators to some extent. In fact, at the end of 2023, the market expected a rapid and substantial reduction in official rates during 2024, starting as early as the first half of the year. In fact, the results of the December Fed meeting had convinced operators that the monetary policy stance was about to become neutral in the USA. The weakness highlighted by the EMU economy also strengthened the assumptions of an easing of monetary policy by the ECB as well. As the months went by, however, the stickiness of the decline in inflation and the vigorous labour market, in both the USA and the EMU, significantly reduced these expectations, while it became clear that the central banks were remaining cautious. During the half-year, the Fed kept reference rates unchanged in the range between 5.25% and 5.50%, the highest level since 2001, reiterating on several occasions that the tone of monetary policy will remain restrictive as long as inflation does not come back into line with the objectives. In parallel, it continued to implement the "quantitative tightening" asset reduction programme that began in June 2022.

The ECB did not deviate much from this approach. Indeed, in the first quarter the Governing Council cooled down expectations of rate cuts, reiterating that future decisions would be "data driven" with the aim of bringing inflation back to the 2% target in the medium term. In April, it changed the operational framework for the implementation of monetary policy. The overall approach is largely confirmed, albeit with some changes. In particular, the spread between the refinancing rate and the rate on deposits will be reduced to 15 bps starting from 18 September 2024. At the same meeting, Chairman Lagarde made a statement, interpreted as a "promise" of an imminent initial reduction in interest rates, which actually materialised at the June meeting with a 25 bps cut. The main refinancing rate was thus brought to 4.25%. At the same time, during the half-year, the amount of securities held by the ECB under the APP programme continued to decline, following the announced non-reinvestment of maturing securities, while that relating to the PEPP programme remained stable, but will start to decline by 7.5 billion per month as of July.

In this context, the world's main stock markets - with the notable exception of the Chinese stock market indices - have continued the rally phase that began in the final quarter of 2023, on the basis of the above-mentioned expectations of rapid monetary easing (FED and ECB) and the final dissolution of fears of a hard landing for the US economy. In the United States, index growth was highly concentrated in the tech sector and, in particular, was fuelled by a limited number of companies with very large capitalisation connected in various ways to the development of artificial intelligence (referred to as the "magnificent seven"). As a result, the performance of the Nasdaq 100 index during the half year exceeded 20%, the S&P 500 rose by 14.5%, while the Dow Jones index, which unlike the other two is not calculated on capitalisation, increased by a much more modest 3.8%. The Eurozone markets, on average, also saw significant increases in prices. The Eurostoxx 50 index rose by 8.2%. The Frankfurt index was also positive, while in France the Cac40 remained low (-0.85%), affected by poll results for the 30 June presidential elections. In Italy, one of the best markets on the old continent, the FTSE Mib index recorded a consistent increase of 9.23%, buoyed by the excellent performance of the banking segment, the index of which rose by 32.6% during the period.

The bond sector, which is highly subject to monetary policy expectations, opened the year by incorporating the effects of a rally in the last quarter of 2023 triggered by the above-mentioned expectations of a change in the Fed's stance. As this expectation faded, the trend was reversed: in the USA, the 10-year T-Bond rose, from yields of around 3.80% at the turn of the year until reaching 4.70% at the end of April, to then close the half-year at around 4.30%. Shorter term government bonds had similar performance. The 2/10 year spread on the US government rate curve remained in negative territory for the entire half-year. The ten-year German Bund began the year with a return of 2.0% and ended at 2.60%; similar performance was seen for the ten-year BTP, which fluctuated from the 3.60% area at the end of 2023 until closing the period at 4.10% in a context of increased volatility. In fact, at the end of the half-year, polls and the results of the French presidential elections favoured a certain flight to quality. The BTP-Bund spread, close to 160 bps at the beginning of the year and reduced to around 120 bps in mid-March, briefly returned to its initial levels coinciding with the French electoral round, only to then decrease again; in the same period, the spread between the French ten-year bond and the Bund expanded to 80 bps, a level that had not been witnessed since 2011, and since then has started to decline, without however returning to pre-election values. In general, during the half-year, fixed-rate securities in USD and EUR in the corporate and high yield segments, the latter in particular, recorded a positive return on investment, despite the bullish trend in the government rates mentioned above.

Domestic banking activity

The overall scenario and the economic situation described above represented a brake on the expansion of the assets of the Italian banking system. The continued restrictive tone of monetary policies has caused interest rates to remain high. Businesses, in view of the availability of internal sources of funds - given their still high levels of liquidity - have therefore preferred to resort to these sources to meet their needs. Furthermore, economic growth, positive but still limited, has kept working capital requirements at low levels without stimulating credit demand from companies. With regard to households, the less brilliant performance of the real estate sector and the high prices reached in big towns have moderated credit demand for real estate purchases.
Overall, therefore, the lending trend was down in the half-year: based on the initial estimates of the SI-ABI published in July 2024, total loans to residents in Italy, as at June 2024, stood at 1,647.6 billion. -2.4% on an annual basis (calculated by including loans not recognised in bank financial statements as they are securitised and net of changes in amounts not linked to transactions). Loans to residents in Italy to the private sector amounted to 1,413 billion (June 2024), down by -1.9% compared to one year prior. There was also a slowdown in loans to households and non-financial companies, overall equal to 1,280 billion, with an annual change of -1.7%, a decrease which was however slower than in the previous month (-2.1%).
In detail, based on the most recent data, in May 2024, the latest figure available, the rate of change of loans to non-financial companies was -3.1% on an annual basis. The negative performance, moreover already recorded last year, reflects both the increase in lending costs and stricter lending conditions, and the improved financial balance of businesses that are also benefitting from the above-mentioned liquidity reserves. Total loans to households fell by 1.1% on an annual basis. The trend in loans to households was stable both for loans for home purchases and for consumer credit.
In terms of funding, in June 2024 bank deposits from customers were positive: both deposits and bonds were up. The stock of total direct funding (deposits from resident customers and bonds) is equal to 2,052.7 billion, up by 3.0% compared to the previous year.
In detail, deposits from resident customers in June amounted to 1,786.7 billion and increased by 1.4% (change YoY). Medium and long-term funding through bonds recorded an increase of +14.9% YoY in June 2024, with a balance of 266 billion.
It should be noted in particular that the amount of current account deposits recorded a decrease of -3.72% between May 2024 (1,309,587 million) and May 2023 (1,360,217 million); on the contrary, deposits with a pre-established duration recorded a rally of 18.84% on an annual basis. Deposits with advance notice remained substantially stable, with an annual change of 0.40%, while repurchase agreements (net of central counterparties) marked a strong rally of +40.04%.
With regard to the evolution of interest rates, the average rate on bank deposits from customers stood at 1.25% in June 2024 (0.93% in June 2023). More specifically, the average rate was 1.02% on deposits and 2.93% on bonds. On the other hand, with regard to loans, the average rate in the same month was 4.77% (4.25% in June 2023). In June 2024, the mark-up (calculated as the difference between the average rate on loans and the 3-month Euribor rate) was 1.04% (0.71 bps in June 2023), while the mark-down (calculated as the difference between the average rate on deposits and the 3-month Euribor rate) was 2.48% (2.61% in June 2023). As a result of the above, the banking spread expanded: the spread between the average rate on loans and the average rate on deposits to households and non-financial companies was 3.52% in June 2024 compared to 3.32% recorded in June 2023.
In terms of credit quality, the impact of non-performing loans on total loans, significantly reduced over the last few years, remained basically stable, and the loan default rate remained at low levels. In particular, in May 2024, net non-performing loans decreased slightly to 30.3 billion, from 30.5 billion in December 2023, and represented 1.43% of total loans (in December it was 1.41%).
In May 2024, the assets of open-ended Italian and foreign funds came to around 1,180 billion, up compared to May 2023 (1,103.8 billion, +6.9%). The significant imbalance towards foreign funds, which account for 77.6% of the total, remains.

SIGNIFICANT EVENTS DURING THE PERIOD

The start of the 2024 financial year was characterised by an overall positive macroeconomic scenario, despite the fact that elements of uncertainty remained, deriving in particular from the geopolitical situation in Ukraine and the Middle East and the resulting difficulties in global supply chains.
In this context, the Group's operations focused on the areas described below.

Streamlining of the Group structure

During the half year, the Group continued with the process of implementing the new product factory configuration in the Bancassurance and payment systems segments.

Integration of the insurance business

As regards the Bancassurance segment, the corporate structure was completed at the end of 2023 with the finalisation of sales transactions that led to the Group obtaining full control over the companies operating in the Life business (Banco BPM Vita, Vera Vita and BBPM Life) and the acquisition, in a joint venture with Crédit Agricole Assurances, with a share of 35% of the companies operating in the non-life business (Banco BPM Assicurazioni, Vera Assicurazioni and indirectly Vera Protezione).
During the first half of 2024, in compliance with agreements between the parties, the purchase and sale prices of the above-mentioned equity investments were subject to adjustment. More specifically:

- a deferred component commensurate with 65% of the profits accrued by the companies from 1 January 2023 to 14 December 2023 was added to the price paid by Banco BPM to Generali Italia, equal to 22.2 million for Vera Assicurazioni and 24.4 million for Vera Vita;
- the sale price of the companies operating in the non-life business was subject to adjustment on the basis of the final values of the companies' own funds as at 31 December 2023: Crédit Agricole Assurances paid Banco BPM 24.0 million as a price adjustment for the sale of Vera Assicurazioni S.p.A., and Banco BPM Vita paid Crédit Agricole Assurances 2.7 million as a price adjustment for the sale of Banco BPM Assicurazioni S.p.A.

Overall, there was a positive economic impact, including tax effects, of 2.5 million.
During the half-year, the process was initiated of insourcing the activities of Vera Vita, currently carried out by Generali Italia, as part of the service agreement entered into when control was acquired. The project calls for the implementation of a new technological platform as a result of which, during the next year, it will be possible to proceed with the migration of the policy portfolio and all data on the company's information system.

E-money business reorganisation

As regards the payment systems segment, following the agreements signed last year for the establishment of a joint venture with FSI and Iccrea[1], the completion of some activities in preparation for the finalisation of the transaction as well as the receipt of all authorisations from the competent authorities make it possible to confirm the closing to take place by 30 September 2024.

[1] The agreement calls for the establishment of a strategic partnership for the development of a new independent Italian company in the digital payments sector through the contribution of the Banco BPM e-money activities and the interest in Tecmarket Servizi to BCC Pay S.p.A. (which on 1 May 2024 changed its name to Numia S.p.A.), with the payment of a mixed consideration in cash and in shares issued by the SPE Pay Holding (which on 1 May 2024 changed its name to Numia Group S.p.A.), which in turn controls the entire share capital of Numia S.p.A. After the transaction, Numia Group will be owned roughly 43% by FSI and around 28.6% each by Banco BPM and Iccrea Banca. Numia Group will continue to hold 100% of the share capital of Numia S.p.A., while the latter will become the sole shareholder of Tecmarket. The Agreement also calls for the signing of a multi-year distribution contract for Numia's services on the Banco BPM network as well.

Demerger of the Banca Akros business unit in favour of the Parent Company

As part of the process of streamlining the Group organisational and corporate structure, during the first half of the year, the partial spin-off transaction of the business unit consisting of the set of assets and resources organised for the performance of the "Proprietary Finance" activities of Banca Akros in favour of Banco BPM was completed, effective as of 1 January 2024.

Contribution of a business unit to the subsidiary Banco BPM Invest SGR

On 25 June 2024, the Parent Company and Banco BPM Invest SGR, which in March received authorisation from the Bank of Italy to carry out collective asset and portfolio management activities pursuant to the art. 34 of Italian Legislative Decree no. 58 of 24 February 1998, signed the deed of contribution of the business unit represented by the "Alternative Investments and Funds" structure of Banco BPM and dedicated to the investment of closed-end fund units. The contribution became effective as of 1 July 2024.

Renewal of shareholders' agreement with the Crédit Agricole Group in consumer credit

On 28 June 2024, the renewal until 28 June 2029 of the Shareholders' Agreement relating to the joint venture in Agos Ducato was formalised between Banco BPM on one hand and Crédit Agricole S.A. and Crédit Agricole Consumer Finance on the other. In this context, the right of Banco BPM to exercise the unconditional put option on 10% of the share capital of Agos Ducato was extended by another three years (with an exercise period from 1 July - 31 July 2025 to 1 July - 31 July 2028), at an already agreed strike price of 150 million.
In addition, the new Shareholders' Agreement simplified the potential listing process of Agos Ducato, through the establishment of a single procedure to be implemented at the request of Banco BPM starting from 1 July 2025, until the expiry date of the Shareholders' Agreement.

Other transactions

On 24 April 2024, the shareholders' meeting of BP Mortgages S.r.l. (special purchase loan securitisation vehicle pursuant to Law no. 130/1999, consolidated by Banco BPM), following the early closure of the last outstanding securitisation transaction, approved the early dissolution and placement in liquidation of the company, effective as of 1 May 2024.

In June, the deed of merger by incorporation of Terme Ioniche Società Agricola S.r.l. into Terme Ioniche S.r.l., both controlled by Banco BPM, was signed. This transaction, completed on 30 June and effective for accounting and tax purposes as of 1 January 2024, took place in simplified form without an exchange ratio or cash adjustment, and did not have any financial or economic impact.

Other events in the period

Derisking activities

During the first half of the year, the Group continued the derisking process through the sale of portfolios of bad loans and unlikely to pay loans, with a consequent benefit on the stock of non-performing loans and on credit quality indicators.
The large-scale sales of non-performing loans carried out in the first half year or in the process of being finalised as at 30 June 2024 amounted to approximately 240 million, compared to the target of 700 million set forth in the Strategic Plan approved at the end of 2023.
As at 30 June 2024, the residual target of non-performing loans to be sold through large-scale portfolio transactions therefore amounted to approximately 460 million; for the above-mentioned receivables, the book value as at 30 June 2024 is determined on the basis of a "multi-scenario" probabilistic model meant to estimate the recoverable value in the sale scenario.

Important funding and capital transactions completed

With regard to funding and capital transactions, in the first half of 2024 the Parent Company concluded two issues, reserved for institutional investors, as part of the Euro Medium Term Notes Programme: the first, in January 2024, relating to Green Senior Non-Preferred securities for 750 million, maturing in six years, callable in the fifth year and fixed coupon of 4.875%; the second in March 2024, relating to Tier 2 subordinated securities for an amount of 500 million, maturity in ten years and three months, with a fixed coupon of 5% up to the fifth year and callable early starting from the fifth year.

In the first half of 2024, Banco BPM also concluded two new issues of European Covered Bonds (Premium) intended for institutional investors: the first in January 2024 for 750 million and a maturity of six years, the second in May 2024 for 500 million and maturity in seven years. Both transactions are part of the BPM Covered Bond 2 programme of 10 billion.

Lastly, as illustrated in greater detail in the section dedicated to significant events after the end of the half-year, with the aim of optimising the structure of own funds, in July Banco BPM issued an Additional Tier 1 perpetual instrument for an amount of 400 million, reserved to institutional investors. The securities, issued at par, may be called by the issuer starting from January 2031; the fixed six-monthly coupon, non-cumulative, was set at 7.25% until 16 July 2031 and its payment is fully discretionary and subject to certain limitations.
Furthermore, it should be noted that, together with the Additional Tier 1 issue, the Bank made a public repurchase offer relating to the Additional Tier 1 security XS2089968270 for a maximum amount equal to the nominal value of 400 million. At the end of the offer period, Banco BPM fully accepted the offers received, repurchasing roughly 179.5 million of the security. Lastly, note the early repayment, in June 2024, of an Additional Tier 1 capital instrument issued in 2019 (ISIN XS1984319316) for a nominal amount of 300 million and already subject to a partial repurchase in November 2023 for 223.3 million.

Corporate Sustainability Reporting Directive (CSRD)

The new rules on corporate sustainability reporting were introduced by the European Union through the Corporate Sustainability Reporting Directive (CSRD), applicable from 1 January 2024 for public interest entities with more than 500 employees, which will have to publish the data by the end of 2025.
The transposition of the Directive into Italian legislation through the adoption of a Legislative Decree is expected on 10 September 2024.

To this end, Banco BPM has launched a project aimed at implementing the indications set forth in the new regulations, which are detailed in the guidelines defined by ESRS (European Sustainability Reporting Standards) contained in the relative Commission delegated regulation which supplements Directive 2013/34/EU of the European Parliament and of the Council.

The final objective is to prepare a document that complies with the general requirements that the ESRS standards require for the disclosure on sustainability, guaranteeing the accurate and effective integration of the document into the report on operations.

Project governance

In the first half of 2024, Banco BPM adopted the following project governance:
- Steering Committee, which brings together the functions transversally involved in reporting (i.e. Audit, Enterprise Risk Management, Transition and Sustainability, HR, IT, Planning and Value Management, Communication, Organisation, Risk, Compliance, Administration and Budget), defines guidelines on project activities and ensures that the most relevant decision-making points are properly addressed;
- Project manager and PMO for the supervision and guidance of project activities, monitoring plan progress, making decisions in the event of key issues, significant delays or significant and unexpected events;
- Managers of the project workstreams into which the operational implementation of the project is broken down, which requires the involvement of the contributing functions.

In particular, in order to finalise the preparation of the first Sustainability Statement with reference to the 2024 tax year, three workstreams were activated:

Reporting Workstream
Objectives: definition of the reporting scope, design and implementation of processes aimed at gathering content for the drafting of the Sustainability Statement.

Internal Control System Workstream
Objectives: design of the model relating to the Internal Control System for sustainability reporting, in particular on defining the responsibilities and methods for verifying the presence and soundness of the information identified for reporting purposes.

Internal Regulations Workstream
Objectives: design of the governance model and integration of processes for the production of the Sustainability Statement for the year 2024, updating and integration of Internal Regulations.

Gap Analysis and information tracking

The gap analysis carried out in 2023 and conducted by comparing the data and information published in the Group's Consolidated Non-Financial Statement with the ESRS requirements, provided the basis for the launch of a series of in-depth analyses during the early months of 2024 with the aim of:

- identifying the ESRS data and information which, although not published in the current sustainability reporting, are already available in company information systems;
- identifying the ESRS data and information that are not currently available and the relative internal owners, in order to share the need for disclosure, to assign and/or implement roles and responsibilities in data and information management/reporting, as well as all the actions needed to prepare the disclosure (e.g. adjustments of processes and policies, planning of objectives, etc.) with the internal owner structures;
- preparing 2024 data collection activities according to ESRS requirements;
- updating the process rules and the data collection procedure manual.

The results of in-depth analysis activities have been systematised within an operational tool, currently being completed, that can be used to track the information required for reporting and the relative computerised support requirements for the extraction of information.

Double Materiality Assessment (DMA)

In order to identify the sustainability issues subject to reporting in the Sustainability Statement, Banco BPM applied the methodology set forth in the EFRAG guidelines on Double Materiality in accordance with the requirements of the CSRD regulations.

In this regard, it should be noted that during the first half of 2024, Banco BPM carried out the materiality analysis by adopting the Double Materiality approach, which includes "Impact Materiality" and "Financial Materiality", in order to identify the sustainability topics relating to impacts, risks and opportunities (IRO) relevant to the Group and/or its value chain.

With regard to *Impact Materiality*, the impacts that the Group generates on the environment and on society were identified and assessed, and subsequently evaluated by the applicable structures. In addition, an analysis was carried out throughout the entire value chain, which includes suppliers, the Group's own operations and the portfolio, considering the loans disbursed, bonds and interests.

With regard to *Financial Materiality*, risks and opportunities to which the Group is exposed have been identified and assessed, which may negatively or positively influence its economic and financial performance.

At present, the Working Group is currently analysing the preliminary results formalised in terms of "Impact Materiality" and "Financial Materiality", which will allow for the precise definition of data requests for reporting purposes in compliance with the ESRSs established by the CSRD.

Value chain

In compliance with the requirements of the CSRD regulations and the EFRAG guidelines, during the double materiality analysis, Banco BPM considered impacts, risks and opportunities generated throughout the value chain.

When reporting on sustainability issues covered by the ESRS for the year 2024, Banco BPM will make use of the transitional measures specified in the Delegated Act (three-year phase-in) established for reporting obligations regarding the metrics relating to Impacts, Risks and Opportunities of the Value Chain.

Time horizons

The time horizons taken into consideration by Banco BPM as part of the double materiality analysis on Impacts, Risks and Opportunities were defined in line with the provisions of the CSRD Directive. In particular, short-term is defined as a period of one year, medium term from 2 to 5 years and long-term as a period exceeding 5 years.

Links with other corporate disclosures and related information

Banco BPM's objective is to provide information that allows users of its sustainability statement to understand the links between the different information contained in the statement and additional information that the Bank discloses in other parts of its corporate reports.

Training activities

During the first half of 2024, training sessions were held for the resources of the main functions and structures involved in reporting processes, in order to introduce the main changes in terms of required content and processes in implementation of the CSRD Directive.

Programme to purchase own shares

In implementing the resolution of the Ordinary Shareholders' Meeting of 20 April 2023 and by virtue of the authorisation issued by the European Central Bank, in March 2024, the Parent Company launched a programme for the purchase of own shares to support existing short- and long-term incentive plans.
The programme was carried out in the period 4 - 15 March 2024 with the purchase of 905,286 own shares (equal to 0.06% of outstanding ordinary shares) at the average unit price of 5.52 euro, for a total equivalent value of 5 million.

It should also be noted that the Shareholders' Meeting of 18 April 2024, which approved, inter alia, the financial statements as at 31 December 2023 of Banco BPM S.p.A. and the proposals on the allocation and distribution of the profit for the year, also approved the purchase of additional ordinary shares of Banco BPM for a maximum total of 45 million in connection with share-based compensation plans, within the term of 18 months and no later than the date of the Shareholders' Meeting that will be called to approve the financial statements relating to the 2024 financial year.
The programme was carried out in the period 19 - 24 June 2024 with the purchase of 4,911,328 own shares (equal to 0.32% of outstanding ordinary shares) at the average unit price of 6.11 euro, for a total equivalent value of 30 million.

As a result of the above transactions, Banco BPM, taking into account the assignments taking place during the half-year and the other own shares already in the portfolio, directly holds 11,342,227 own shares, equal to 0.75% of the share capital, for an equivalent book value of 51.7 million.

Launch of an incentivised retirement scheme

In line with what is set forth in the 2023-2026 Strategic Plan, the Group has launched an incentivised retirement scheme for all those who already meet or will meet the first pension requirement for early or old-age pension, with access (right to receive) to the relative benefits by 1 January 2026 and notification of participation by 30 June 2024.

In more detail, this plan provides for the payment of an incentive on termination of the employment relationship in an amount to be paid by way of an indemnity additional/supplementary to employee severance pay, consisting of a number of monthly salaries determined according to seniority and professional classification.
As at 30 June 2024 (final plan deadline), a total of 500 actual acceptances had been received, for a total gross expense of 17.5 million (11.7 million net of the relative tax effect).

Acquisition of building bonus tax credits

In the second quarter of 2024, Law no. 67 of 23 May 2024 entered into force, which converted, with amendments, the provisions of Decree Law no. 39 of 29 March 2024 on tax benefits pursuant to arts. 119 and 119-ter of Decree Law no. 34/2020. In particular, starting from 1 January 2025, banks, financial intermediaries and insurance companies will no longer be able to recover tax credits through offsetting with payables for social security and welfare contributions and premiums payable for insurance against accidents at work and occupational diseases.
In addition, for the same subjects that purchased tax credits for consideration of less than 75% of the nominal value of the credit, there is an obligation to allocate over 6 years the amounts usable as of 2025, in place of the original instalment plan. The portion of the tax credit not used during the year cannot be used in subsequent years and its refund cannot be requested. The instalments of the tax credits resulting from the new allocation cannot be transferred to other parties, or further allocated. These restrictions do not apply to parties that purchased the instalments of the above-mentioned credits at a consideration equal to or greater than 75% of the amount of the corresponding deductions, provided that they declare this circumstance by means of a specific communication to the Italian Revenue Agency to be sent electronically without exception by 31 December 2024.

The acquisition of building bonus tax credits is limited to the Parent Company Banco BPM. The Bank currently implements a process for the continuous monitoring of credit recoverability on the basis of the most up-to-date information relating to the tax credits acquired, the commitments made to purchase additional credits and the most updated estimate of offsetting capacity. This monitoring was immediately updated following the entry into force of the regulatory changes described above[1]. On the basis of the analysis carried out, it was found that the expected offsetting capacity makes it possible to recover through offsetting all of the credits recognised in the financial statements as at 30 June 2024. The offsetting capacity could be marginally exceeded in financial years 2025 and 2026 in the event that all the commitments to purchase additional credits already made as at 30 June 2024 are actually fulfilled. In this regard, it should be noted that, as a result of the regulatory change, the Bank has the possibility of unilaterally withdrawing from the commitments undertaken and that in any case any credits exceeding its offsetting capacity may be recovered through transfer to third parties.

As regards the restrictions relating to credits acquired at a price of less than 75%, on the basis of analyses performed, no impacts are expected on the Group's financial position and income statement.

Claims, disputes and investigations regarding reports of customers involved in the purchase of diamonds in previous years by Intermarket Diamond Business S.p.A.

During the first half of 2024, new claims were negligible both in number and in total additional relief (less than 0.3 million). As at 30 June 2024, due to settlements reached by negotiation or final rulings, claims and disputes for total relief figure of roughly 668.2 million were settled against claims that on the same date amounted to a total of around 721.3 million.
Please also recall that, in relation to the preventive seizure decree notified on 19 February 2019[2], in the previous year the Verona and Rome Public Prosecutors ordered the release of 83.8 million in favour of the Bank.

For information, reference should be made to section "Liabilities provisions – Items 90 and 100" contained in "Part B – Information on the consolidated balance sheet" of these Explanatory Notes.

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[1] The offsetting capacity estimate was updated taking into consideration the impossibility of recovering tax credits through offsetting with payables for social security and welfare contributions and premiums payable for insurance against accidents at work and occupational diseases starting from 1 January 2025.
[2] The sums seized originally amounted to 84.6 million, which was then reduced to 83.8 million due to an initial partial release and the confiscation issued by the Judge of the preliminary hearing in Milan as part of the sentence of application of the penalty requested on 8 April 2022.

Inspections and proceedings of the Supervisory Authorities

During its standard business activities, the Group is subject to inspections conducted by the Supervisory Authorities. More specifically, within the European system of banking supervision (Single Supervisory Mechanism), the Group is subject to the prudential supervision and, following the acknowledgement of financial conglomerate status, to the supplementary supervision of the European Central Bank (ECB); with regard to specific matters, supervision is the direct responsibility of the Bank of Italy and CONSOB and, as regards the Group's insurance companies, of the Institute for Insurance Supervision (IVASS).
Supervisory activities entail making ordinary and recurring inspections ("on/off-site inspection"), accompanied by "remote" inspections, conducted through structured and continuous exchanges of information, as opposed to specific requests for documentation and in-depth examination of specific areas.

Most of the inspection activities have already been concluded with the release of the Final follow up letters or Final decisions, through which the ECB communicates the corrective actions required in relation to the areas for improvement identified. If the inspections regarded aspects with a potential impact on capital, the observations made as well as the information acquired during the entire process were duly considered, when relevant, within the valuation of the company's assets/liabilities. If the inspections have identified areas for improvement as regards the processes examined, the Group has prepared specific corrective action plans.

Listed below are *(i)* the inspections launched in 2024 and *(ii)* the inspections that ended with the receipt of the decision, containing binding requirements, up to the conclusion of the relative remediation plans.
Banco BPM is also waiting to receive results from the Supervisory Authority regarding certain inspections concluded in 2023 or at the beginning of 2024 (in particular, the inspection relating to the assessment of climate risk management and that relating to internal governance and risk management).

Inspections by the ECB

a) on liquidity and funding risk. The inspection, which began on 15 April 2024 and was conducted on site, ended on 28 June 2024;
b) with regard to the application sent by the Bank for the extension of the internal model for the purposes of calculating the prudential requirements of credit risk to the Specialised Lending exposure classes and the use of the slotting criteria approach. On 17 May 2024, the Bank received the decision containing 3 legally binding requirements for which corrective actions are underway;
c) for the assessment of IT security risk management (Cybersecurity), on 2 August 2024, the Bank received the decision containing 5 legally binding requirements for which the relative corrective actions will be developed;
d) on internal models used to calculate credit risk requirements for the following exposure classes: Corporate - Other; Corporate - SME; Retail - Other non-SME; Retail - Other SME; Retail - Qualifying revolving; Retail - Secured by real estate non-SME; Retail - Secured by real estate SME. The inspection follows the application submitted to the ECB by Banco BPM and authorised on 15 December 2023, for the approval of the request for material changes to the internal models used to calculate capital requirements to cover credit risk; these new models began being used as of the beginning of February 2024. The Bank has prepared the associated action plan that specifies the methods for the resolution of the various obligations set forth in the authorisation, the resolution activities of which are underway;
e) on credit and counterparty risk to review asset quality, with reference to the Commercial Real Estate ("CRE") portfolio, and the assessment of the credit risk management procedures and control and governance systems ("Credit and counterparty risk – Credit Quality Review of CRE portfolio and assess selected credit risk processes"). On 21 April 2023, the Bank received the decision containing binding requirements and qualitative recommendations. The corrective action plan, for the most part already implemented, is nearing completion.

Lastly, although no binding requirements were established for the Bank, please also note the inspection on credit and counterparty risk for the assessment of the regulatory compliance of the framework for the implementation of IFRS 9 and the examination of the credit risk management methods (policies, methodologies, procedures and governance) with reference to portfolios of assets specifically identified and subject to qualitative review (Credit Quality Review).

On 27 May 2024, the Bank received the Final Follow up Letter, containing recommendations relating to the improvement of the LGD framework and reporting to the corporate bodies; the associated corrective action plan is in progress.

Inspections by the Bank of Italy

a) in the area of anti-money laundering, in terms of transaction monitoring. The on-site inspection began on 18 June 2024 and ended on 26 July 2024;
b) aimed at verifying, in the context of consumer credit and real estate credit to consumers, the adequacy of the organisational and control structures, policies and procedures on the issue of loans, for the protection of consumers in difficulty and prevention of the risk of over-indebtedness. The on-site inspection began on 21 November 2023 and ended on 2 February 2024. On 16 April 2024, Banco BPM received the result of the inspection, which identified items for improvement in terms of procedures and practice, particularly in the management of the pre-contractual phase. The corrective action plan is underway.

RESULTS

Introduction

The balance sheet and income statement shown above are presented in reclassified format, according to operating criteria, in order to promptly provide information on the general performance of the Group, based on aggregated economic-financial data that can be quickly and easily understood.
These layouts have been prepared based on the financial statement layouts indicated in the Bank of Italy's Circular no. 262/2005 as updated, applying the same aggregation and classification criteria applied when preparing the consolidated financial statements as at 31 December 2023, except for what is specified below.

Starting from the accounting situation as at 31 March 2024, income relating to e-money activities, carried out by the subsidiary Tecmarket Servizi, as well as income for the management of digital payment services, provided by the Parent Company following the partial spin-off of the above-mentioned subsidiary on 1 January 2023, are shown in the item "Net fee and commission income" of the reclassified income statement. To ensure a like-for-like comparison, the figures for previous periods, which were shown in the item "Other net operating income", were reclassified under "Net fee and commission income".
In fact, this representation allows for a more homogeneous comparison with the fee and commission income that will be received by the Group for e-money services[1] following the finalisation of the project for the enhancement of the e-money business.

1 Services relating to both Merchant Acquiring and POS management, and Issuing and distribution of payment cards.

Reclassified accounting statements

Reclassified consolidated balance sheet

(thousands of euro)	30/06/2024	31/12/2023	Change	
Cash and cash equivalents	10,994,286	18,297,496	(7,303,210)	(39.9%)
Loans measured at amortised cost	105,593,572	109,568,359	(3,974,787)	(3.6%)
- Loans to banks	3,620,965	4,141,630	(520,665)	(12.6%)
- Loans to customers (*)	101,972,607	105,426,729	(3,454,122)	(3.3%)
Other financial assets	50,158,637	43,706,381	6,452,256	14.8%
- at fair value through profit and loss	8,697,884	7,391,989	1,305,895	17.7%
- at fair value through other comprehensive income	12,111,268	10,692,718	1,418,550	13.3%
- at amortised cost	29,349,485	25,621,674	3,727,811	14.5%
Financial assets pertaining to insurance companies	15,695,387	15,345,008	350,379	2.3%
Interests in associates and joint ventures	1,429,310	1,454,249	(24,939)	(1.7%)
Property, plant and equipment	2,775,191	2,857,953	(82,762)	(2.9%)
Intangible assets	1,248,093	1,257,425	(9,332)	(0.7%)
Tax assets	3,926,381	4,201,154	(274,773)	(6.5%)
Non-current assets and disposal groups held for sale	445,305	468,685	(23,380)	(5.0%)
Other asset items	5,515,742	4,975,263	540,479	10.9%
Total assets	**197,781,904**	**202,131,973**	**(4,350,069)**	**(2.2%)**
Direct bank funding	124,149,132	120,770,064	3,379,068	2.8%
- due to customers	103,682,822	101,861,964	1,820,858	1.8%
- securities and other financial liabilities	20,466,310	18,908,100	1,558,210	8.2%
Direct funding from insurance business and insurance liabilities	15,388,490	15,039,762	348,728	2.3%
- financial liabilities pertaining to insurance companies measured at fair value	3,076,295	2,800,121	276,174	9.9%
- insurance liabilities	12,312,195	12,239,641	72,554	0.6%
Due to banks	12,395,708	21,690,773	(9,295,065)	(42.9%)
Lease payables	645,862	670,773	(24,911)	(3.7%)
Other financial liabilities designated at fair value	26,746,250	25,697,583	1,048,667	4.1%
Other financial liabilities pertaining to insurance companies	71,022	72,561	(1,539)	(2.1%)
Liability provisions	778,478	894,841	(116,363)	(13.0%)
Tax liabilities	481,054	453,929	27,125	6.0%
Liabilities associated with assets classified as held for sale	215,493	212,011	3,482	1.6%
Other liability items	3,177,352	2,591,516	585,836	22.6%
Total liabilities	**184,048,841**	**188,093,813**	**(4,044,972)**	**(2.2%)**
Non-controlling interests	74	68	6	8.8%
Group shareholders' equity	13,732,989	14,038,092	(305,103)	(2.2%)
Consolidated shareholders' equity	**13,733,063**	**14,038,160**	**(305,097)**	**(2.2%)**
Total liabilities and shareholders' equity	**197,781,904**	**202,131,973**	**(4,350,069)**	**(2.2%)**

(*) Includes senior securities from sales of non-performing loans.

Reclassified consolidated income statement

(thousands of euro)	I half 2024	I half 2023 (*)	Change
Net interest income	1,722,786	1,552,900	10.9%
Gains (losses) on interests in associates and joint ventures carried at equity	74,914	60,607	23.6%
Financial margin	**1,797,700**	**1,613,507**	**11.4%**
Net fee and commission income	1,021,398	977,830	4.5%
Other net operating income	2,494	3,790	(34.2%)
Net financial result	(42,008)	(42,492)	(1.1%)
Profit (loss) on insurance business	14,795	24,580	(39.8%)
Other operating income	**996,679**	**963,708**	**3.4%**
Operating income	**2,794,379**	**2,577,215**	**8.4%**
Personnel expenses	(860,561)	(808,254)	6.5%
Other administrative expenses	(348,968)	(336,824)	3.6%
Net value adjustments to property, plant and equipment and intangible assets	(129,068)	(129,651)	(0.4%)
Operating expenses	**(1,338,597)**	**(1,274,729)**	**5.0%**
Profit (loss) from operations	**1,455,782**	**1,302,486**	**11.8%**
Net adjustments to loans to customers	(194,052)	(258,719)	(25.0%)
Fair value gains (losses) on property, plant and equipment	(25,989)	(32,375)	(19.7%)
Net adjustments to securities and other financial assets	(3,248)	1,169	n.s.
Net provisions for risks and charges	8,242	3,318	148.4%
Gains (losses) on interests in associates and joint ventures and other investments	1,023	(234)	n.s.
Profit (loss) before tax from continuing operations	**1,241,758**	**1,015,645**	**22.3%**
Taxation charge related to profit or loss from continuing operations	(395,860)	(317,119)	24.8%
Profit (loss) after tax from continuing operations	**845,898**	**698,526**	**21.1%**
Charges related to the banking system, net of taxes	(66,636)	(57,629)	15.6%
Charges relating to retirement incentives	(11,686)	-	n.s.
Bancassurance impacts net of taxes	2,466	-	n.s.
Impact of the change in own credit risk on the issue of certificates (OCR) net of taxes	(1,299)	(2,568)	(49.4%)
Impact of the purchase price allocation (PPA) net of taxes	(18,624)	(14,233)	30.9%
Profit (loss) attributable to non-controlling interests	6	337	(98.2%)
Parent Company's profit (loss) for the period	**750,125**	**624,433**	**20.1%**

(*) The figures relating to the previous period have been restated, for a like-for-like comparison with 2024, reclassifying the income from activities related to the e-money sector under "Net fee and commission income", previously shown in the item "Other operating income and expenses".

Reclassified consolidated income statement – Quarterly changes

Reclassified income statement items *(thousands of euro)*	**2024**		**2023 (*)**			
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net interest income	858,390	864,396	867,655	868,673	809,926	742,974
Gains (losses) on interests in associates and joint ventures carried at equity	44,572	30,342	49,350	34,140	24,295	36,312
Financial margin	**902,962**	**894,738**	**917,005**	**902,813**	**834,221**	**779,286**
Net fee and commission income	499,778	521,620	466,799	474,942	484,699	493,131
Other net operating income	(1,347)	3,841	13,724	4,210	1,353	2,437
Net financial result	(50,813)	8,805	(13,760)	(22,777)	(8,356)	(34,136)
Profit (loss) on insurance business	9,977	4,818	13,113	8,158	14,969	9,611
Other operating income	**457,595**	**539,084**	**479,876**	**464,533**	**492,665**	**471,043**
Operating income	**1,360,557**	**1,433,822**	**1,396,881**	**1,367,346**	**1,326,886**	**1,250,329**
Personnel expenses	(428,926)	(431,635)	(461,548)	(402,150)	(402,858)	(405,396)
Other administrative expenses	(176,068)	(172,900)	(150,516)	(165,053)	(166,630)	(170,194)
Net value adjustments to property, plant and equipment and intangible assets	(64,919)	(64,149)	(49,083)	(68,084)	(65,191)	(64,460)
Operating expenses	**(669,913)**	**(668,684)**	**(661,147)**	**(635,287)**	**(634,679)**	**(640,050)**
Profit (loss) from operations	**690,644**	**765,138**	**735,734**	**732,059**	**692,207**	**610,279**
Net adjustments to loans to customers	(111,598)	(82,454)	(175,043)	(124,832)	(121,264)	(137,455)
Fair value gains (losses) on property, plant and equipment	(12,605)	(13,384)	(102,698)	(11,774)	(30,469)	(1,906)
Net adjustments to securities and other financial assets	(287)	(2,961)	(2,114)	(1,041)	488	681
Net provisions for risks and charges	13,220	(4,978)	(8,343)	(17,164)	868	2,450
Gains (losses) on interests in associates and joint ventures and other investments	645	378	267	309	(388)	154
Profit (loss) before tax from continuing operations	**580,019**	**661,739**	**447,803**	**577,557**	**541,442**	**474,203**
Taxation charge related to profit or loss from continuing operations	(180,425)	(215,435)	(104,676)	(182,956)	(169,683)	(147,436)
Profit (loss) after tax from continuing operations	**399,594**	**446,304**	**343,127**	**394,601**	**371,759**	**326,767**
Charges related to the banking system, net of taxes	1,474	(68,110)	698	(69,646)	(351)	(57,278)
Charges relating to retirement incentives	(11,686)	-	-	-	-	-
Impact of the realignment of tax values to book values	-	-	8,802	-	-	-
Bancassurance impacts net of taxes	2,466	-	(22,245)	-	-	-
Change in own credit risk on Certificates issued by the Group, net of taxes	476	(1,775)	(2,063)	1,168	(5,845)	3,277
Purchase Price Allocation net of taxes	(9,954)	(8,670)	(6,847)	(7,260)	(6,830)	(7,403)
Profit (loss) for the period attributable to non-controlling interests	4	2	(412)	97	373	(36)
Parent Company's profit (loss) for the period	**382,374**	**367,751**	**321,060**	**318,960**	**359,106**	**265,327**

(*) The figures relating to the previous year have been restated, for a like-for-like comparison with 2024, reclassifying the income from activities related to the e-money sector under "Net fee and commission income", previously shown in the item "Other operating income and expenses".

Methodological Note

Information is provided below on the aggregations and main reclassifications systematically made with respect to the financial statements formats provided for in Circular no. 262/2005, in accordance with that required by CONSOB in Communication no. 6064293 of 28 July 2006:

To prepare the consolidated balance sheet, the asset items have been reclassified as follows:

- the aggregate "Loans at amortised cost" is represented by item "40. Financial assets at amortised cost" with the exclusion of debt securities, included in "Other financial assets and hedging derivatives" and of the financial assets at amortised cost pertaining to insurance companies, shown in the aggregate "Financial assets pertaining to insurance companies" of the reclassified balance sheet. In addition, the sub-item "Loans to customers" includes the amount of senior securities deriving from the sale of non-performing loans;
- the aggregate "Other financial assets and hedging derivatives" is made up of items 20, 30 and 50, with the exception of senior securities deriving from the sale of non-performing loans, included in loans to customers, and of financial assets pertaining to insurance companies, also included in the aggregate "Financial assets pertaining to insurance companies" of the reclassified balance sheet. This aggregate also includes the amount of debt securities measured at amortised cost mentioned above;

- the aggregate "Financial assets pertaining to insurance companies" includes the financial assets attributable to insurance operations (asset items: "20. Financial assets at fair value through profit and loss", "30. Financial assets measured at fair value through other comprehensive income", "40. Financial assets at amortised cost", "50. Hedging derivatives");
- the aggregate "Other asset items" consists of the residual items "60. Fair value change of financial assets in macro fair value hedge portfolios (+/-)" and "130. Other assets". Insurance assets are also included (item 80 of balance sheet assets).

The main balance sheet liability items were instead subject to the following reclassifications:

- the aggregate "Direct bank funding" is made up of items "10.b) Financial liabilities at amortised cost: due to customers", with the exclusion of lease payables due to customers (shown in the item of the same name in the reclassified balance sheet), and of amounts due to customers pertaining to insurance companies (shown in item "Direct funding from insurance business and insurance liabilities" of the reclassified balance sheet); "10.c) Financial liabilities at amortised cost: debt securities in issue" and "30. Financial liabilities designated at fair value", net of protected capital certificates, included in the aggregate "Other financial liabilities designated at fair value" and of financial liabilities pertaining to insurance companies designated at fair value, shown in item "Direct funding from insurance business and insurance liabilities";
- the aggregate "Direct funding from insurance business and insurance liabilities" includes the liabilities of the insurance companies for policies underwritten by customers. In particular, these are liability items "30. Financial liabilities designated at fair value", for unit-linked policies and "110. Insurance liabilities ", for the remaining insurance products;
- the item "Due to banks" refers to item "10.a) Financial liabilities at amortised cost: due to banks", with the exception of lease payables due to banks (shown in the item of the same name in the reclassified balance sheet) and of amounts due to banks pertaining to insurance companies (shown in item "Direct funding from insurance business and insurance liabilities" of the reclassified balance sheet);
- the item "Lease payables" includes the liabilities at amortised cost to banks and customers relating to leasing transactions, as previously described;
- the aggregate "Other financial liabilities designated at fair value" includes items "20. Financial liabilities held for trading", increased by the amount of the protected capital certificates as described above, and "40. Hedging derivatives";
- the item "Other financial liabilities pertaining to insurance companies" includes amounts due to banks and to customers of insurance companies, not related to commitments to policyholders, recognised under liability item "10. Financial liabilities at amortised cost";
- the aggregate "Liability provisions" includes items "90. Provisions for employee severance pay" and "100. Provisions for risks and charges";
- the aggregate "Other liability items" consists of the residual items "50. Fair value change of financial liabilities in macro fair value hedge portfolios (+/-)" and "80. Other liabilities";
- the aggregate "Group shareholders' equity" is represented by items "120. Valuation reserves", "140. Equity instruments", "150. Reserves", "170. Share capital", "180. Own shares (-)" and "200. Profit/Loss for the year".

Finally, as regards the reclassified income statement, the following main reclassifications were made:

- the portion of the economic results pertaining to investee companies carried at equity (included in item 250) has been stated in a specific item, which represents, together with the "Net interest income", the aggregate defined as the "Financial margin";
- the item "Profit (loss) on insurance business" includes the items specifically attributable to the insurance business represented by the profit (loss) on insurance services (item 160) and the balance of income and expenses from insurance activities (item 170), which includes the net change in technical reserves, claims for the period, as well as other income and expenses from insurance activities. In addition, this aggregate includes the economic components (interest, dividends, realised gains/losses, gains/losses from valuation) relating to the portfolios of financial assets and liabilities held by insurance companies ("10. Interest income", "20. Interest expense", "70. Dividends", "80. Net trading income", "90. Fair value gains/losses on hedging derivatives", "100. Gains (losses) on disposal or repurchase", "110. Net gains (losses) from other financial assets and liabilities measured at fair value through profit and loss", "130. Net credit impairment losses/recoveries"). It should also be noted that, in the reclassified income statement, placement fees paid by insurance companies to the banking distribution network of Banco BPM, even if consolidated using the line-by-line method, are recognised as open balances. The item "Net fee and

commission income" therefore includes fee and commission income received from the distribution network, while the item "Profit (loss) on insurance business" includes fee and commission expense paid by the insurance companies. The aim of this presentation method is to allow the contributions of the various operating segments that generate the economic result to be represented, in line with the requirements of accounting standard IFRS 8;

- dividends on shares classified under financial assets at fair value through profit and loss and measured at fair value through other comprehensive income (included in item 70) were re-attributed to the "Net financial result";
- the income relating to the issue of liabilities held for trading represented by Group certificates, which in the income statement drawn up based on Circular no. 262 is shown in item "80. Net trading income", was partially re-attributed to the reclassified income statement item "Net fee and commission income". In greater detail, with an operating outlook, net fee and commission income includes the portion of product profitability that remunerates the placement activities performed by the Group. Moreover, fee and commission expense relating to placement services carried out by third party networks are included in the net trading income;
- recoveries of taxes and duties and other expenses (included in item 230) were applied as a direct decrease in other administrative expenses, where the related cost is recorded, instead of being indicated in the reclassified aggregate of "Other net operating income";
- gains and losses on disposal of loans, not represented by debt securities (included in item 100) and gains (losses) from contractual modification without derecognition (booked to item 140), were added, together with net credit impairment losses/recoveries, to the item "Net adjustments to loans to customers";
- ordinary and extraordinary charges introduced for banks due to the single and national resolution funds (SRF and NRF) and the deposit guarantee scheme (DGS) were recognised, net of relative tax effects, in a separate item "Charges related to the banking system, net of taxes", rather than in "Other administrative expenses" and "Taxation charge related to profit or loss from continuing operations";
- the expenses relating to the incentivised retirement scheme activated by the Parent Company, recognised under the item "Personnel expenses", are recognised in a separate item of the reclassified income statement named "Charges relating to retirement incentives", net of the relative tax effects;
- the impact of exercising the option to realign the tax values to the book values of the real estate for the Group's use, recognised under "Taxation charge related to profit or loss from continuing operations" was re-attributed to an ad hoc item of the reclassified income statement named "Impact of the realignment of tax values to book values";
- the overall economic impacts related to the reorganisation of bancassurance activities are shown in an ad hoc item called "Bancassurance impacts net of taxes", which includes the relative tax effects;
- the economic impact of a change in own credit risk related to the issue of certificates classified in the portfolio of "Financial liabilities held for trading" is included in the ad hoc item "Change in own credit risk on Certificates issued by the Group, net of taxes". This decision derives from the need to isolate the economic effects of the volatility of said own credit risk, as, with an operating outlook, they are not deemed expressive of actual profitability of the Group;
- the impacts arising from Purchase Price Allocations made following aggregation transactions have been grouped into a single separate item in the reclassified income statement called "Purchase Price Allocation net of taxes". This item groups together the impacts that in the income statement format are recognised in interest income (reversal effect of the fair value measurement of loans) and in the item "Taxation charge related to profit or loss from continuing operations".

The annexes to the consolidated condensed interim financial statements provide the statements of reconciliation between the reclassified financial statements and those prepared on the basis of Circular no. 262.

In addition to the financial information prepared on the basis of IAS/IFRS international accounting standards, this report contains some alternative performance measures (APMs) identified in order to facilitate the understanding of the economic and financial performance of Banco BPM Group operations.
The aforementioned measures are based on the guidelines of the European Securities and Markets Authority (ESMA) of 5 October 2015 (ESMA/2015/1415), incorporated in CONSOB Communication no. 0092543 of 3 December 2015.
In particular, it should be noted that alternative performance measures:

- are based exclusively on historical data and are not indicative of future performance;
- are not determined on the basis of the IFRS accounting standards and are not subject to audit;

- are calculated on the basis of the reclassified financial statements, unless otherwise specified, and must be read together with the financial information of the Group contained in this report;
- since not all companies calculate APMs in the same way, the measures used by Banco BPM may not be consistent with similar parameters used by other companies;
- are calculated consistently and in the same way for the periods to which the financial information in this Report refers.

A list of the main APMs contained in this report is provided below, with an indication of the calculation methodology[1]:

- **core operating income**: aggregate consisting of net interest income, gains (losses) on interests in associates and joint ventures carried at equity, net fee and commission income and profit (loss) on insurance business;
- **direct bank funding**: includes funding from customers represented by demand and term deposits and current accounts, bonds issued, certificates of deposit and other securities, debts and protected capital certificates relating to the Group's banking activities. Starting from 2024, the aggregate also includes short-term repurchase agreements. On the other hand, funding relating to insurance companies is not included;
- **core direct funding:** funding from customers relating only to current accounts and deposits;
- **direct funding from insurance business and insurance liabilities**: includes the forms of funding classified under insurance liabilities and financial liabilities pertaining to insurance companies;
- **indirect funding**: management figure that includes funding from assets under management and under custody, net of funding underlying protected capital certificates, included in direct funding;
- **Core net performing loans**: aggregate consisting of mortgages and other loans, current accounts, credit cards and personal loans;
- **Gross NPE ratio**: ratio of gross non-performing exposures to total exposures relating to the balance sheet item "Loans to customers measured at amortised cost";
- **Net NPE ratio**: ratio of net non-performing exposures to total net exposures relating to the balance sheet item "Loans to customers at amortised cost";
- **cost of credit or cost of risk**: calculated as the ratio of net value adjustments on loans to customers to total on-balance sheet exposures to customers measured at amortised cost, net of value adjustments;
- **coverage ratio of non-performing loans**: calculated as the ratio of net value adjustments on non-performing loans to gross non-performing loans;
- **coverage ratio of non-performing loans including write-offs**: calculated as the ratio of net value adjustments on non-performing loans to gross non-performing loans (including write-offs in both items);
- **bad loan coverage ratio**: calculated as the ratio of net value adjustments on bad loans to gross bad loans;
- **bad loan coverage ratio including write-offs**: calculated as the ratio of net value adjustments on bad loans to gross bad loans (including write-offs in both items);
- **unlikely to pay coverage ratio**: calculated as the ratio of net value adjustments on unlikely to pay loans to gross unlikely to pay loans;
- **coverage ratio of past due exposures**: calculated as the ratio of net value adjustments on past due exposures to gross past due exposures;
- **coverage ratio of performing exposures**: calculated as the ratio of net value adjustments on total performing exposures to total gross performing exposures;
- **net bad loans/loans to customers (net)**: calculated as the ratio of net bad loans to total net exposures;
- **net unlikely to pay/loans to customers (net)**: calculated as the ratio of net unlikely to pay loans to total net exposures;
- **net bad loans/shareholders' equity**: calculated as the ratio of net bad loans to shareholders' equity;
- **Texas ratio**: calculated as the ratio of the net value of non-performing loans to the Group's tangible shareholders' equity (net of related tax effects);
- **tangible shareholders 'equity**: the difference between shareholders' equity pertaining to the Group and intangible assets (net of the related deferred tax effects);

[1] Alternative performance measures relating to loans refer, unless otherwise specified, to the aggregate of loans to customers recognised under financial assets at amortised cost.

- **financial assets and hedging derivatives/total assets**: calculated as the ratio of aggregate financial assets and hedging derivatives inferred from the reclassified balance sheet to total assets;
- **derivative assets/total assets**: calculated as the ratio of aggregate trading and hedging derivatives shown in the balance sheet assets to total assets;
- **trading derivative assets/total assets**: calculated as the ratio of trading derivatives shown in the balance sheet assets to total assets;
- **hedging derivative assets/total assets**: calculated as the ratio of hedging derivatives shown in the balance sheet assets to total assets;
- **net trading derivatives/total assets**: calculated as the ratio of the aggregate net trading derivatives (corresponding to the mismatch, in absolute terms, between the derivatives included under the balance sheet item 20 a) of assets, "Financial assets at fair value through profit and loss - held for trading", and item 20 of liabilities, "Financial liabilities held for trading") to total assets;
- **loan to deposit ratio** (net loans/direct funding): calculated as the ratio of net loans to customers to aggregate direct funding from customers;
- **cost/income ratio**: calculated as the ratio of operating expenses to operating income resulting from the reclassified Income Statement;
- **financial margin/operating income**: calculated as the ratio of aggregate financial margin to aggregate operating income taken from the reclassified income statement;
- **net fee and commission income/operating income**: calculated as the ratio of net fee and commission income to operating income taken from the reclassified income statement;
- **loans to customers (net) per employee**: calculated as the ratio of net loans to customers to the average number of employees;
- **operating income per employee**: calculated as the ratio of operating income to the average number of employees;
- **operating expenses per employee**: calculated as the ratio of operating expenses to the average number of employees;
- **adjusted result**: result net of the non-recurring components described in the following paragraph.

The regulatory capitalisation and liquidity ratios contained in this report are calculated by applying the specific legislative and regulatory provisions.

Non-recurring components of the reclassified consolidated income statement

With Communication no. DEM/6064293 of 28 July 2006, Consob asked companies issuing financial instruments listed on Italian regulated markets to provide information on the impact of non-recurring events or operations.
It is noted that the general criterion adopted by the Group requires that the following be classified as non-recurring:

- the results of the sale transactions of all the fixed assets (interests in associates and joint ventures, property, plant and equipment excluding the financial assets in the Hold to Collect ("HtC") portfolio, which can be sold in compliance with the materiality and frequency thresholds set out in IFRS 9);
- gains and losses on non-current assets and asset disposal groups held for sale;
- adjustments/recoveries on receivables (both due to valuation and actual losses) deriving from a change in the NPE Strategy approved during the year by the Board of Directors consisting of an amendment in the objectives and/or type of receivables subject to assignment with respect to those set forth previously;
- the income statement items of significant amounts connected with streamlining, restructuring, etc. (e.g. expenses for use of the redundancy fund, early retirement incentives, merger/integration expenses);
- income statement items of a significant amount which are not destined to recur frequently (e.g. penalties, impairments of property, plant and equipment, goodwill and other intangible assets, extraordinary debits/credits by Resolution Funds and the Interbank Deposit Guarantee Fund, effects associated with legislative changes, exceptional results, etc.);
- the economic impacts deriving from the fair value measurement of properties and other property, plant and equipment (works of art);
- tax effects connected with the income statement impacts set out in the previous points.

Conversely, the following are usually considered to be recurring:

- income statement effects deriving from the sale or measurement of all financial assets (other than loans), including those in the HtC portfolio and financial liabilities;

- save for exceptional cases, the income statement impacts deriving from valuation aspects (credit impairment losses and adjustments to other financial assets or provisions for risks and charges);
- the income statement impacts deriving from changes in reference valuation parameters considered by the valuation models applied on an ongoing basis;
- the income statement impacts of insignificant or undeterminable amounts which have the nature of contingent assets and/or liabilities (e.g. costs and revenues and/or adjustments to costs and revenues pertaining to other years);
- tax effects connected with the income statement impacts set out in the previous points.

In light of the criteria set out above, it should be noted that in the first half of 2024 the following non-recurring items were recognised:

- the item "Fair value gains (losses) on property, plant and equipment" includes net value adjustments on owned real estate of -26.0 million to take into account updates in appraisal values rather than prices inferred from sales negotiations underway;
- the item "Gains (losses) on interests in associates and joint ventures and other investments" includes the positive impact of 1.0 million, deriving from the sale of property, plant and equipment;
- the "Taxation charge related to profit or loss from continuing operations" includes the tax impacts of the aforementioned non-recurring items amounting to +8.2 million;
- the new reclassified income statement item "charges relating to retirement incentives" includes the amount of expenses to be incurred for the Incentivised Retirement Scheme activated by the Parent Company, equal to -11.7 million net of the relative tax effect (-17.5 million gross);
- the item "Bancassurance impacts net of taxes" includes the effects, for a total of +2.5 million, attributable to the revision of the estimates carried out in the 2023 financial statements, resulting from the definition of the prices of purchase and sale transactions linked to the reorganisation of the bancassurance business, net of the relative tax effect.

Overall, the impact of non-recurring items on the net result for the first half of 2024 was negative and equal to -26.0 million.

In the first half of 2023, the following non-recurring items had been recognised:

- the item "Personnel expenses" included the allocation relating to charges in relation to the early retirement of personnel, totalling 8.5 million, net of the releases of liabilities recognised in previous years primarily concerning the incentive system for 9.1 million. The net effect on the item in question totalled +0.6 million;
- "Fair value gains (losses) on property, plant and equipment" included net value adjustments of -32.3 million;
- the item "Net provisions for risks and charges" included the allocation of 8.7 million relating to the estimate of charges for certain contractual commitments;
- the item "Gains (losses) on interests in associates and joint ventures and other investments" included the negative impact of -0.2 million, deriving from the sale of property, plant and equipment;
- the "taxation charge related to profit or loss from continuing operations" included the tax impacts of the aforementioned non-recurring items amounting to +12.9 million;

Overall, non-recurring components pertaining to the first half of 2023 were a negative -27.9 million.

When deemed significant, information about non-recurring events or operations or those which do not occur frequently in the normal execution of the business and the impacts they have on the Group's equity and financial situation, as well as its cash flows is provided in the context of specific sections in the Explanatory Notes, which highlight trends in equity items.
The main balance sheet and income statement items as at 30 June 2024 are illustrated below.

Consolidated balance sheet figures

Loan brokering activities

Direct funding

(thousands of euro)	30/06/2024	% impact	31/12/2023 (*)	% impact	Abs. Change	% Change
Current accounts and deposits	**101,140,581**	**81.5%**	**98,833,348**	**81.8%**	**2,307,233**	**2.3%**
- current accounts and demand deposits	100,071,325	80.6%	98,587,817	81.6%	1,483,508	1.5%
- fixed-term deposits and other restricted current accounts	1,069,256	0.9%	245,531	0.2%	823,725	335.5%
Securities	**20,448,015**	**16.5%**	**18,889,805**	**15.6%**	**1,558,210**	**8.2%**
- bonds and liabilities at fair value	20,446,013	16.5%	18,886,862	15.6%	1,559,151	8.3%
- certificates of deposit and other securities	2,002	0.0%	2,943	0.0%	(941)	(32.0%)
Repurchase agreements	**914,518**	**0.7%**	**1,290,049**	**1.1%**	**(375,531)**	**(29.1%)**
Loans and other payables	**1,646,018**	**1.3%**	**1,756,862**	**1.5%**	**(110,844)**	**(6.3%)**
Direct funding	**124,149,132**	**100.0%**	**120,770,064**	**100.0%**	**3,379,068**	**2.8%**
Other funding (Protected capital certificates and other liabilities at fair value)	**5,662,388**		**5,273,943**		**388,445**	**7.4%**
Total direct funding with certificates	**129,811,520**		**126,044,007**		**4,143,044**	**3.0%**

(*) The figures for the previous years have been reclassified to provide a like-for-like comparison.

Direct bank funding as at 30 June 2024 amounted to 129.8 billion, up by 3.0% compared to 31 December 2023 and by 2.9% on an annual basis.
More specifically, during the half-year there was an increase of 1.6 billion, or 8.2%, in the component represented by bonds issued as a result of the new issues during the period that exceeded the repayments of securities that had matured. "Core" funding, represented by current accounts and deposits, was also up by 2.3% compared to the end of 2023.
On an annual basis, against the slight decrease in the "core" component (-0.2%), there was an increase of 4.1 billion in the stock of securities issued.
Funding guaranteed by the stock of certificates with unconditional capital protection and other liabilities at fair value as at 30 June 2024 was 5.7 billion, up by 7.4% on the figure of 5.3 billion as at 31 December 2023 and by 13.6% compared to 5.0 billion as at 30 June 2023.

Direct funding from insurance business and insurance liabilities, which includes the aggregate comprised by financial and insurance liabilities of insurance companies, amounted to 15.4 billion and included the contribution of Banco BPM Vita, Vera Vita and BBPM Life (15.0 billion as at 31 December 2023 and 5.8 billion as at 30 June 2023, referring only to the contribution of Banco BPM Vita).

Indirect funding

(thousands of euro)	30/06/2024	% impact	31/12/2023	% impact	Abs. Change	% Change
Managed assets	**64,067,419**	**55.5%**	**62,003,096**	**56.0%**	**2,064,323**	**3.3%**
- mutual funds and SICAVs	43,447,781	37.6%	41,927,159	37.8%	1,520,622	3.6%
- securities and fund management	4,576,778	4.0%	4,369,295	3.9%	207,483	4.7%
- insurance policies	16,042,860	13.9%	15,706,642	14.2%	336,218	2.1%
Administered assets	**51,430,499**	**44.5%**	**48,769,600**	**44.0%**	**2,660,900**	**5.5%**
Total indirect funding	**115,497,918**	**100.0%**	**110,772,696**	**100.0%**	**4,725,223**	**4.3%**
Underlying funding for protected capital certificates	**4,324,682**		**4,606,563**		**(281,881)**	**(6.1%)**
Total indirect funding without certificates	**111,173,236**		**106,166,133**		**5,007,104**	**4.7%**

Indirect funding was equal to 111.2 billion, up 4.7% compared to 31 December 2023 and 11.6% on an annual basis. The managed assets component amounted to 64.1 billion, up compared to the figure of 62.0 billion as at 31 December 2023 (+3.3%). The increase is mainly concentrated in the fund and SICAV segment, which showed an increase of 1.5 billion; funding relating to asset management and the bancassurance segment also increased.

Administered assets reached 51.4 billion, an increase of 2.7 billion (+5.5%) compared to the end of 2023. The positive trend in indirect funding was also confirmed on an annual basis: managed assets increased by 6.0%, concentrated mainly in the funds and SICAVs segment, while administered assets increased by 18.1%.

Loans to customers

(thousands of euro)	30/06/2024	% impact	31/12/2023	% impact	Abs. Change	% Change
Mortgage loans	77,261,317	75.8%	78,346,183	74.3%	(1,084,866)	(1.4%)
Current accounts	7,143,875	7.0%	7,597,611	7.2%	(453,736)	(6.0%)
Repurchase agreements	3,448,675	3.4%	4,833,466	4.6%	(1,384,791)	(28.7%)
Finance leases	465,021	0.5%	518,682	0.5%	(53,661)	(10.3%)
Credit cards, personal loans and salary-backed loans	543,953	0.5%	666,206	0.6%	(122,253)	(18.4%)
Other transactions	11,921,776	11.7%	12,050,508	11.4%	(128,732)	(1.1%)
Senior securities from sales of non-performing loans	1,187,990	1.2%	1,414,073	1.3%	(226,083)	(16.0%)
Total net loans to customers	**101,972,607**	**100.0%**	**105,426,729**	**100.0%**	**(3,454,122)**	**(3.3%)**

Net loans to customers[1] totalled 102.0 billion as at 30 June 2024, down by 3.5 billion compared to the figure as at 31 December 2023. The decrease refers to both performing exposures (-3.1%) and non-performing exposures (-11.1%). On an annual basis, loans recorded a reduction of 6.2 billion (-5.7%), deriving from a 5.8 billion reduction in performing exposures (-5.4%) and non-performing loans of 0.4 billion (-20.8%). During the first half of the year, the volume of new loans amounted to 5.4 billion[2]. The quality of the "core" loan portfolio, characterised by a high percentage of secured positions for the Non-Financial Corporate segment, was confirmed (more than 56%[3]).

Information on direct risks with customers residing in Russia and Ukraine or indirectly related to Russian counterparties is provided in Part A - Accounting policies, Other aspects - Impacts of the conflicts in Ukraine and the Middle East, to which reference is made for further details.

Lastly, as regards the support measures implemented by the Group with regard to customers affected by the crisis resulting from the Covid-19 pandemic, please refer to Part A - Accounting policies - Other aspects - Covid-19 support measures by the Group represented by loans with public guarantee.

Credit quality

It should be noted that the information contained in the following paragraph relating to credit quality refers to loans to customers included in the portfolio of financial assets at amortised cost.

[1] The aggregate does not include loans to customers which, following the application of IFRS 9, are mandatorily measured at fair value. Those loans, amounting to 0.5 billion, are included under financial assets at fair value.
[2] Management figure.
[3] Management figure.

Loans to customers at amortised cost

(thousands of euro)	30/06/2024		31/12/2023		Abs. Change	% Change
	Net exposure	% impact	Net exposure	% impact		
Bad loans	601,069	0.6%	626,229	0.6%	(25,160)	(4.0%)
Unlikely to pay	950,364	0.9%	1,168,283	1.1%	(217,919)	(18.7%)
Non-performing past-due exposures	102,934	0.1%	67,146	0.1%	35,788	53.3%
Non-performing exposures	**1,654,367**	**1.6%**	**1,861,658**	**1.8%**	**(207,291)**	**(11.1%)**
Performing loans	99,130,250	97.2%	102,150,998	96.9%	(3,020,748)	(3.0%)
Senior securities from sales of non-performing loans	1,187,990	1.2%	1,414,073	1.3%	(226,083)	(16.0%)
Performing exposures	**100,318,240**	**98.4%**	**103,565,071**	**98.2%**	**(3,246,831)**	**(3.1%)**
Total loans to customers	**101,972,607**	**100.0%**	**105,426,729**	**100.0%**	**(3,454,122)**	**(3.3%)**

(thousands of euro)	30/06/2024				31/12/2023			
	Gross exposure	Total value adjustments	Net exposure	Coverage	Gross exposure	Total value adjustments	Net exposure	Coverage
Bad loans	1,544,714	(943,645)	601,069	61.1%	1,601,345	(975,116)	626,229	60.9%
Unlikely to pay	1,697,338	(746,974)	950,364	44.0%	2,055,750	(887,467)	1,168,283	43.2%
Non-performing past-due exposures	145,859	(42,925)	102,934	29.4%	93,467	(26,321)	67,146	28.2%
Non-performing exposures	**3,387,911**	**(1,733,544)**	**1,654,367**	**51.2%**	**3,750,562**	**(1,888,904)**	**1,861,658**	**50.4%**
of which: forborne	*1,099,126*	*(477,658)*	*621,468*	*43.5%*	*1,432,184*	*(632,584)*	*799,600*	*44.2%*
Performing loans (*)	**100,757,738**	**(439,498)**	**100,318,240**	**0.44%**	**103,991,345**	**(426,274)**	**103,565,071**	**0.41%**
of which: Stage 1	*89,446,438*	*(76,418)*	*89,370,020*	*0.1%*	*91,799,458*	*(105,916)*	*91,693,542*	*0.1%*
of which: Stage 2	*11,311,300*	*(363,080)*	*10,948,220*	*3.2%*	*12,196,907*	*(320,358)*	*11,876,549*	*2.6%*
of which: forborne	*1,603,524*	*(75,807)*	*1,527,717*	*4.7%*	*1,729,812*	*(65,341)*	*1,664,471*	*3.8%*
Total loans to customers	**104,145,649**	**(2,173,042)**	**101,972,607**	**2.1%**	**107,741,907**	**(2,315,178)**	**105,426,729**	**2.1%**

(*) Includes senior securities from sales of non-performing loans for an amount of 1,188.0 million (of which 1,188.8 million in gross exposure and 0.8 million in value adjustments).

The figures in the above table correspond to "Loans to customers" in the reclassified balance sheet and, as indicated above, also include the senior securities subscribed by Banco BPM deriving from sales of non-performing loans. Without considering this reclassification, the net amount indicated corresponds to the item "Loans" reported in table 4.2 of the Explanatory Notes - Part B - Information on the consolidated balance sheet, "Financial assets at amortised cost: breakdown by product for loans to customers".

Net non-performing loans (bad loans, unlikely to pay and past due and/or overdue exposures) amounted to 1.7 billion as at 30 June 2024.
An examination of the components of the aggregate shows the following dynamics:

- net bad loans of 0.6 billion, with a decrease of 4.0% compared to 31 December 2023 and of 15.5% on an annual basis;
- net unlikely to pay loans of 0.9 billion, down by 18.7% compared the start of the year and by 28.0% on an annual basis;
- net past-due exposures of 102.9 million (67.1 million as at 31 December 2023 and 55.9 million as at 30 June 2023).

The percentage of non-performing exposures out of total loans, gross of value adjustments came to 3.3%, down compared to 3.5% at the start of the year and 3.8% as at 30 June 2023. Even net of value adjustments, there was a decrease of 1.6% compared to 1.8% as at last 31 December and 1.9% as at 30 June 2023.

The coverage ratio for the entire non-performing loans aggregate was 51.2% (50.4% as at 31 December 2023 and 50.6% as at 30 June 2023).
More specifically, as at 30 June 2024, the coverage ratio was as follows:

- bad loans 61.1% (60.9% and 61.9% as at 31 December and 30 June 2023, respectively);
- unlikely to pay 44.0% (43.2% and 42.1% as at 31 December and 30 June 2023, respectively);
- past due exposures 29.4% (28.2% and 27.6% as at 31 December and 30 June 2023, respectively).

The coverage ratio of performing exposures was 0.44%, up compared to both 31 December 2023 (0.41%) and 30 June 2023 (0.39%).

Financial assets

(thousands of euro)	30/06/2024	% impact	31/12/2023	% impact	Abs. Change	% Change
Debt securities (*)	42,478,489	84.7%	36,524,638	83.6%	5,953,851	16.3%
Equity instruments	2,173,552	4.3%	2,306,267	5.3%	(132,715)	(5.8%)
UCIT units	1,542,781	3.1%	1,460,186	3.3%	82,595	5.7%
Total securities portfolio	**46,194,822**	**92.1%**	**40,291,091**	**92.2%**	**5,903,731**	**14.7%**
Derivative trading and hedging instruments	2,816,245	5.6%	2,872,831	6.6%	(56,586)	(2.0%)
Loans	1,147,570	2.3%	542,459	1.2%	605,111	111.5%
Total financial assets	**50,158,637**	**100.0%**	**43,706,381**	**100.0%**	**6,452,256**	**14.8%**

(*) Excludes senior securities from sales of non-performing loans.

Bank **financial assets** were equal to 50.2 billion, up by 14.8% compared to 43.7 billion as at 31 December 2023. The increase was mainly concentrated in debt securities (+6.0 billion) and, in particular, in the segment of securities at amortised cost (+3.7 billion). As at 30 June 2024, the aggregate in question consisted of debt securities for 42.5 billion, equity instruments and UCIT units for 3.7 billion, derivative instruments and other loans for 4.0 billion. Exposures in debt securities issued by sovereign states amounted to 34.4 billion, of which 13.7 billion represented by Italian government securities. Investments in Italian government securities are classified under financial assets at amortised cost for 11.0 billion, in the portfolio of financial assets measured at fair value through other comprehensive income for 1.8 billion and under financial assets at fair value through profit and loss for 0.9 billion.

The table below provides the details of financial assets by type and specific portfolio:

Financial assets at fair value through profit and loss and hedging derivatives

(thousands of euro)	30/06/2024	% impact	31/12/2023	% impact	Abs. Change	% Change
Debt securities	1,298,267	14.9%	486,865	6.6%	811,402	166.7%
Equity instruments	1,893,021	21.8%	2,029,648	27.5%	(136,627)	(6.7%)
UCIT units	1,542,781	17.7%	1,460,186	19.8%	82,595	5.7%
Total securities portfolio	**4,734,069**	**54.4%**	**3,976,699**	**53.8%**	**757,370**	**19.0%**
Financial and credit derivatives	2,816,245	32.4%	2,872,831	38.9%	(56,586)	(2.0%)
Loans	1,147,570	13.2%	542,459	7.3%	605,111	111.5%
Overall total	**8,697,884**	**100.0%**	**7,391,989**	**100.0%**	**1,305,895**	**17.7%**

Financial assets measured at fair value through other comprehensive income

(thousands of euro)	30/06/2024	% impact	31/12/2023	% impact	Abs. Change	% Change
Debt securities	11,830,737	97.7%	10,416,099	97.4%	1,414,638	13.6%
Equity instruments	280,531	2.3%	276,619	2.6%	3,912	1.4%
Total	**12,111,268**	**100.0%**	**10,692,718**	**100.0%**	**1,418,550**	**13.3%**

Financial assets at amortised cost

(thousands of euro)	30/06/2024	% impact	31/12/2023	% impact	Abs. Change	% Change
Debt securities (*)	29,349,485	100.0%	25,621,674	100.0%	3,727,811	14.5%
Total	**29,349,485**	**100.0%**	**25,621,674**	**100.0%**	**3,727,811**	**14.5%**

(*) Excludes senior securities from sales of non-performing loans.

Exposure to sovereign risk

The table below provides details of the Group's total exposure in sovereign debt securities as at 30 June 2024, broken down by country (amounts in thousands of euro):

Countries	Total debt securities
Italy	13,688,005
Spain	5,738,727
Germany	3,732,072
France	6,366,308
Austria	302,157
Ireland	19,803
Other EU countries	434,697
Total EU countries	**30,281,769**
USA	3,823,512
Chile	14,970
China	100,483
Mexico	31,809
Hong Kong	20,933
Other countries	92,216
Total other countries	**4,083,923**
Total	**34,365,692**

Exposure is mainly concentrated within the Parent Company Banco BPM, which as at 30 June 2024 held a total of 34.4 billion, of which 13.7 billion relative to Italian government bonds.

Investments in sovereign debt securities are classified at 72.4% in the portfolio of financial assets at amortised cost, 24.8% in the portfolio of financial assets measured at fair value through other comprehensive income and 2.8% in the portfolio of financial assets at fair value through profit and loss as they are held for trading.
Out of this exposure, 88% refers to securities issued by members of the European Union; notably about 40% by Italy.

It should be noted that the Group has no exposures to debt securities of Russian and Ukrainian issuers; the exposure to Israeli government securities amounts to 45 million, in nominal value, while that in equities and funds with respect to Israeli counterparties amounts to 6.7 million.

The tables below provide, for securities issued by EU countries, more detailed information about the breakdown by accounting portfolio, residual life brackets and fair value hierarchy (in thousands of euro).

Financial assets at fair value through profit and loss

Status	Maturing by 2024	Maturing between 2025 to 2029	Maturing between 2030 to 2034	Maturing beyond 2034	Total fair value as at 30/06/2024	Total fair value by hierarchy		
						LEVEL 1	LEVEL 2	LEVEL 3
Italy	440,667	432,893	70,653	1	944,214	944,214	-	-
Germany	-	6,479	-	-	6,479	6,479	-	-
Total	**440,667**	**439,372**	**70,653**	**1**	**950,693**	**950,693**	**-**	**-**

Financial assets measured at fair value through other comprehensive income

Status	Maturing by 2024	Maturing between 2025 and 2029	Maturing between 2030 and 2034	Maturing beyond 2034	Total fair value as at 30/06/2024	Net reserve at FVTOCI	Value adjustments	Total fair value by hierarchy		
								LEVEL 1	LEVEL 2	LEVEL 3
Italy	295,290	343,676	825,767	310,241	1,774,974	(52,076)	-	1,774,974	-	-
Spain	-	173,406	1,405,680	17,464	1,596,550	(52,365)	-	1,596,550	-	-
France	-	-	1,566,897	13,102	1,579,999	(149,282)	-	1,579,999	-	-
Germany	-	136,101	954,828	-	1,090,929	(92,399)	-	1,090,929	-	-
Other EU countries	-	22,187	110,570	-	132,757	(1,053)	-	132,757	-	-
Total	**295,290**	**675,370**	**4,863,742**	**340,807**	**6,175,209**	**(347,175)**	**-**	**6,175,209**	**-**	**-**

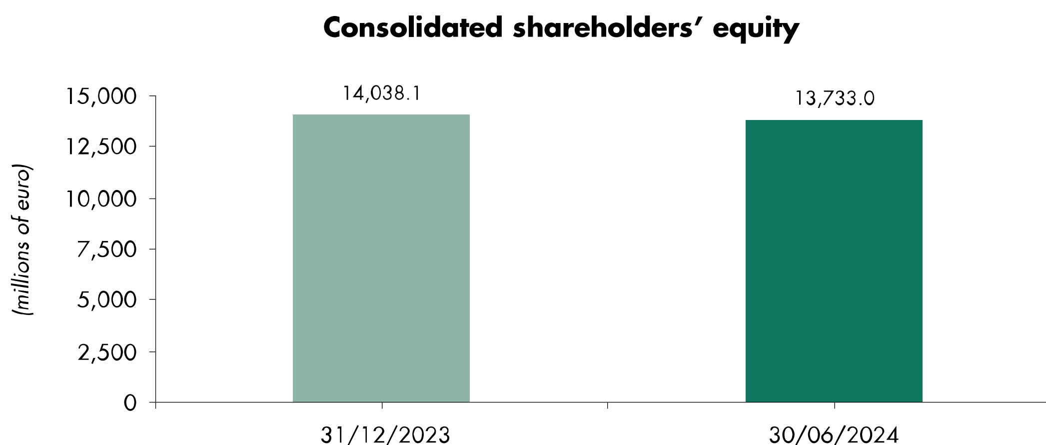
Financial assets at amortised cost

Status	Maturing by 2024	Maturing between 2025 to 2029	Maturing between 2030 to 2034	Maturing beyond 2034	Total book value as at 30/06/2024	Total fair value	Total fair value by hierarchy		
							LEVEL 1	LEVEL 2	LEVEL 3
Italy	617,718	6,700,829	3,337,077	313,193	10,968,817	10,870,075	10,870,075	-	-
Spain	-	2,346,934	1,694,289	100,954	4,142,177	4,044,698	4,044,698	-	-
France	-	3,580,004	1,127,396	78,909	4,786,309	4,580,993	4,580,993	-	-
Ireland	-	19,803	-	-	19,803	19,322	19,322	-	-
Germany	-	1,121,363	1,513,301	-	2,634,664	2,531,044	2,531,044		
Other EU countries	-	264,285	217,463	122,349	604,097	577,338	577,338	-	-
Total	**617,718**	**14,033,218**	**7,889,526**	**615,405**	**23,155,867**	**22,623,470**	**22,623,470**	**-**	**-**

Financial assets pertaining to insurance companies

The item includes the contribution as at 30 June 2024 of the insurance companies Banco BPM Vita, Vera Vita and BBPM Life for a total of 15.7 billion (15.3 billion as at 31 December 2023).

Shareholders' equity and solvency ratios



The Group's consolidated shareholders' equity as at 30 June 2024, including valuation reserves and profit (loss) for the period, amounted to 13,733.0 million, compared to the figure at the end of 2023 of 14,038.1 million.
The change, negative by -305.1 million, derives primarily from the allocation of the result for 2023 approved by the Shareholders' Meeting of 18 April 2024 for -848.1 million, from the payment of coupons on Additional Tier 1 instruments for -38.7 million, from the repurchase of an Additional Tier 1 instrument by the Parent Company for -76.2 million (nominal value of 76.7 million) and from the purchase of own shares by Banco BPM in connection with employee incentive plans, net of assignments during the half-year, for -32.2 million. Finally, other positive changes were recorded for a total of 690.1 million mainly referring to the contribution of the comprehensive income recorded in the half-year. The latter is positive by 703.1 million due to the net profit for the period of 750.1 million and the negative change in valuation reserves of -47.0 million, referring in particular to the valuation reserve relating to financial assets measured at fair value through other comprehensive income, as a result of financial market trends observed during the period, and that relating to costs and revenues of a financial nature relating to insurance contracts issued by the Group's insurance companies.
For more details, please refer to the statement of changes in consolidated shareholders' equity contained in the consolidated condensed interim financial statements.

The following table provides a reconciliation between the Parent Company's shareholders' equity and profit (loss) with the corresponding consolidated balances.

(thousands of euro)	**Shareholders' equity**	**Profit (loss) for the period**
Balance as at 30/06/2024 as per the Parent Company's financial statements	**13,487,185**	**749,664**
Impact of the valuation at equity of associated companies	259,320	74,913
Cancellation of dividends received during the year by associated companies	-	(79,044)
Other consolidation adjustments	(13,516)	4,592
Balance as at 30/06/2024 as per the consolidated financial statements	**13,732,989**	**750,125**

Solvency ratios - reference legislation and standards to follow

With communication of 24 November 2023, again for the year 2024 the Bank of Italy confirmed Banco BPM Banking Group as an Other Systemically Important Institution (O-SII). Taking into account the new methodology established by the ECB for the assessment of the appropriateness of the capital buffers, the O-SII buffer is equal to 0.50% of regulatory requirements.

With communication of 22 March 2024, the Bank of Italy has confirmed the Countercyclical Capital Buffer ratio for exposures to Italian counterparties at zero percent also for the second quarter of 2024.

On 8 December 2023, the European Central Bank (ECB) informed Banco BPM of the SREP decision for the year 2024, reducing the Pillar 2 capital requirement (P2R) to 2.52%, which for the previous year was 2.57%.

Therefore, also considering the countercyclical capital buffer established by the competent national authorities for exposures to the countries in which the Group operates, (equal to 0.04%), the minimum requirements that Banco BPM is required to meet for 2024 until further notice, are as follows[1]:

- CET 1 ratio: 9.08%;
- Tier 1 ratio: 11.00%;
- Total Capital ratio: 13.56%.

As at 30 June 2024[2], the Common Equity Tier 1 ratio stood at 15.17%, against 14.16% as at 31 December 2023. The increase is due to both the growth in regulatory capital, which benefited from the half-yearly result (net of the pay-out determined according to reference regulations, and the decrease in risk-weighted assets, which benefited from the lower impact deriving from application of the new internal credit risk models compared to the conservative estimates applied as at 31 December 2023.

The Tier 1 ratio was equal to 17.40% against 16.34% as at 31 December 2023, while the Total Capital ratio was equal to 20.92% against 19.00% as at 31 December 2023. Total Capital ratio growth is also linked to a new issue of Tier 2 subordinated securities for a nominal value amount of 500 million in the first quarter of 2024.

Considering the requirements in force as at 30 June 2024, the buffer compared to the limit set for the possibility of distributing dividends (Maximum Distributable Amount or MDA buffer) was 609 basis points (compared to 508 basis points as at 31 December 2023, recalculated on a like-for-like basis).

Liquidity position and leverage

On 1 October 2015, Delegated Regulation (EU) no. 61/2015 entered into force, which requires that banks maintain a specific level of liquidity measured with regard to a short-term time horizon (Liquidity Coverage Ratio, "LCR"). As at 30 June 2024, Banco BPM Group had a consolidated LCR of 140% with respect to the regulatory limit of 100%.

Effective from 30 June 2021, the NSFR, the regulatory structural liquidity indicator, which measures the ratio of stable sources of funding and stable financing requirements, constitutes a regulatory requirement with a minimum of 100%. As at 30 June 2024, Banco BPM Group had a NSFR index of 127%[3].

Lastly, as regards the leverage ratio, the value as at 30 June 2024 was 5.42%.

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[1] These requirements are set as follows:

- the Pillar 1 minimum requirement equal to 8% (of which 4.5% CET 1, 1.5% in terms of AT 1 and 2% in terms of Tier 2);
- the P2R requirement communicated by the ECB equal to 2.52% to be met: i) with CET 1 for 1.53% (calculated as follows: 100% of the "calendar provisioning shortfall" of 0.27% plus 56.25% for the residual requirement of 2.25%), ii) with AT 1 for 0.42% and iii) with Tier 2 for 0.56%;
- a capital conservation buffer equal to 2.50%, to be met entirely by CET 1;
- the O-SII buffer equal to 0.50% to be met entirely by CET 1;
- the countercyclical capital buffer equal to 0.04% to be met entirely by CET 1.

[2] The capital ratios as at 30 June 2024 were calculated by including the economic result in progress at the end of the first half of 2023 net of the portion that is expected to be distributed as a dividend based on the specific applicable legislation and other allocations of profit. The Bank will submit the formal request to the European Central Bank for inclusion of the interim economic result for the first half of the year within the terms established by reference regulations.

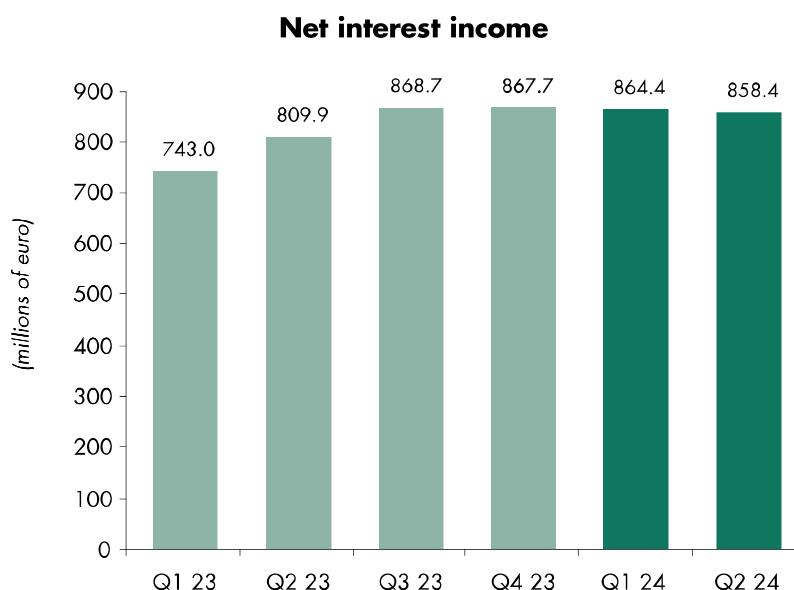
[3] Management figure.

Consolidated income statement figures

Net interest income

(thousands of euro)	I half 2024	I half 2023	Abs. Change	% Change
Financial assets (securities)	538,056	355,926	182,130	51.2%
Net interest due to customers	1,726,264	1,571,169	155,095	9.9%
Net interest due to banks	66,948	(53,595)	120,543	n.s.
Securities issued and other financial liabilities at fair value	(324,866)	(174,371)	(150,495)	86.3%
Hedging derivatives (net balance) (*)	11,977	33,384	(21,407)	(64.1%)
Net interest on other assets/liabilities	(295,593)	(179,613)	(115,980)	64.6%
Total	**1,722,786**	**1,552,900**	**169,886**	**10.9%**

(*) The item includes the spreads pertaining to the period on derivative contracts hedging financial assets (securities held) and financial liabilities issued.



Net interest income amounted to 1,722.8 million, up by 10.9% compared to the figure in the first half of 2023 (1,552.9 million), mainly due to the increase in commercial spreads resulting from the increase in interest rates and the limited impact on the cost of deposits.

Gains (losses) on interests in associates and joint ventures carried at equity

(thousands of euro)	I half 2024	I half 2023	Abs. Change	% Change
Agos Ducato	39,121	41,583	(2,462)	(5.9%)
Anima Holding	25,101	12,322	12,779	103.7%
Vera Vita (*)	-	(1,264)	1,264	n.s.
Vera Assicurazioni	1,880	4,285	(2,405)	(56.1%)
Other investee companies	8,812	3,681	5,131	139.4%
Total	**74,914**	**60,607**	**14,307**	**23.6%**

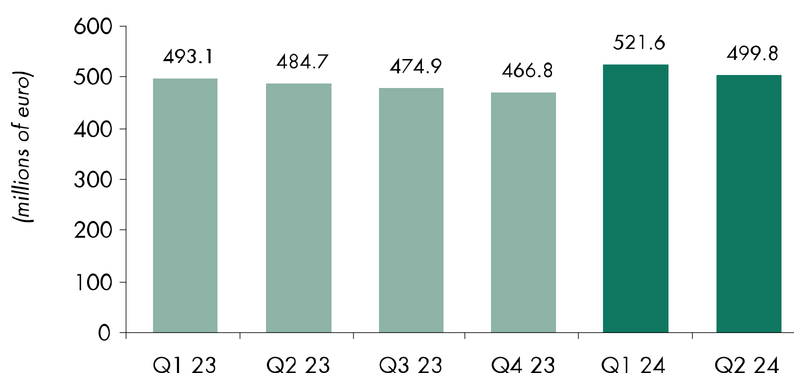
(*) Company consolidated on a line-by-line basis effective as of 31 December 2023.

The **gains (losses) on interests in associates and joint ventures carried at equity** was equal to 74.9 million, compared to the figure of 60.6 million for the corresponding period of the previous year.
The main contribution to the item in question was provided by consumer credit channelled from the interest held in Agos Ducato, equal to 39.1 million, compared to 41.6 million in the first half of 2023, as well as the contribution of the associated company Anima Holding, equal to 25.1 million (12.3 million in the first half of 2023).

Net fee and commission income

(thousands of euro)	I half 2024	I half 2023	Abs. Change	% Change
Net fee and commission income Savings products	**378,519**	**350,227**	**28,292**	**8.1%**
- Indirect upfront - management	144,179	117,205	26,974	23.0%
- Indirect running - management	234,340	233,022	1,318	0.6%
Net fee and commission income Other	**642,879**	**627,603**	**15,276**	**2.4%**
Investment Banking	27,185	22,723	4,462	19.6%
Insurance protection (other)	32,367	28,963	3,404	11.8%
Keeping and management of current accounts	113,952	129,304	(15,352)	(11.9%)
Loans (including consumer credit and factoring) and unsecured loans	278,698	262,849	15,849	6.0%
Collection and payment services and e-money	159,282	157,271	2,011	1.3%
Other business services	74,106	56,704	17,402	30.7%
Fee and commission expense on synthetic securitisations	(39,992)	(24,273)	(15,719)	64.8%
Other services	(2,719)	(5,938)	3,219	(54.2%)
Total	**1,021,398**	**977,830**	**43,568**	**4.5%**

(*) The figures relating to the previous period have been restated, for a like-for-like comparison with 2024, reclassifying the income from activities related to the e-money sector under "Net fee and commission income", previously shown in the item "Other operating income and expenses" and consistent with the classification criteria of net fee and commission income applied as at 30 June 2024.



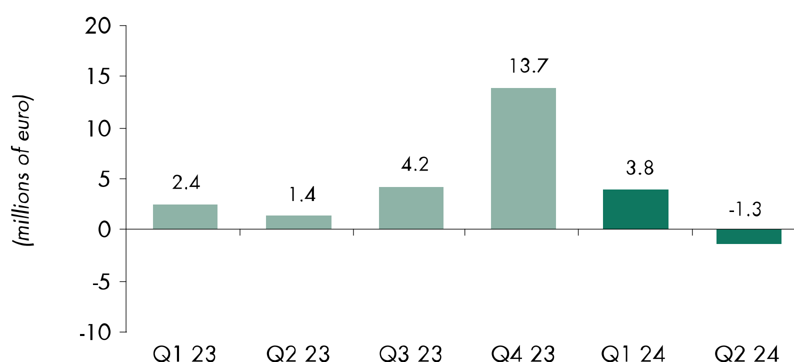
Net fee and commission income[1] in the first half of the year amounted to 1,021.4 million, up 4.5% compared to the same period of the previous year due to the performance recorded in the savings products segment (+8.1% compared to 30 June 2023). The contribution of commercial bank and other services was also positive (+2.4% compared to 30 June 2023), thanks to the contribution of investment banking and structured products fees and commissions, which offset the higher charges connected to synthetic securitisation transactions, equal to -15.7 million, and the elimination, starting from the second quarter of 2023, of fees and commissions for liquidity management, amounting to approximately 15 million[2].

[1] Starting from 2024, the income items relating to income from payment services that will be contributed to the new company operating in the digital payments sector, in which Banco BPM will have an interest in associates, are shown under the item "Net fee and commission income" of the Reclassified income statement instead of under "Other net operating income". To ensure a like-for-like comparison, the figures for the previous year have been restated accordingly.

[2] Management figure.

Other net operating income

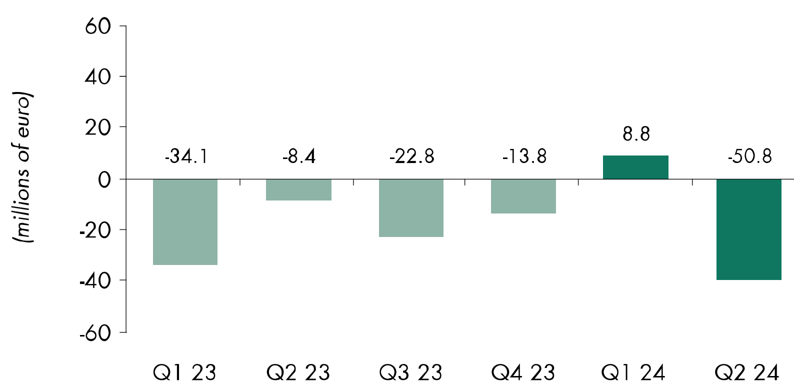
(thousands of euro)	I half 2024	I half 2023	Abs. Change	% Change
Income on current accounts and loans	3,171	3,333	(162)	(4.9%)
Rental income	17,204	18,499	(1,295)	(7.0%)
Expenses on leased assets	(11,467)	(13,389)	1,922	(14.4%)
Other income and charges	(6,414)	(4,653)	(1,761)	37.8%
Total	**2,494**	**3,790**	**(1,296)**	**(34.2%)**



Other net operating income totalled 2.5 million, compared to the figure of 3.8 million for the first half of 2023.

Net financial result

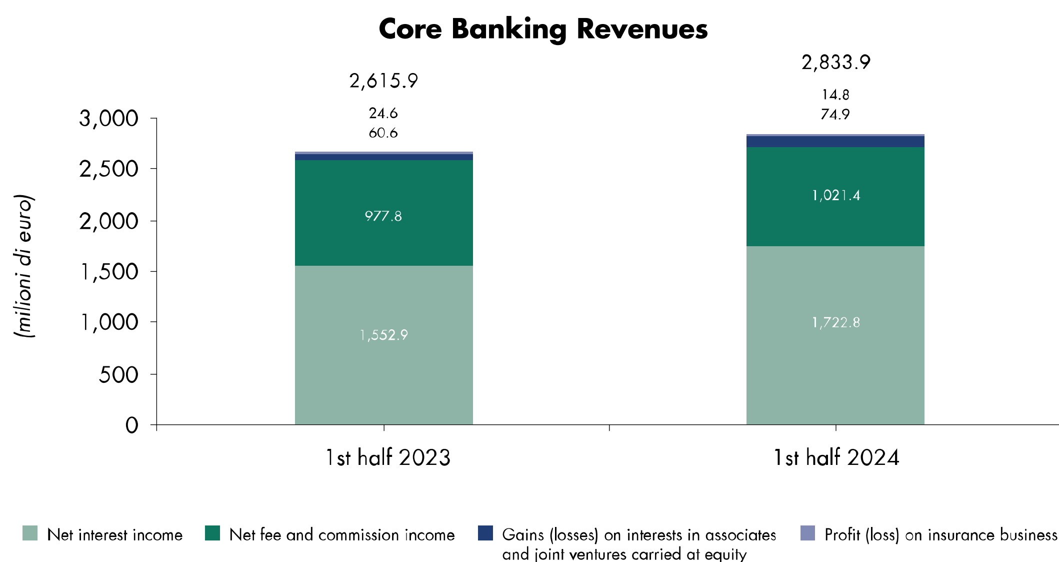
(thousands of euro)	I half 2024	I half 2023	Abs. Change	% Change
Net trading income	7,543	(11,670)	19,213	n.s.
Gains/losses on disposal of financial assets	16,528	8,508	8,020	94.3%
Dividends and similar income on financial assets	21,993	14,946	7,047	47.1%
Gains/losses on repurchase of financial liabilities	1,582	(21)	1,603	n.s.
Fair value gains/losses on hedging derivatives	(4,748)	(5,092)	344	(6.8%)
Result of assets and liabilities at fair value	(84,906)	(49,163)	(35,743)	72.7%
Total	**(42,008)**	**(42,492)**	**484**	**(1.1%)**



The **net financial result**[1] in the first half was negative and equal to -42.0 million, substantially in line with the figure of -42.5 million recorded as at 30 June 2023.
The aggregate in question includes dividends of 22.0 million (14.9 million in the first half of 2023), profits from sale and repurchase of financial assets and liabilities for a total of 18.1 million (8.5 million in the first half of 2023) which were offset by the negative contribution of assets and liabilities measured at fair value and the relative derivatives, equal to -89.7 million (-54.2 million in the first half of 2023), mainly attributable to the higher cost of funding through certificates.

The **result of the insurance business** in the first half of 2024 amounted to +14.8 million and included the contribution of the companies Banco BPM Vita, Vera Vita and BBPM Life. This amount is not fully comparable with the figure as at 30 June 2023, equal to +24.6 million, which instead included the contribution of Banco BPM Vita and Banco BPM Assicurazioni[2]. This amount was affected by the one-off recognition of a Loss Component (LC) linked to the segregated funds of Vera Vita in the amount of approximately 18 million.

By virtue of the trends described, the total **operating income** therefore amounted to 2,794.4 million, a considerable increase compared to € 2,577.2 million recorded in the same period of the previous year (+8.4%).

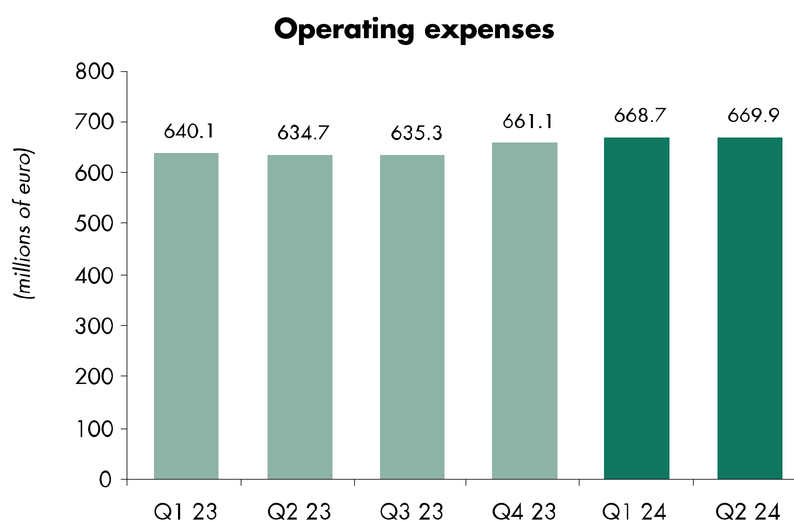


Taking only revenues from "**core business**" into account, represented by the sum of the aggregates relating to the net interest income, net fee and commission income, the result of interests in associates and joint ventures carried at equity and the result of the insurance business, the first half of 2024 figure reached 2,833.9 million, up 8.3% compared to the figure for the same period of the previous year.

[1] The item does not include the accounting effect of the change in the credit rating of the Group with regard to the fair value measurement of its own certificate issues, which led to the recognition of a -1.9 million negative impact in the half, compared to -3.8 million recorded as at 30 June 2023. This effect is shown, net of taxes, in a separate item of the reclassified income statement.
[2] The contribution to the item in question relating to Vera Vita and its subsidiary BBPM Life, whose control was acquired near the end of the year 2023, was recognised starting from 2024.

Operating expenses

(thousands of euro)	I half 2024	I half 2023	Abs. Change	% Change
Personnel expenses	**(860,561)**	**(808,254)**	**(52,307)**	**6.5%**
Other administrative expenses	**(348,968)**	**(336,824)**	**(12,144)**	**3.6%**
- Taxes and duties	(165,727)	(152,114)	(13,613)	8.9%
- Services and consulting	(179,297)	(159,942)	(19,355)	12.1%
- Property	(34,411)	(40,691)	6,280	(15.4%)
- Postal, telephone and stationery	(10,935)	(11,460)	525	(4.6%)
- Maintenance and fees for furniture, machines and systems	(52,796)	(52,758)	(38)	0.1%
- Advertising and entertainment	(8,624)	(8,070)	(554)	6.9%
- Other administrative expenses	(44,038)	(46,476)	2,438	(5.2%)
- Expense recoveries	146,860	134,687	12,173	9.0%
Value adjustments to property, plant and equipment and intangible assets	**(129,068)**	**(129,651)**	**583**	**(0.4%)**
- Value adjustments to property, plant and equipment	(76,348)	(81,126)	4,778	(5.9%)
- Value adjustments to intangible assets	(52,413)	(48,678)	(3,735)	7.7%
- Net write-downs for impairment	(307)	153	(460)	n.s.
Total	**(1,338,597)**	**(1,274,729)**	**(63,868)**	**5.0%**



Personnel expenses, amounting to 860.6 million, showed an increase of 6.5% compared to 808.3 million in the first half of 2023; the increase is attributable to higher charges deriving from the renewal of the National Collective Labour Agreement.
The total number of employees was 19,664 as at 30 June 2024 (of which 143 pertaining to the insurance companies), compared to 19,761 resources employed as at 31 December 2023 (of which 146 pertaining to the insurance companies).

Other administrative expenses[1], equal to 349.0 million, rose by 3.6% compared to the figure for the first half of 2023, amounting to 336.8 million.

Net value adjustments to property, plant and equipment and intangible assets were equal to 129.1 million, basically in line with the figure of 129.7 million in the first half of 2023.

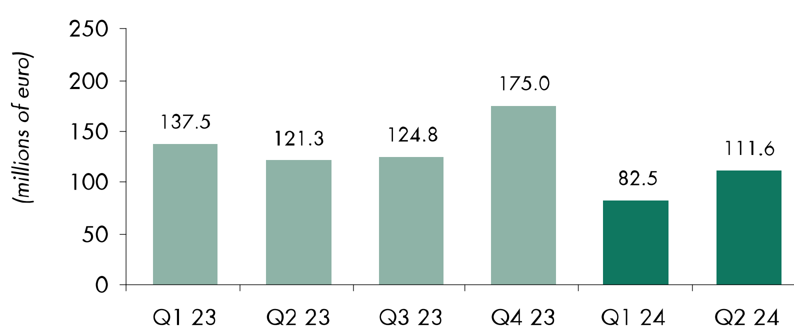
Total **operating expenses** therefore amounted to 1,338.6 million, up by 5.0% compared to 1,274.7 million in the first half of 2023.

[1] The aggregate does not include the "banking industry charges", represented by the contribution to the Interbank Deposit Guarantee Fund, reported in a separate item of the reclassified income statement, net of the relative tax.

Adjustments and provisions

(thousands of euro)	I half 2024	I half 2023	Abs. Change	% Change
Net adjustments to loans at AC to customers	**(187,568)**	**(249,782)**	**62,214**	**(24.9%)**
Stage 3	(172,261)	(257,442)	85,181	(33.1%)
Stage 2	(42,931)	7,358	(50,289)	n.s.
Stage 1	27,624	(6,582)	34,206	n.s.
Acquired or originated impaired	-	6,884	(6,884)	n.s.
Gains (losses) on disposal of loans	**(7,082)**	**(3,420)**	**(3,662)**	**107.1%**
Gains (losses) from contractual modification without derecognition	**598**	**(5,517)**	**6,115**	**n.s.**
Total	**(194,052)**	**(258,719)**	**64,667**	**(25.0%)**

Net adjustments to loans to customers



Net adjustments to loans to customers in the first half of the year, equal to 194.1 million, showed a sharp reduction on the figure as at 30 June 2023 of 258.7 million (-25.0%).
As at 30 June 2024, the annualised cost of credit, measured by the ratio of net value adjustments on loans to net loans, was 38 bps, down with respect to the 53 bps recorded at the end of 2023.
This result was achieved by safeguarding the solid levels of coverage achieved in previous periods.

The **Fair value gains (losses) on property, plant and equipment** as at 30 June 2024 amounted to -26.0 million (-32.4 million in the first half of 2023), to take into account updates in appraisal values rather than prices inferred from sales negotiations underway.

The item **net adjustments to securities and other financial assets** includes net losses of -3.2 million (+1.2 million as at 30 June 2023).

The item **net provisions for risks and charges** in the first half of the year included net recoveries of +8.2 million (net recoveries of +3.3 million as at 30 June 2023).

Gains (losses) on interests in associates and joint ventures and other investments as at 30 June 2024 amounted to +1.0 million (-0.2 million as at 30 June 2023). It should be noted that amounts relating to price adjustments established in the agreements relating to the purchase of Vera Vita and Vera Assicurazioni from Generali Italia and the sale of Banco BPM Assicurazioni and Vera Assicurazioni to Crédit Agricole Assurances were recognised in the ad hoc reclassified income statement item named "bancassurance impacts net of taxes"[1].

Due to the trends described, the **profit (loss) before tax from continuing operations** was 1,241.8 million compared to 1,015.6 million in the same period of the previous year (+22.3%).

[1] The same reclassified income statement item included the capital gain recorded by the Group in the fourth quarter of 2023 following the sale of 65% of the share capital of Banco BPM Assicurazioni and of Vera Assicurazioni to Crédit Agricole Assurances, together with the additional impacts resulting from the reorganisation of the bancassurance sector.

Other revenue and cost items

The **taxation charge related to profit or loss from continuing operations** was -395.9 million (-317.1 million as at 30 June 2023).

Profit (loss) after tax from continuing operations therefore was equal to 845.9 million, a 21.1% increase compared to 698.5 million in the first half of 2023.

Charges related to the banking system, net of taxes of 66.6 million (98.7 million gross taxes) were charged to the income statement for the half-year, represented by the amount of the last annual contribution due to the Interbank Deposit Guarantee Fund (Fondo Interbancario Tutela Depositi - FITD); in the corresponding period of the previous year, the amount relating to the last annual contribution due to the Single Resolution Fund was recognised, for 57.6 million (85.4 million gross taxes).
The new item **charges relating to retirement incentives** includes the amount of expenses relating to the Incentivised Retirement Scheme activated by the Parent Company, equal to -11.7 million net of the taxes (-17.5 million gross of the relative tax effect).

The item **Bancassurance impacts net of taxes** includes the effects, for a total of 2.5 million, attributable to the revision of the estimates carried out in the 2023 financial statements, resulting from the definition of the prices of purchase and sale transactions linked to the reorganisation of the bancassurance business, net of the relative tax effect.

In the half-year, the **change in own credit risk on Certificates issued by the Group, net of taxes**, generated a negative impact of -1.3 million (-1.9 million before taxes), compared to the effect recorded in the first half of 2023 of -2.6 million (-3.8 million before taxes).

As at June 30, 2024, the impact of the **Purchase Price Allocation net of taxes** was equal to -18.6 million, against -14.2 million in the first half of 2023. Starting from the first quarter of 2024, the item in question also included the impacts linked to the reversal of the PPA correlated with the acquisition of control of Vera Vita and BBPM Life completed at the end of 2023[1].

As a result of the trends described above, the first half of 2024 closed with a **net profit for the period** of 750.1 million (624.4 million in the first half of 2023).

[1] The impacts resulting from the PPA relating to the business combination of Vera Vita and BBPM Life are recognised on a provisional basis. As a result, the reversal effects linked to this PPA are based on provisional estimates and will be recalculated once the PPA process becomes final as required by IFRS 3, within 1 year of the acquisition date (31 December 2024).

Key financial highlights of the main Group companies

A summary of the main interests in Group companies is presented below, with an indication of the most significant balance sheet, income statement and operating balances as at 30 June 2024.

(millions of euro)	Total assets	Shareholders' equity (*)	Direct Funding	Indirect Funding	Net loans	Profit (Loss)
Banks						
Banco BPM	181,943.3	13,487.2	122,712.2	96,224.8	101,639.7	749.7
Banca Aletti & C.	1,735.5	385.5	1,207.2	23,677.5	659.3	23.6
Banca Akros	500.4	231.3	119.8	-	51.7	10.1
Banca Aletti & C. (Suisse)	115.0	27.2	84.1	619.7	4.6	(0.2)
Bipielle Bank (Suisse) in liquidation	23.6	22.2	-	-	-	0.1
Insurance companies						
Banco BPM Vita	7,340.0	860.0	6,364.5	-	-	28.3
Vera Vita	7,013.2	318.4	6,257.9	-	-	(19.6)
BBPM Life	3,001.1	82.7	2,860.4	-	-	4.9
Financial companies						
Aletti Fiduciaria	9.1	6.9	-	861.5	2.0	(0.1)
Oaklins Italy	2.7	2.4	-	-	-	0.1
Banco BPM Invest SGR	**3.2**	2.3	-	-	-	(0.2)
Other companies						
Tecmarket Servizi (**)	16.9	-	-	-	-	(0.1)
Ge.Se.So.	1.6	0.5	-	-	-	0.03

(*) amount inclusive of the profit (loss) for the period.
(**) company held for sale pursuant to IFRS 5.

Banco BPM stock

As at 30 June 2024, the value of Banco BPM shares fluctuated between a minimum closing price of 4.732 euro on 16 January 2024 and a maximum closing price of 6.720 euro on 17 May 2024.
From the beginning of the year, Banco BPM shares recorded a positive performance of +23%. During the period, average daily volumes were approximately 14.5 million shares.
In addition, it should be noted that at the end of June 2024, the Banco BPM share was "covered" by 16 equity research companies (of which: 7 with positive recommendations, 6 neutral and 3 negative), with which continuous dialogue was maintained during the year.

Lastly, the shareholders of Banco BPM have a consultation agreement in place relating to the shares of Banco BPM S.p.A., made public pursuant to Art. 122 of Italian Legislative Decree 58/1998 and Art. 129 of CONSOB Regulation 11971 of 14 May 1999.
This consultation agreement was originally signed on 21 December 2020 between several Italian Foundations, shareholders of Banco BPM for a total share of 5.49% of Banco BPM's share capital. It was subsequently updated following the entry or exit of new shareholders from the agreement itself, or due to changes in the shareholding held by an individual participant in the agreement, on 20 July 2021, 18 October 2022, 31 December 2022, and 27 March 2023, 19 December 2023 and, lastly, 16 February 2024.
To date, the Consultation Agreement brings together seven shareholders, holders of a total of 98,625,433 ordinary shares of Banco BPM, equal to 6.50% of the Bank's share capital.

For further details, please refer to the website www.gruppo.bancobpm.it, Investor Relations - Stock, shareholder base and dividends section, "Consultation Agreements".

Group ratings

Summary table of Banco BPM ratings

Rating Agency	Type of Rating	30/06/2024	31/12/2023
DBRS Morningstar	Long-term on Senior Debt and Long-term Issuer Rating/Trend	BBB/Positive	BBB/Stable
	Short-term on Debt and Short-term Issuer Rating/Trend	R-2 (high)/Positive	R-2 (high)/Stable
	Long-term on Deposits/Trend	BBB (high)/Stable	BBB (high)/Stable
	Short-term on Deposits/Trend	R-1 (low)/Stable	R-1 (low)/Stable
	Intrinsic Assessment	BBB	BBB
	Support Assessment	SA3	SA3
Fitch Ratings	Long-term Issuer Default Rating (IDR)/Outlook	BBB-/Stable	BBB-/Stable
	Short-term Issuer Default Rating (IDR)	F3	F3
	Long-term Senior Preferred Debt (SP)	BBB	BBB-
	Long-term Deposits	BBB	BBB
	Short-Term Deposits	F3	F3
	Viability Rating (VR)	bbb-	bbb-
Moody's Investors Service	Long-term on Senior Unsecured Debt and Issuer Rating/Outlook	Baa2/Stable	Baa2/Stable
	Long-term on Deposits/Outlook	Baa1/Stable	Baa1/Stable
	Short-term on Deposits	P-2	P-2
	Baseline Credit Assessment	baa3	baa3
	Counterparty Risk Assessment	Baa2(cr)/P-2(cr)	Baa2(cr)/P-2(cr)
S&P Global Ratings	Long-term Issuer Credit Rating/Outlook	BBB-/Positive	BBB-/Positive
	Short-term Issuer Credit Rating	A-3	A-3

Summary table of Banca Akros ratings

Rating Agency	Type of Rating	30/06/2024	31/12/2023
DBRS Morningstar	Long-term on Senior Debt and Long-term Issuer Rating/Trend	BBB/Positive	BBB/Stable
	Short-term on Debt and Short-term Issuer Rating/Trend	R-2 (high)/Positive	R-2 (high)/Stable
	Long-term on Deposits/Trend	BBB (high)/Stable	BBB (high)/Stable
	Short-term on Deposits/Trend	R-1 (low)/Stable	R-1 (low)/Stable
	Support Assessment	SA1	SA1
Fitch Ratings	Long-term Issuer Default Rating (IDR)/Outlook	BBB-/Stable	BBB-/Stable
	Short-term Issuer Default Rating (IDR)	F3	F3
	Shareholder Support Rating	bbb-	bbb-

As part of normal rating activity, the agencies DBRS Morningstar, Moody's Investors Service, Fitch Ratings and Standard & Poor's Global Ratings monitored Banco BPM's activities through reports, press releases and rating actions; the following were the main events:

- On 18 April 2024, DBRS Morningstar confirmed the ratings of Banco BPM as well as the trend linked to deposits, both short and long-term, while the trend linked to debt, both short and long-term, improved from stable to positive. The same improvement took place for the subsidiary Banca Akros as well. With the improvement in the trend, which follows the upgrade of Banco BPM's ratings by DBRS in October 2022, the improvement in the Group's profitability and risk profile was recognised. The ratings also continue to be supported by the robust funding and liquidity profile and the solid capital position of the Group;
- On 21 March 2024, Fitch Ratings confirmed the Banco BPM ratings in the investment grade area, with a "Stable" Outlook. It also raised the senior preferred (SP) and senior non-preferred (SNP) debt by 1 notch, from BBB- to BBB and from BB+ to BBB-, respectively, to reflect the expectation that the SNP and more junior debt buffers will stably exceed 10% of the RWAs. The ratings are based on the analysis of Banco

BPM's profile, which leverages its solid franchise, rooted in Northern Italy, and takes into account good business diversification, the improvement in profitability and asset quality, a disciplined approach to risk and adequate capital reserves, a stable and diversified funding profile and solid liquidity metrics;

- On 2 April 2024, Moody's Investors Service confirmed the main ratings of Banco BPM in the investment grade area. The outlook of the main long-term ratings remains stable. The confirmation follows the upgrade carried out in November 2023, reflecting the significant strengthening of the Group's financial profile, in particular in terms of asset quality, profitability, financial position, liquidity and funding;
- On 18 June 2024, Standard & Poor's Global Ratings confirmed the investment grade rating for Banco BPM's ratings and the positive outlook. The confirmation follows the review by S&P of Italy's Banking Industry Country Risk Assessment, as part of which the Industry Risk trend of Italian banks was improved from stable to positive.

RISK MANAGEMENT

Information on risks is provided in the part E "Information on risks and related hedging policies" in the explanatory notes to the consolidated condensed interim financial statements, to which reference should be made.

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

The information on transactions with related parties is included in part H "Transactions with related parties" of the explanatory notes to the consolidated condensed interim financial statements, to which reference is made.

OUTLOOK FOR BUSINESS OPERATIONS

The macroeconomic scenario in the first half of 2024 confirmed a trend of moderate but constant growth for the Eurozone. For Italy, expectations are also positive, with low inflation and stable GDP growth, now positioned between 0.6% (Bank of Italy) and 0.9% (European Commission). After the ECB's relaxation of the cost of money in June, the second cut expected between September and October should give a further boost to investment growth and help to drive exports.

In terms of funding, the excellent resilience of deposits, despite government bond issues, suggests a situation of stability or slight growth for the second part of the year as well. The competitive trends observed in the first part of the year suggest that also for the rest of 2024 the use of restricted and onerous forms of funding will be much less significant for the private segment and also on the business side, while the use of forms of index-linked returns should provide a progressive benefit for the cost of funding. On the lending side, the slowdown in disbursements continued for almost the entire first half of the year, but towards the end of the half-year and in July, clear signs of a recovery emerged which, with interest rates more favourable to investments, could gain momentum in the second half of the year. Overall, the net interest income should in any case confirm a positive trend with respect to 2023, benefiting from a higher average level of rates, over the 12 months as a whole, than that of the previous year.

In terms of fees and commissions, the excellent half-year that just ended provides greater support to growth expectations year-on-year, supported, on the investment side, by increasing volumes that will be able to benefit from a positive market effect as well as the potential recovery of net funding; the resumption of disbursements should also improve lending fees and commissions.

Operating expenses are expected to remain stable and in line with expectations in the second half of the year as well, while in terms of personnel costs, further non-recurring provisions could be recorded linked to the potential conclusion of negotiations with the Trade Unions on the activation of a new redundancy fund, which - if an agreement is reached - could have further positive effects starting from 2025, together with those expected in relation to the incentivised retirement initiative, in terms of both generational turnover and at income statement level. With regard to administrative expenses, the greater burden deriving from the implementation of the initiatives outlined in the new Business Plan should be fully balanced out by the effect of optimisation measures, the benefits of which should materialise starting from the last quarter. With reference to the cost of credit, after a half-year that closed at the lowest levels of recent years, thanks to a default rate still below the 1% threshold, portfolio quality and the constant reduction in the NPE ratio make it possible to forecast an improvement in annual performance over 2023. In this context, however, caution remains high with regard to credit policies, oriented towards a careful selection of customers, just as coverage will remain stable at precautionary levels on both performing and non-performing exposures.

In full compliance with what was anticipated in the first quarter, the strength of the results achieved, along with the positive outlook, lead to a further increase in profitability and return targets for shareholders for the entire year and to the identification of a new EPS forecast of 95 euro cents net of non-recurring components. In light of the trends described above and the ability to generate stable increases in profitability and organic capital creation, all the profit and capitalisation objectives announced in the last Plan are confirmed while, with reference to the payout, the prospect of disbursing an interim dividend of 600 million - corresponding to 50% of the amount expected for the entire year 2024 - lays the foundations, together with the disbursement of a coupon equal to approximately 850 million relating to the year 2023, to exceed the cumulative total shareholder return objective of 4 billion in the 2023-2026 period.

Consolidated condensed interim financial statements

FINANCIAL STATEMENTS

Consolidated balance sheet

Asset items	30/06/2024	31/12/2023
10. Cash and cash equivalents	10,994,286	18,297,496
20. Financial assets at fair value through profit and loss	14,484,127	12,767,534
a) financial assets held for trading	5,554,958	4,354,003
c) other financial assets mandatorily measured at fair value	8,929,169	8,413,531
30. Financial assets measured at fair value through other comprehensive income	21,043,144	19,679,644
40. Financial assets at amortised cost	134,943,717	135,192,553
a) loans to banks	6,194,462	5,926,109
b) loans to customers	128,749,255	129,266,444
50. Hedging derivatives	976,608	980,017
60. Fair value change of financial assets in macro fair value hedge portfolios (+/-)	(279,672)	(68,964)
70. Interests in associates and joint ventures	1,429,310	1,454,249
80. Insurance assets	8,244	37,124
a) insurance contracts issued - assets	63	29,209
b) reinsurance assets	8,181	7,915
90. Property, plant and equipment	2,775,191	2,857,953
100. Intangible assets	1,248,093	1,257,425
of which:		
- goodwill	56,709	56,709
110. Tax assets	3,926,381	4,201,154
a) current	333,269	351,374
b) deferred	3,593,112	3,849,780
120. Non-current assets and disposal groups held for sale	445,305	468,685
130. Other assets	5,787,170	5,007,103
Total assets	**197,781,904**	**202,131,973**

Liabilities and shareholders' equity items	30/06/2024	31/12/2023
10. Financial liabilities at amortised cost	137,243,429	143,185,876
a) due to banks	12,463,798	21,765,750
b) due to customers	104,331,616	102,530,321
c) debt securities in issue	20,448,015	18,889,805
20. Financial liabilities held for trading	21,571,436	20,894,156
30. Financial liabilities designated at fair value	7,519,445	6,580,165
40. Hedging derivatives	749,959	1,041,678
50. Fair value change of financial liabilities in macro fair value hedge portfolios (+/-)	(810,756)	(710,938)
60. Tax liabilities	481,054	453,929
a) current	44,783	63,342
b) deferred	436,271	390,587
70. Liabilities associated with assets classified as held for sale	215,493	212,011
80. Other liabilities	3,988,108	3,302,454
90. Provisions for employee severance pay	238,143	246,192
100. Provisions for risks and charges	540,335	648,649
a) commitments and guarantees given	117,045	133,798
b) post-employment benefits and similar obligations	87,368	91,743
c) other provisions	335,922	423,108
110. Insurance liabilities	12,312,195	12,239,641
a) insurance contracts issued - liabilities	12,311,444	12,239,630
b) reinsurance liabilities	751	11
120. Valuation reserves	(314,879)	(276,378)
140. Equity instruments	1,389,670	1,465,843
150. Reserves	4,859,806	4,507,110
170. Share capital	7,100,000	7,100,000
180. Own shares (-)	(51,733)	(22,936)
190. Non-controlling interests (+/-)	74	68
200. Profit (loss) for the period (+/-)	750,125	1,264,453
Total liabilities and shareholders' equity	**197,781,904**	**202,131,973**

Consolidated income statement

Items	I half 2024	I half 2023
10. Interest and similar income	3,789,231	2,950,776
of which: interest income using the effective interest method	3,428,077	2,739,760
20. Interest and similar expense	(1,930,993)	(1,359,801)
30. Net interest income	**1,858,238**	**1,590,975**
40. Fee and commission income	1,065,020	1,001,147
50. Fee and commission expense	(105,951)	(92,869)
60. Net fee and commission income	**959,069**	**908,278**
70. Dividends and similar income	58,977	46,555
80. Net trading income	(12,959)	(38,724)
90. Fair value gains/losses on hedging derivatives	(4,748)	(5,092)
100. Gains (losses) on disposal or repurchase of:	10,587	4,304
a) financial assets at amortised cost	(5,537)	(447)
b) financial assets measured at fair value through other comprehensive income	14,303	4,772
c) financial liabilities	1,821	(21)
110. Net Gains (Losses) from other financial assets and liabilities measured at fair value through profit or loss	65,634	1,110
a) financial assets and liabilities designated at fair value	(75,752)	(38,620)
b) other financial assets mandatorily measured at fair value	141,386	39,730
120. Operating income	**2,934,798**	**2,507,406**
130. Net credit impairment losses/recoveries relating to:	(190,588)	(249,124)
a) financial assets at amortised cost	(189,164)	(249,030)
b) financial assets measured at fair value through other comprehensive income	(1,424)	(94)
140. Gains (losses) from contractual modification without derecognition	598	(5,517)
150. Net income from financial activities	**2,744,808**	**2,252,765**
160. Profit (loss) on insurance services	(5,102)	20,857
a) insurance revenues deriving from insurance contracts issued	75,223	54,392
b) costs for insurance services deriving from insurance contracts issued	(78,893)	(33,048)
c) insurance revenues from reinsurance	1,313	1,864
d) costs for insurance services deriving from reinsurance	(2,745)	(2,351)
170. Balance of revenues and costs of a financial nature relating to insurance activities	(266,206)	(66,842)
a) net costs/revenues of a financial nature relating to insurance contracts issued	(266,260)	(66,949)
b) net revenues/costs of a financial nature relating to reinsurance	54	107
180. Net income from financial and insurance activities	**2,473,500**	**2,206,780**
190. Administrative expenses:	(1,453,626)	(1,355,885)
a) personnel expenses	(860,061)	(799,014)
b) other administrative expenses	(593,565)	(556,871)
200. Net provisions for risks and charges	8,242	3,318
a) commitments and guarantees given	16,753	14,867
b) other net provisions	(8,511)	(11,549)
210. Depreciation and impairment losses on property, plant and equipment	(73,921)	(79,910)
220. Amortisation and impairment losses on intangible assets	(68,788)	(64,900)
230. Other operating income/expense	167,394	167,830
240. Operating expenses	**(1,420,699)**	**(1,329,547)**
250. Gains (losses) of associates and joint ventures	69,926	60,607
260. Fair value gains (losses) on property, plant and equipment and intangible assets	(25,989)	(32,375)
280. Gains (losses) on disposal of investments	1,023	(234)
290. Profit (loss) before tax from continuing operations	**1,097,761**	**905,231**
300. Taxation charge related to profit or loss from continuing operations	(347,642)	(281,135)
310. Profit (loss) after tax from continuing operations	**750,119**	**624,096**
330. Profit (loss) for the period	**750,119**	**624,096**
340. Profit (loss) for the period attributable to non-controlling interests	6	337
350. Parent Company's profit (loss) for the period	**750,125**	**624,433**
Basic EPS (euro)	0.50	0.41
Diluted EPS (euro)	0.50	0.41

Statement of Consolidated Comprehensive Income

	Items	30/06/2024	30/06/2023
10	**Profit (loss) for the period**	**750,119**	**624,096**
	Other comprehensive income after tax without reclassification to the income statement	**(2,983)**	**20,524**
20	Equity instruments designated at fair value through other comprehensive income	7,800	21,789
30	Financial liabilities designated at fair value through profit and loss (changes to its own credit risk)	(17,697)	(11,281)
50	Property, plant and equipment	120	(3,163)
70	Defined benefit plans	3,230	12,270
90	Share of valuation reserves related to interests in associates and joint ventures carried at equity	3,564	909
	Other comprehensive income after tax with reclassification to the income statement	**(44,067)**	**110,022**
110	Foreign investment hedges	1,270	(110)
120	Exchange rate differences	(1,995)	295
130	Cash flow hedges	(2,249)	1,429
150	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(136,900)	70,677
170	Share of valuation reserves related to interests in associates and joint ventures carried at equity	(1,911)	3,564
180	Revenues or costs of a financial nature relating to insurance contracts issued	97,718	34,167
200	**Total other comprehensive income after tax**	**(47,050)**	**130,546**
210	**Comprehensive income (Items 10+200)**	**703,069**	**754,642**
220	**Consolidated comprehensive income attributable to non-controlling interests**	(6)	(337)
230	**Consolidated comprehensive income attributable to the Parent Company**	**703,075**	**754,979**

Statement of Changes of Consolidated Shareholders' Equity

30 June 2024	Balance as at 31/12/2023	Changes in opening balances	Balance as at 1/01/2024	Allocation of profit from previous year		Changes in the period									Shareholders' equity as at 30/06/2024	Group shareholders' equity as at 30/06/2024	Non-controlling interests as at 30/06/2024
							Operations on shareholders' equity										
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on own shares	Stock options	Changes in equity interests	Comprehensive income H1 2024			
Share capital:	**7,100,060**		**7,100,060**	**-**			**-**	**-**					**(10)**		**7,100,050**	**7,100,000**	**50**
a) ordinary shares	7,100,060		7,100,060	-			-	-					(10)		7,100,050	7,100,000	50
b) other shares	-		-	-			-	-					-		-	-	-
Share premium reserve	**-**		**-**	**-**		**-**	**-**						**-**		**-**	**-**	**-**
Reserves:	**4,507,140**	**-**	**4,507,140**	**416,354**		**(60,210)**	**(3,448)**	**-**	**-**		**-**	**-**	**-**		**4,859,836**	**4,859,806**	**30**
a) retained earnings	4,157,010	-	4,157,010	416,354	-	(50,449)	(3,448)	-	-				-		4,519,467	4,519,454	13
b) other	350,130	-	350,130	-		(9,761)	-		-		-	-	-		340,369	340,352	17
Valuation reserves	**(276,378)**	**-**	**(276,378)**			**8,549**							**-**	**(47,050)**	**(314,879)**	**(314,879)**	**-**
Equity instruments	**1,465,843**		**1,465,843**							**(76,173)**					**1,389,670**	**1,389,670**	**-**
Own shares	**(22,936)**		**(22,936)**			**-**	**6,230**	**(35,027)**							**(51,733)**	**(51,733)**	**-**
Profit (loss) for the period	**1,264,431**	**-**	**1,264,431**	**(416,332)**	**(848,099)**									**750,119**	**750,119**	**750,125**	**(6)**
Shareholders' equity	**14,038,160**	**-**	**14,038,160**	**22**	**(848,099)**	**(51,661)**	**2,782**	**(35,027)**	**-**	**(76,173)**	**-**	**-**	**(10)**	**703,069**	**13,733,063**	**13,732,989**	**74**
- of the Group	**14,038,092**	**-**	**14,038,092**	**-**	**(848,099)**	**(51,661)**	**2,782**	**(35,027)**	**-**	**(76,173)**	**-**	**-**	**-**	**703,075**	**13,732,989**		
- of non-controlling interests	**68**	**-**	**68**	**22**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10)**	**(6)**	**74**		

30 June 2023	Balance as at 31/12/2022	Changes in opening balances	Balance as at 1/01/2023	Allocation of profit from previous year		Changes in the period									Shareholders' equity as at 30/06/2023	Group shareholders' equity as at 30/06/2023	Non-controlling interests as at 30/06/2023
						Changes in reserves	Operations on shareholders' equity							Comprehensive income H1 2023			
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of own shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on own shares	Stock options	Changes in equity interests				
Share capital:	**7,100,731**		**7,100,731**	**-**			**-**	**-**					**-**		**7,100,731**	**7,100,000**	**731**
a) ordinary shares	7,100,731		7,100,731	-			-	-					-		7,100,731	7,100,000	731
b) other shares	-		-	-			-	-					-		-	-	-
Share premium reserve	**-**		**-**	**-**		**-**	**-**						**-**		**-**	**-**	**-**
Reserves:	**4,220,220**	**29,786**	**4,250,006**	**334,742**		**(22,661)**	**(4,366)**	**-**	**-**		**-**	**-**	**-**		**4,557,721**	**4,557,732**	**(11)**
a) retained earnings	3,875,778	29,786	3,905,564	334,742		(20,608)	(4,366)	-	-				-		4,215,332	4,215,341	(9)
b) other	344,442	-	344,442	-		(2,053)	-		-		-	-	-		342,389	342,391	(2)
Valuation reserves	**(624,011)**	**233,980**	**(390,031)**			**(1,886)**							**-**	**130,546**	**(261,371)**	**(261,371)**	**-**
Equity instruments	**1,389,794**		**1,389,794**							**-**					**1,389,794**	**1,389,794**	**-**
Own shares	**(18,266)**		**(18,266)**			**-**	**5,270**	**(10,008)**							**(23,004)**	**(23,004)**	**-**
Profit (loss) for the period	**701,803**	**(17,542)**	**684,261**	**(334,742)**	**(349,519)**									**624,096**	**624,096**	**624,433**	**(337)**
Shareholders' equity	**12,770,271**	**246,224**	**13,016,495**	**-**	**(349,519)**	**(24,547)**	**904**	**(10,008)**	**-**	**-**	**-**	**-**	**-**	**754,642**	**13,387,967**	**13,387,584**	**383**
- of the Group	**12,769,551**	**246,224**	**13,015,775**	**-**	**(349,519)**	**(24,547)**	**904**	**(10,008)**	**-**	**-**	**-**	**-**	**-**	**754,979**	**13,387,584**		
- of non-controlling interests	**720**	**-**	**720**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(337)**	**383**		

Consolidated Cash Flow Statement

Indirect method

A. Operating activities	30/06/2024	30/06/2023
1. Cash flow from operations	**1,372,266**	**1,131,206**
- profit (loss) for the period (+/-)	750,119	624,096
- gains/losses on financial assets held for trading and on other financial assets/liabilities at fair value through profit and loss (-/+)	(178,743)	(87,312)
- capital gains/losses on hedging derivatives (-/+)	4,748	5,092
- net credit impairment losses/recoveries (-/+)	189,990	254,641
- net impairment losses/recoveries on property, plant and equipment and intangible assets (+/-)	142,709	144,810
- net provisions for risks and charges and other costs/revenues (+/-)	(2,420)	3,677
- net revenues and costs of insurance contracts issued and reinsurance (-/+)	271,308	(20,218)
- taxes, duties and tax credits not settled (+/-)	269,469	266,690
- net impairment losses/recoveries on discontinued operations net of taxes (-/+)	-	-
- other adjustments (+/-)	(74,914)	(60,270)
2. Cash flow from/used in financial assets	**(3,022,129)**	**(392,713)**
- financial assets held for trading	(1,113,048)	(113,859)
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	(416,243)	(76,133)
- financial assets measured at fair value through other comprehensive income	(1,364,924)	(855,114)
- financial assets at amortised cost	60,270	977,000
- other assets	(188,184)	(324,607)
3. Cash flow from/used in financial liabilities	**(4,323,804)**	**8,395,923**
- financial liabilities at amortised cost	(5,942,447)	(9,369,924)
- financial liabilities held for trading	677,280	12,407,636
- financial liabilities designated at fair value	930,721	789,792
- other liabilities	10,642	4,568,419
4. Cash flow from/used by insurance contracts issued and reinsurance	**(169,874)**	**58,080**
- insurance contracts issued - liabilities/assets (-/+)	(170,348)	59,233
- reinsurance assets/liabilities (+/-)	474	(1,153)
Net cash flow from/used in operating activities	**(6,143,541)**	**9,192,496**
B. Investing activities		
1. Cash flow from:	**1,294**	**77**
- sales of interests in associates and joint ventures	-	-
- dividends collected on interests in associates and joint ventures	-	-
- sales of property, plant and equipment	1,294	77
- sales of intangible assets	-	-
- sales of subsidiaries and business segments	-	-
2. Cash flow used in:	**(93,401)**	**(70,155)**
- purchases of interests in associates and joint ventures	-	-
- purchases of property, plant and equipment	(34,321)	(18,131)
- purchases of intangible assets	(59,080)	(52,024)
- purchases of subsidiaries and business segments	-	-
Net cash flow from/used in investing activities	**(92,107)**	**(70,078)**
C. Financing activities		
- issues/purchases of own shares	(35,027)	(10,008)
- issues/purchases of equity instruments	23,301	(48,875)
- dividend distribution and other allocations	(848,099)	(349,519)
- third-party sales/purchases	-	-
Net cash flow from/used in financing activities	**(859,825)**	**(408,402)**
Net cash flow from/used during the period	**(7,095,473)**	**8,714,016**

Reconciliation	30/06/2024	30/06/2023
- Cash and cash equivalents at the beginning of the period	18,297,496	13,130,815
- Net cash flow from/used during the period	(7,095,473)	8,714,016
- Cash and cash equivalents: foreign exchange effect	-	-
Cash and cash equivalents at the end of the period (*)	**11,202,023**	**21,844,831**

(*) Cash and cash equivalents at the end of the period are represented for 10,994.3 million in item 10) Cash and cash equivalents and for 207.7 million in item 120) Non-current assets and disposal groups held for sale.

EXPLANATORY NOTES

These "Explanatory Notes" have been prepared with reference to the structure of the notes required by Bank of Italy Circular 262 for the financial statements, albeit with limited information, as these are consolidated condensed interim financial statements. For ease of reading, the numbering provided for in the aforementioned Circular has been maintained, although some parts, sections or tables may be omitted for the reasons explained above.

PART A – ACCOUNTING POLICIES

A.1 – GENERAL PART

Statement of compliance with the international accounting standards

These consolidated condensed interim financial statements as at 30 June 2024 have been prepared in accordance with IAS/IFRS issued by the International Accounting Standard Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission, as established by EU Regulation no. 1606 of 19 July 2002.

For the interpretation and application of international accounting standards, the following documents, although not endorsed by the European Commission, have been referenced:

- Conceptual Framework;
- Implementation Guidance, Basis for Conclusions and any other documents prepared by the IASB or IFRIC to complete the accounting standards issued.

The accounting standards applied in the preparation of these consolidated condensed interim financial statements are those in force on 30 June 2024 (including the SIC and IFRIC interpretations).
For an overview of the accounting standards and the related interpretations endorsed by the European Commission, whose application is planned for 2024 or future years, please refer to the following paragraph "New accounting standards/interpretations or amendments to existing standards approved by IASB/IFRIC", which also illustrates any impacts for the Group.

The communications of the Supervisory Authorities (Bank of Italy, ECB, EBA, CONSOB and ESMA), the interpretation documents on the application of IAS/IFRS prepared by the Italian Accounting Body (OIC) and by the Italian Banking Association (ABI) and the discussion papers of the Italian Valuation Body (OIV), with which recommendations were provided on the information to be included in the Annual Report, on certain important aspects in the accounting field, on the accounting treatment of particular transactions, on uncertainties in the macroeconomic scenario and on the impacts of climate change have also been considered, where applicable.

The accounting standards used for the preparation of the consolidated condensed interim financial statements are those adopted for the preparation of the consolidated financial statements as at 31 December 2023, to which reference should be made for an explanation of the criteria for the recognition, classification, measurement, derecognition and recognition of income components relating to the items in the financial statements.

With reference to the disclosure provided, please note that the consolidated condensed interim financial statements as at 30 June 2024 were drafted in summary form, in compliance with the provisions of IAS 34 "Interim financial reporting".
The consolidated condensed interim financial statements are drawn up clearly and provide a true and fair view of the equity and financial situation and economic result of Banco BPM and its subsidiaries as at 30 June 2024, as illustrated in the paragraph "Scope of consolidation and methods".

General preparation principles

The Consolidated interim financial report (hereinafter also referred to as the "Report"), prepared in accordance with art. 154-ter of Italian Legislative Decree no. 58 of 24 February 1998 (TUF) and subsequent updates, consists of the consolidated condensed interim financial statements and the interim report on operations containing the significant events of the interim period and the outlook for business operations.

The consolidated condensed interim financial statements consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the explanatory notes.

The financial statements have been prepared in keeping with the provisions of the Bank of Italy in Circular no. 262 of 22 December 2005 "Bank financial statements: layouts and rules for preparation" and the subsequent updates (most recently, the eighth update published on 17 November 2022, which incorporated the new regulations set forth in IFRS 17 "Insurance Contracts"). Specifically, this was a Circular issued by the Bank of Italy in exercising its powers established by the above-mentioned Legislative Decree 38/2005 (hereinafter also referred to as "Circular no. 262").
The Bank of Italy communication dated 14 March 2023, entitled "Update of the provisions of Circular no. 262 - Bank financial statements: layouts and rules for preparation - regarding the impacts of Covid-19 and the measures to support the economy" has also been considered. Since the 2023 financial statements, the aforementioned communication repealed the disclosure, envisaged from the 2021 financial statements, on loans backed by Covid-19 moratoria, taking into account the expiry of the suspension period, requesting, in free format, only the financial statement information on loans subject to public guarantees, which are reported in the subsequent paragraph "Covid-19 support measures represented by loans with public guarantee" below.

The financial statements provide not only the accounting data as at 30 June 2024, but also the comparative balances relating to the same period in the previous year, with the exception of the balance sheet, which is compared with the last financial statements approved as at 31 December 2023.
For an accurate comparison of the comparative financial statements, please refer to the notes contained in the following paragraph "Reorganisation of bancassurance activities and relative accounting impacts".

The Consolidated condensed interim financial statements, approved by the Board of Directors of Banco BPM on 6 August 2024, are subject to a limited audit by independent auditors PricewaterhouseCoopers S.p.A., in application of the engagement assigned to this company with the shareholders' resolutions of Banco Popolare Soc. Coop. and Banca Popolare di Milano S.c. a r.l. of 15 October 2016.

This document has been prepared adopting the euro as its main currency; the amounts are stated, unless otherwise specified, in thousands of euro.

Significant accounting policies and uncertainties regarding the use of estimates in the preparation of consolidated condensed interim financial statements

The application of certain accounting standards necessarily involves the use of estimates and assumptions, which affect the values of the assets and liabilities recorded in the balance sheet and the disclosures made on contingent assets and liabilities.
The assumptions underlying the estimates made take into account all the information available at the date of preparation of the interim financial report as at 30 June 2024, as well as assumptions considered reasonable in light of historical experience.
Due to their nature, it thus cannot be excluded that the assumptions adopted, however reasonable, might not be confirmed by future scenarios in which the Group will operate.
In this regard, it should be noted that in the reference macroeconomic scenario in which the Group is operating, significant elements of uncertainty continue to remain: from delicate geopolitical balances to the ensuing difficulties in global supply chains to the uncertain pace of normalisation of major central bank monetary policies, which remain prudent.

These uncertainties influence the financial statement estimates, requiring the use of significant elements of judgement when selecting hypotheses and assumptions underlying said estimates.

The results, which will be achieved in the future, could therefore differ from the estimates made for the purpose of the consolidated condensed financial statements and could consequently make adjustments necessary, which at present cannot be foreseen or estimated with respect to the book value of the assets and liabilities recorded.
In that regard, note that it may be necessary to adjust the estimates as a result of changes in the underlying circumstances, following new information or increased experience.

The accounting policies considered most significant for giving a faithful representation of the Group's equity, economic and financial situation, both in terms of the materiality of the values recognised in the consolidated condensed financial statements affected by such policies and the high level of judgement required for assessments entailing the use of estimates and assumptions by the management, are illustrated below with reference to the specific sections of the Notes to the financial statements for detailed information on the assessment processes conducted as at 30 June 2024.

Determining the impairment on loans disbursed recognised in balance sheet assets

Loans represent one of the valuation items that is most exposed to the choices made by the Group in terms of disbursement, risk management and monitoring.
More specifically, the Group manages the risk of default of the borrowing counterparties by continuously monitoring any changes in customer accounts in order to assess their repayment ability, based on their economic-financial situation. This monitoring activity seeks to intercept any signs of impairment of the loans also to promptly classify them as non-performing, and an accurate estimate of the relative total value adjustments. This estimate may be made on the basis of a materiality threshold of the exposure under valuation, on an analytical basis taking account of the recoverable cash flows or on a lump-sum basis, taking into consideration the losses recorded historically on loans with similar characteristics.

With regard to loans for which objective impairment losses have not been identified singularly, namely performing loans, the impairment model, based on expected losses, requires adequate monitoring systems to be implemented to identify the existence or otherwise of significant impairment with respect to the initial date of recognition of the exposure. The IFRS 9 impairment model requires that losses be determined with reference to the time horizon of one year for financial assets that have not suffered a significant deterioration in their credit risk with respect to initial recognition (Stage 1) rather than with reference to the entire life of the financial asset if a significant deterioration is found (Stage 2).
On the basis of the above, it follows that losses on receivables must be recorded with reference not only to the objective evidence of impairment already seen at the reporting date, but also on the basis of expectations of future impairment losses not yet evident, which must be reflected:

- the likelihood of different scenarios occurring;
- the effect of discounting using the effective interest rate;
- historical experience and current and future valuations.

This means that calculating expected losses is a complex exercise that requires a substantial level of judgement and estimation. Specifically:

- the calculation of the significant deterioration in credit risk with respect to the date of initial recognition of the exposure ("SICR") is based on the identification of adequate qualitative and quantitative criteria, which also consider forward-looking information. Therefore, it cannot be ruled out that the use of different criteria may lead to the definition of a different scope of exposures to be classified as Stage 2, with a consequent impact on the expected losses to recognise in the financial statements;
- the outcome of the impairment model must reflect an objective estimate of the expected credit loss, obtained by evaluating a range of possible results. This implies the need to identify possible scenarios, based on assumptions on future economic conditions, to which the relative probabilities of occurrence are associated. The selection of different scenarios and probabilities of occurrence, as well as changes in the set of macroeconomic variables to be considered in the forecast time horizon, could have significant effects on the calculation of expected losses. In order to appreciate the impact on the expected losses resulting from the selection of different macroeconomic scenarios, in the section on credit risk in Part E of these Explanatory Notes, a sensitivity analysis is provided of the expected losses relating to performing loans to customers;
- the calculation of expected losses requires the use of estimation models:
  - for cash flows that individual debtors (or portfolios of debtors that are similar in terms of risk) are expected to be able to generate in order to satisfy, in whole or in part, the obligations undertaken with

regard to the Group. With regard to non-performing loans, if there are disposal plans, a multi-scenario approach needs to be adopted, estimating the cash flows recoverable from the sale, to be considered as an alternative scenario with respect to those retained recoverable from internal management ("work out");
- for recovery time;
- for the estimated realisable value of property and collateral.

Given the array of possible approaches relating to estimation models permitted by the reference international accounting standards, the use of a methodology or the selection of certain estimative parameters may have a significant influence on the valuation of the loans. These methods and parameters are necessarily updated through a continuous process also in light of historic data available, in order to best represent the estimated realisable value of the credit exposure.
In addition, in contexts of uncertainty, given the limited availability of reasonable and demonstrable forward-looking information, the measurement of expected losses may be influenced by some managerial adjustments (management overlay/post model adjustment), introduced with the aim of considering those risk factors not captured by the models in use.
For updates introduced in the measurement of expected losses, please refer to the paragraph "Methods for measuring IFRS 9 expected losses for financial reporting purposes" contained in "Part E - Information on risks and related hedging policies" of these Explanatory Notes.

Given the above, it cannot be excluded that alternative monitoring criteria or different methodologies, parameters or assumptions in determining the recoverable value of the Group's credit exposures - influenced, however, also by possible alternative strategies for their recovery approved by the competent corporate bodies as well as by the evolution of the economic and financial context and reference regulations - may result in valuations different from those conducted for the purposes of the preparation of the consolidated condensed interim financial statements as at 30 June 2024.

Incorporation of climate and environmental risks in the calculation of expected losses

To estimate the expected losses of credit exposures, one of the most complex aspects to assess is the effective relevance of climate and environmental risks, given the uncertainty that inevitably surrounds forecasting events which, by nature, may arise in a long-term time horizon.
Generally, it can be said that the risks resulting from the exposure of the borrower counterparty to aspects relating to climate and environment are considered indirectly to the extent that the ECL calculation models take the expected impact of changes in macroeconomic variables on credit risk parameters into account, also through the use of sector satellite models, namely of models that define the functional relationships between changes in macroeconomic variables and the Bank's risk parameters (Probability of Default - PD and Loss Given Default - LGD).
This applies to the measurement of expected credit losses (ECL) of non-performing loans.
Starting from the 2022 financial statements, the Group has carried out preliminary assessments on how climate and environmental risks can directly impact the PD and LGD risk parameters, in order to quantify expected losses on non-performing exposures. In particular, account was taken of:
- the physical risk resulting from the financial impact on the debtor related to climate change, including more frequent extreme weather events and gradual changes in the climate, as well as environmental degradation, i.e. air, water and soil pollution, water stress, loss of biodiversity and deforestation;
- the transition risk resulting from the negative impact that the counterparty may incur, directly or indirectly, as a result of the adjustment process towards a low-carbon and more environmentally sustainable economy.

For the financial statements as at 30 June 2024, the estimate of the aforementioned risks was carried out through managerial adjustments with respect to the results of the core models (so-called "post model adjustments" or "management overlay"), with a consequent increase in expected losses on performing exposures of 21.6 million (20.3 million as at 31 December 2023).

However, it cannot be ruled out that the possible development of models able to better factor in climate and environmental risks, may lead to different estimates with respect to those conducted for the preparation of the consolidated condensed interim financial statements as at 30 June 2024.

For an illustration of how the Group is encompassing environmental aspects in its credit policies, refer to the content of "Part E - Information on risks and related hedging policies" of these Explanatory Notes.

Estimated impairment losses in relation to intangible assets with an indefinite useful life

Pursuant to IAS 36, all intangible assets with an indefinite useful life must undergo impairment testing at least once a year to verify the recoverability of their value. In addition, the standard establishes that the results of the annual test may be considered valid for subsequent interim tests, provided that the probability, which the recoverable value is less than the book value of the intangible assets, is considered remote. This opinion may be based on the analysis of the events, which have occurred, and the circumstances, which have changed subsequent to the most recent annual impairment test.
Based on the provisions of this standard, Banco BPM Group has chosen to conduct impairment testing on intangible assets with an indefinite useful life as at 31 December of each year: the results of these tests can be considered valid for subsequent interim situations, unless evidence was to emerge that would require impairment testing to be conducted in advance to ascertain the recoverability of the value of said intangible assets with an indefinite useful life.
As described in the section "Intangible assets – Item 100" set forth in "Part B – Information on the consolidated balance sheet" of these Explanatory Notes, to which reference is made for further details, for assets with an indefinite useful life represented by trademarks and goodwill, in line with what is set forth in IAS 36, in the first half of the year an analysis was performed to exclude any existence of impairment indicators that could call into question the recoverability of the relative carrying amounts.

As at 30 June 2024, the assets in question therefore totalled 561.0 million, in line with the previous year, and referred to:

- 56.7 million in goodwill originating from the business combination of Banca Popolare Italiana (Bancassurance Protection CGU for 42.9 million), from the acquisition of the controlling interest in Oaklins Italy S.r.l. (3.8 million) and from the acquisition of control of Banco BPM Vita (10.0 million);
- 504.3 million from business trademarks recognised following the business combination transactions with the former Banca Popolare Italiana Group (222.2 million) and with the former BPM Group (282.1 million), all allocated to the Retail CGU with the exception of 18.6 million relating to the valuation of the trademark of Banca Akros (Banca Akros CGU).

For the above-mentioned intangible assets, the survey of potential impairment triggers (internal and external), based on the evolution during the half-year of the main factors for the measurement of the recoverable value of the allocation Cash Generation Units - CGUs (discount rate, target capitalisation levels, cash flows and the relative growth rate, stock market capitalisation), did not bring to light any indications that would call into question the recoverability of the relative book values.
In this regard, it should be noted that the verification of the recoverability of the intangible assets in question is a complex exercise, the results of which are affected by the valuation methods adopted, as well as by the underlying parameters and assumptions, which may need to be modified to take account of new information or developments that could not be foreseen when this Report was prepared. In order to be able to appreciate whether the recoverable value is maintained with respect to alternative assumptions and situations, please refer to the sensitivity analysis contained in the section "Intangible assets - Item 100", of "Part B - Information on the consolidated balance sheet - Assets" of these Explanatory Notes.

Determining the fair value of financial assets and liabilities

In the presence of financial instruments not listed in active markets or of illiquid and complex instruments, adequate measurement processes must be undertaken characterised by significant elements of judgement as regards the choice of the measurement models and of the relative input parameters, which on occasion may not be observable in the market.
There are margins of subjectivity in the measurement as regards the observability or not of certain parameters and in the consequent classification in correspondence of the fair value hierarchy levels.
For qualitative and quantitative information on the method adopted to measure the fair value of financial assets and liabilities, reference should be made to the contents of these Explanatory Notes, "Part A.4 - Fair value disclosure".

Estimating the recoverability of deferred tax assets

The Group has Deferred Tax Assets (DTA) among its significant assets, mainly generated by temporary differences between the income statement recognition date of given business costs and the date when said costs may be

deducted, rather than resulting from tax losses carried forward. The recognition of these assets and subsequently maintaining them in the financial statements assumes a judgement of probability as to the recovery of the same, which must also consider the legislative provisions on taxes in force on the date of preparation of the financial statements.
More specifically, the deferred tax assets that meet the requirements of Italian Law no. 214 of 22 December 2011 can be converted into tax credits in the case of a "statutory loss", a "tax loss" for IRES tax purposes and a "net negative value of production" for IRAP tax purposes; their recovery is therefore certain, insofar as it does not depend on the ability to generate future income. The maintenance of convertibility into tax credits is subject to the payment of a fee - introduced with Italian Decree Law no. 59 of 3 May 2016, converted with amendments by Law no. 119 of 30 June 2016 - which the Group decided to make use of by paying an annual consideration until 2030.

For the remaining tax assets that cannot be converted into tax credits, the judgement of their probability of recovery must be based on reasonable income forecasts taken from approved strategic plans and projections, also considering that, for IRES purposes only, tax regulations permit tax losses to be carried forward without any time limit. This judgement is supported by a recoverability assessment exercise (so-called probability test) characterised by a considerable level of complexity, particularly if it regards DTAs on tax losses carried forward, the existence of which could indicate the fact that sufficient taxable income may not be available in the future for their recovery. Based on the provisions of IAS 12 and on the considerations of the ESMA in a document dated 15 July 2019, the above judgement of recoverability requires a careful recognition of all evidence supporting the probability of having sufficient taxable income in the future, also considering the circumstances that generated the tax losses, which must be linked to clearly identified causes, deemed not repeatable in the future on a recurring basis.
In order to take into account the uncertainties of the macroeconomic scenario and the potential repercussions on the estimate of taxable cash flows, for the purpose of these consolidated condensed interim financial statements, the probability test was carried out, in line with that carried out for the 2023 financial statements, with the "Risk-adjusted profit approach", i.e. discounting the forecasts of future taxable income on the basis of a corrective factor that is expressive of a specific risk, consistent with the methodology for determining the risk premium for the impairment test of intangible assets with an indefinite useful life, which pushes further back the time period of the estimate of taxable income flows.
Considering that the recoverability of DTAs could be negatively influenced by a revision of the cash flows assumed as the basis of the probability test - in line with what is suggested by generally accepted practice for valuations characterised by uncertainty - the estimation of future taxable income was conducted on the basis of a multi-scenario approach.
In line with the prudential view of the probability test, the forecasts on taxable income were developed on the basis of the latest 2024-2026 income projections approved by the Board of Directors on 27 March 2024 as part of the internal capital and liquidity adequacy assessment process (ICLAAP), taking into account that the updates being processed do not show any signs of critical issues with respect to the above-mentioned projections.

Lastly, it should be noted that the recoverability of all DTAs could be negatively influenced by changes in the current tax legislation, which cannot be foreseen at the present time.

The section "Tax assets - Item 110 and Item 130 in the assets" contained in "Part B - Information on the consolidated balance sheet" of these Explanatory Notes provides the disclosure on the breakdown of deferred tax assets, on the checks carried out with regard to their recoverability, on the sensitivity analyses conducted to permit an appreciation of the time horizon for the recovery of the same, based on reasonable changes in the main underlying hypotheses and assumptions.

Estimating provisions for risks and charges

The companies that belong to the Group are defendants in a wide range of legal proceedings and tax disputes and are also exposed to numerous types of contingent liabilities. The complexity of the situations and company transactions that underlie the ongoing disputes, together with issues related to the interpretation of the applicable law, require significant judgement to estimate the liabilities that could arise at the time that the pending disputes are settled. The difficulties in assessment regard both the occurrence, the amount and the timing of any emergence of liabilities, and are particularly evident when the proceeding is at the initial stage and/or the relative preliminary investigation is in progress. The specific nature of the matter in dispute and the consequent absence of case law relating to comparable disputes, as well as different approaches taken by the judicial bodies - both at the different levels of the contentious proceeding, and by bodies at the same level at different times - make the measurement of

contingent liabilities difficult, even when provisional rulings are available at the first level of judgement. Past experience demonstrates that in various cases, the rulings made by the judges in the courts of first instance have then been completely overturned on appeal or at the Supreme Court, and this may be in favour or not in favour of Group companies. In this context, the classification of contingent liabilities and the consequent evaluation of the provisions needed are based on subjective judgements, which require the use of often extremely complex estimation procedures. Therefore, it cannot be ruled out that following the issue of final rulings, the provisions for risks and charges made against contingent liabilities relating to legal and tax disputes may prove to be lacking or excessive.
For information on the Group's main risk positions in relation to legal disputes (actions to void and pending lawsuits) and tax disputes with the Tax Authorities, reference should be made to the section "Liability provisions - Items 90 and 100" contained in "Part B - Information on the consolidated balance sheet" of these Explanatory Notes.
In addition, the provisions for risks and charges may become necessary following commitments made by the Group at the time of the sale of interests in associates or joint ventures, divisions, portfolios of non-performing loans and related partnership agreements. More specifically, the above-mentioned commitments consist essentially of providing protection and guarantee mechanisms for the investment made by the purchasing counterparties. Said mechanisms envisage the acknowledgement, in favour of the purchaser, of an indemnity in the event that specific sales objectives are not met, or the event of inconsistent declarations as to the quality of the information and the documentation on the loans with respect to that provided at the time of the sale. The likely outlay of financial resources to cover said commitments has to be estimated, based on the reasonable evolution of the sales objectives, also considering the time horizon in which the Group may take corrective action to avoid the payment of penalties. For commitments relating to the sale of non-performing loans, the quantification of the provision must instead consider the expected evolution of the outlays relating to claims received from purchasers for alleged breaches of contractual guarantees.
For a more detailed description, reference should be made to the section "Liability provisions - Items 90 and 100" contained in "Part B - Information on the consolidated balance sheet - Liabilities" of these Explanatory Notes.

Determination of the fair value of property

The Group's accounting policies envisage that real estate assets are measured at fair value, according to the measurement criteria established by accounting standard IAS 40 for investment property or by standard IAS 16 - and in particular by the revalued amount criterion - for properties used in operations, i.e. those used for administrative and/or commercial purposes. The update of the fair value, in compliance with the requirements laid out by IFRS 13, is supported by a dedicated appraisal issued by a leading company, on the basis of the "RICS Valuation" standards[1].
In more detail, for properties for investment purposes, the Group's accounting policies require fair value to be updated annually, when the financial statements as at 31 December are drafted, unless there is evidence that an earlier review is necessary or for properties with book value above 10 million, for which the update takes place on a half-yearly basis. Instead, for properties used in operations, the fair value may be restated more frequently than once a year; this frequency may depend on whether there are significant deviations in property market prices, based on a scenario analysis, on its relevance or on the distinctive characteristics of properties. In particular, for properties for business use, the appraisal is updated every two or three years depending on whether the property has a value of more than or less than 3 million, unless the scenario analysis is such that an earlier revision is required.[2]

When drafting this Report, it was deemed that the changes recorded in the real estate market during the half-year were not such as to require an update with respect to the valuations conducted as at 31 December 2023, except for a limited number of properties. In line with the company policy, the updates concerned all investment properties with a book value of more than 10 million[3] and those properties affected by certain events occurring during the half-year, with a potential impact on fair value (such as, lease revisions, maintenance status assessments, verification of commercial surface areas and change of the property's intended use).
In further detail, during the first half of 2024, a total of 103 properties (of which 67 properties relating to the appraisal update campaign as at 30 June 2024) were appraised, for a book value before valuation of approximately 723 million, representing approximately 34% of the total value of the properties (the coverage of the appraised scope referring to investment properties came to 66%).

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[1] Standards set out in the "RICS Valuation – Global Standard 2017" of the Royal Institution of Chartered Surveyors of the United Kingdom (also known as the "Red Book").
[2] Threshold of 5 million until the 2023 financial statements.
[3] The threshold of 10 million is also applied to properties with mixed use, i.e. for investment and for business use.

These updates, supported by an external appraisal, as well as the adjustments to the presumed sale value inferred from the sale negotiations in progress, resulted in an overall negative economic effect of -26.0 million in the first half of 2024 (the negative effect recorded in the corresponding period of the previous year was -32.4 million).

Given the array of possible valuation approaches permitted by the above-cited standard, the selection of a specific valuation methodology, as well as the selection of the specific estimation parameters and/or assumptions, may have a significant influence on the determination of the fair value, also considering the specific nature and distinctive characteristics of the asset to be valued.
With particular reference to land and real estate development initiatives, their value is traditionally very volatile and subject to rapid change. In fact, a specific type of purchaser is targeted for these assets, and they may suffer significant impacts due to various factors, such as changes in construction costs, availability and cost of loans for their development, fluctuations in product demand and supply, in turn significantly influenced by the volatility of the reference macroeconomic scenario.
In this regard, it should be noted that the current global inflationary pressures, with a consequent and rapid increase in interest rates, have accentuated the potential for negative changes in capital values, causing greater volatility in the real estate markets in the short to medium term. In fact, experience has shown that investor behaviour can change rapidly in periods of greater volatility, with consequent negative impacts on property prices, which could continue to the extent that if inflation figures were to remain high, the fair value would need updating in light of the new information available.

One of the significant assumptions, for the purpose of measuring fair value, is the assessment of the highest and best use of the properties, defined as the condition which, of all reasonably feasible uses, is able to confer the highest value to the property. In this regard, the fair value measurement of property used in operations uses the continuity of their use by the Group in the foreseeable future as reference, insofar as strictly dependent on commercial and administrative activities. More specifically, it was assumed that the Group will continue to occupy the properties on the basis of a lease agreement in line with standard market practices, with a duration of 12 years (6+6 years), starting from the valuation date.

Margins of subjectivity are also present when identifying the perimeter of properties used in operations, for which the appraisals need to be updated, based on the ability to identify significant changes in value in property market prices, which make the request for an updated valuation necessary.

In light of the above, it cannot be ruled out that the use of different methods or estimation parameters - influenced by forecasts relating to the reference scenarios of the real estate market pertinent to the Group, as well as the strategies that the Group could adopt to manage real estate assets, also through disposals of portfolios - may lead to different valuations with respect to those conducted for the condensed interim financial statements as at 30 June 2024, with consequent negative impacts on the Group's balance sheet and income statement.

For further details, please refer to the section "Property, plant and equipment - Item 90" contained in "Part B - Information on the consolidated balance sheet" of these Explanatory Notes.

Estimating obligations relating to employee benefits

Determining the liabilities associated to employee benefits, with specific reference to defined benefit plans and to long-term benefits, implies a certain degree of complexity; the outcome of the valuations depends, to a significant extent, on the actuarial assumptions used, both in demographic terms (such as mortality rates and rates of employee turnover) and in financial terms (such as discounting rates and inflation rates). Therefore, the judgement of management is fundamental, when selecting the most suitable technical basis to evaluate the cases, which may be influenced by the socio-economic context in which the Group operates at the time, as well as the performance of the financial markets.
In particular, with regard to employee benefits represented by the provisions for employee severance pay and defined benefit pension funds, changes in actuarial assumptions (demographic and financial) in the first half of 2024, as well as the actual experience recognised with respect to initial forecasts, led to an overall reduction in liabilities of 4.5 million (of which 2.6 million for the provisions for employee severance pay and 1.9 million for defined benefit pension funds).

This reduction, which net of the tax effect amounts to 3.2 million, is recognised as a balancing entry to a positive income component in the statement of comprehensive income (item 70. "Defined benefits plans"); the corresponding income component recorded in the first half of 2023 was a positive 12.3 million.

In greater detail, this effect is mainly due to the increase in the discount rate due to higher market yields as well as the reduction in the expected inflation rate.

The illustration of the main actuarial assumptions, together with the sensitivity analysis of the liabilities with respect to the actuarial assumptions considered most significant, is provided in the section "Liability provisions - Items 90 and 100" contained in "Part B - Information on the consolidated balance sheet" of these Explanatory Notes.

Estimating insurance liabilities for commitments to policyholders

For the Group's insurance companies, the measurement of the technical reserves envisaged by insurance regulations to cover commitments to policyholders requires the development of a series of demographic and financial assumptions capable of significantly influencing the amount of insurance liabilities.

In particular, the valuation of insurance liabilities is affected by the typical risks of the sector, which are duly analysed and assessed according to what is set forth in the Solvency II regulatory framework; the "Solvency and Financial Condition Report", published annually by the Companies, provides a representation of these risks.

In greater detail, the main risks relating to the Life business are represented by the change in mortality and longevity assumptions, the unpredictability of policyholders' choices, as well as uncertainties relating to higher inflation rates and the resulting increase in future expenses. In addition, in order to calculate reserves, the assumptions used to determine the discount rates, as well as the methods to measure the adjustment for non-financial risk are particularly important.

In light of the above, it cannot be ruled out that the occurrence of risk events other than those assumed during the calculation of tariffs and/or preparation of the financial statements may affect the amount of commitments vis-à-vis the policyholders and consequently the estimate of liabilities in the financial statements.

Lastly, the value of the aforementioned liability may be influenced by the valuation approaches adopted in terms of those permitted by IFRS 17 on insurance contracts; therefore, it cannot be ruled out that the use of alternative methods may lead to a different estimate of commitments to policyholders.

Ongoing inspections by the Supervisory Authority

As part of the ordinary inspection cycle by the Supervisory Authority, at the date of this Financial Report, some inspections are underway on specific areas. For completed inspections, in response to the recommendations or decisions set forth in the "Decisions" or "Final follow-up letters", the Group is currently carrying out the appropriate remedial actions. For additional details, please refer to the "Inspections and proceedings of the Supervisory Authorities" section of the Interim Report on Operations.
Although the information elements acquired in ongoing inspections were carefully considered by the Group in order to assess any implications on the financial statement estimates, it cannot be excluded that the changes in the processes that could be implemented in response to any requests or final recommendations issued by the Supervisory Authority and the disclosure of new information not known at the date of this Report may prospectively affect financial statement assessments. The same applies in relation to the remedial actions in progress, as any refinements of valuation methods or processes could prospectively impact financial statement estimates.

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The description of valuation processes shown above is included simply to provide readers with a better understanding of the main areas of uncertainty, and it should in no way be considered as implying that, to date, alternative assumptions can prove more appropriate.
In any event, in order to allow for an appreciation of any negative effects on the financial statements related to the above-mentioned factors of uncertainty, in these Explanatory Notes information for the main items in the financial statements subject to estimates (recoverability of intangible assets with an indefinite useful life, recoverability of

deferred tax assets, expected losses on performing exposures, liabilities for defined benefits to employees), the disclosure of the main hypotheses and assumptions used in the estimate, as well as a sensitivity analysis with respect to alternative assumptions, is provided in the specific sections.

Declaration of going concern

With regard to what is required by the Bank of Italy, CONSOB and ISVAP in the Joint Document no. 4 of 3 March 2010, the Consolidated interim financial report as at 30 June 2024 was prepared on a going concern basis.
In this regard, the Directors believe that no risks and uncertainties have emerged such as to give rise to doubts regarding business continuity, considering that the Group has a reasonable expectation of being able to continue to operate in the foreseeable future.

In order to make the above judgement, the Directors also assessed the effects resulting from the uncertainties of the reference macroeconomic scenario, also considering the current geopolitical tensions, which could reasonably have negative repercussions on future company results. However, the extent of these effects is not considered sufficient to create uncertainty on business continuity, also considering the current and future soundness of the Group's equity and financial structure.

For information on Group risks and relative management, refer to the content of "Part E - Information on risks and related hedging policies" of these Explanatory Notes.

Scope of consolidation and methods

(A) Subsidiaries

The consolidated condensed interim financial statements include the balance sheet and income statement results of the Parent Company Banco BPM S.p.A. and its direct and indirect subsidiaries, including structured entities, in accordance with that envisaged by accounting standard IFRS 10.
Based on the cited standard, the requirement of control is the basis for the consolidation of all types of entity, including structured entities, and is met when an investor simultaneously fulfils the following three requirements:

- power to decide on the relevant activities of the entity;
- exposures, or rights, to variable returns resulting from involvement with the entity;
- ability to use its power to affect the amount of said returns, as a result of its involvement with the entity (link between power and returns).

More specifically, IFRS 10 establishes that, in order to possess control, the investor must have the ability to direct the relevant activities of the entity, by virtue of a legal right or of a mere state of fact, and must also be exposed to the variability of the results arising from said power.
In light of the above-mentioned regulatory references, the Group must therefore consolidate all types of entity where all three control requirements are met.
Generally, when an entity is considered direct by virtue of voting rights, control results from holding over half of those rights.
In the other cases, establishing the scope of consolidation requires all factors and circumstances that give the investor the practical ability to unilaterally conduct the relevant activities of the entity (actual control). To this end, a set of factors has to be considered, such as, merely by way of example:

- the purpose and the design of the entity;
- the identification of the relevant activities and how they are managed;
- any right held by means of contractual arrangements which award the power to direct the relevant activities, such as the power to establish the financial and operating policies of the entity, the power to exercise majority voting rights in the decision-making body or the power to appoint or remove the majority of the body with decision-making functions;
- any voting rights that may potentially be exercised and that are considered substantial;
- involvement with the entity in the role of agent or principal;
- the nature and dispersion of any rights held by other investors.

The following paragraphs provide further details on the scope of entities controlled exclusively as at 30 June 2024, broken down into companies controlled through voting rights and structured entities.

Companies controlled through voting rights

With reference to the Group's situation as at 30 June 2024, companies in which a majority of voting rights in the ordinary shareholders' meeting is held are considered to be exclusively controlled, insofar as there is no evidence that other investors have the practical ability to direct the relevant activities.
As regards companies in which half or a lower amount of voting rights are held, as at 30 June 2024, there are no arrangements, statutory clauses, potential rights or other situations able to establish that the Group has the practical ability to unilaterally direct the relevant activities.

Consolidated structured entities

The control of structured entities, namely entities for which voting rights are not considered relevant to establish control, is deemed to exist where the Group has contractual rights to manage the relevant activities of the entity and is exposed to the variable returns of the same.
On this basis, the structured entities for which consolidation for the purpose of the consolidated condensed interim financial statements as at 30 June 2024 is necessary, are represented by the several SPEs for securitisation transactions originated by the Group. For those SPEs, the elements deemed significant for identifying control and the resulting consolidation are:

- the purpose of said SPEs;
- exposure to the outcome of the transaction;
- the ability to structure transactions and to direct the relevant activities and take critical decisions through servicing contracts;
- the ability to arrange for their liquidation.

For structured entities represented by mutual investment funds and similar, the Group is considered to act in the capacity of "principal", and therefore controls the fund, consequently consolidating it, if the Group simultaneously meets the following conditions:

- it has the power to direct the relevant activities when:
  - it acts as fund manager and there are no investors with substantial removal rights; or
  - it has a substantial right to remove the fund manager (external to the Group) without just cause or due to the performance of the funds; or
  - the governance of the fund is such that the Group substantially governs the relevant assets;
- it has significant exposure to the variable returns of the fund, as it directly holds a share retained significant, in addition to any other form of exposure related to the fund's economic results;
- it is able to influence said returns through exercising its powers, when:
  - it is the fund manager;
  - it has a substantial right to remove the fund manager (external to the Group);
  - it has a right to participate in the Committees of the fund, to the extent that the Group has the legal and/or practical ability to control the activities performed by the manager.

As at 30 June 2024, the analyses conducted on the investments held by the Group in mutual investment funds and similar, resulted in the exclusion of the existence of control over the same; therefore no fund is included in the scope of consolidation.

Line-by-line consolidation method

Controlled entities are consolidated from the date on which the Group acquires control, according to the purchase method, and cease to be consolidated from the moment in which a situation of control no longer exists; for details, please refer to the Annual Financial Report as at 31 December 2023, section "A.2 - Key financial statement items" paragraph "16 - Business combinations, goodwill and changes in interest holdings".

Full consolidation consists of the "line-by-line" acquisition of the balance sheet and income statement aggregates of subsidiary entities. For consolidation purposes, the book value of the equity interests held by the Parent Company or by the other Group companies is eliminated against the acquisition of the assets and liabilities of the investees, as a

balancing entry to the corresponding portion of shareholders' equity attributable to the Group and the portion held by non-controlling interests, also taking into account the purchase price allocation upon acquisition of control.

For subsidiary entities, the portion of shareholders' equity, profit (loss) for the year and comprehensive income attributable to non-controlling interests is indicated as a separate item in the respective schedules of the consolidated financial statements (respectively in items: "190. Non-controlling interests", "340. Profit (loss) for the year attributable to non-controlling interests", "190. Consolidated comprehensive income attributable to non-controlling interests").
In this regard, please note that there is no effect on the balance sheet, the profit (loss) or comprehensive income attributable to non-controlling interests resulting from the consolidation of the separate equities held by the SPEs for securitisations originated by the Group, not subject to derecognition in the separate financial statements of the assigning Group banks. For a description of the effects of the consolidation of these equities, please refer to the information in the Annual Financial report as at 31 December 2023, contained in "A.2. – Key financial statement items", paragraph "16 - Other information, Securitisations - derecognition from financial statements of financial assets transferred".

The costs and revenues of the subsidiary entity are consolidated from the date on which control was acquired. The costs and revenues of a subsidiary sold are included in the income statement up until the date of sale; the difference between the sale price and the book value of the net assets of the same is recognised under the income statement item "280. Gains (losses) on disposal of investments". In the event of the partial disposal of a subsidiary entity, which does not result in a loss of control, the difference between the sale price and the relative book value is recognised as a balancing entry of shareholders' equity.

The assets, liabilities, off-balance sheet transactions, income and expenses relating to transactions between consolidated companies are eliminated in full.

The balance sheet and income statement results of the consolidated companies whose operating currency is different from the euro are translated based on the following rules:

- the balance sheet assets and liabilities are converted at the exchange rate in effect at the end of the period;
- the revenues and costs on the income statement are converted at the average exchange rate for the period.

All exchange rate differences originated by the conversion are recognised in a specific valuation reserve under shareholders' equity. Said reserve is eliminated through a concurrent debiting/crediting of the income statement when the interest is disposed of. Changes in value of the valuation reserve due to exchange rate differences are included in the Statement of comprehensive income.

In order to prepare the consolidated condensed interim financial statements as at 30 June 2024, all of the exclusively controlled companies have prepared a balance sheet and income statement in accordance with the Group's accounting principles.

Interests in associates and joint ventures held for sale are recorded in compliance with the reference international accounting standard IFRS 5, which regulates the recording of non-current assets held for sale. In this case, the assets and liabilities held for sale are included in the balance sheet items "120. Non-current assets and disposal groups held for sale" and "70. Liabilities associated with assets classified as held for sale".
If the disposal of the associates and joint ventures is classified as discontinued operations (under the terms of IFRS 5), the relative income and expenses are recognised in the income statement, net of taxes, under item "320. Profit (loss) after tax from discontinued operations". Otherwise, the contribution of the investee is shown in the income statement "line by line". For further details please refer to the content of paragraph "8 - Non-current assets and disposal groups held for sale" contained in "A.2 - Key financial statement items" of the Annual Financial Report as at 31 December 2023.
If the fair value of the assets and liabilities held for sale, net of costs to sell, turns out to be lower than the book value, a value adjustment is recognised in the income statement.

(B) Interests in companies subject to joint control and subject to significant influence

Associates, i.e. companies not controlled in which a notable influence is exercised, are considered to be companies subject to significant influence. The company is assumed to exercise a significant influence in all cases where it holds

20% or more of voting rights in the investee, and, irrespective of the shareholding percentage, whenever it has the power to participate in business and financial decisions of the investees, by virtue of specific legal relations, such as shareholders' agreements, the purpose of which is to ensure that the members of the agreement are represented in the management bodies and to safeguard a consistent management approach, without, however, controlling the same.
Interests in companies subject to joint control and subject to significant influence are measured according to the equity method, based on the most recent financial statements available of the associated company/company subject to joint control, suitably adjusted to take into account any significant events or transactions; for a description of the classification, recognition, measurement and derecognition criteria, please refer to part "A.2 - Key financial statement items" - "5. Interests in associates and joint ventures" of the Annual Financial Report as at 31 December 2023.

Interests in exclusively controlled companies

The table below lists the interests in exclusively controlled companies. For information on interests in companies subject to joint control and significant influence by Banco BPM Group please refer to the Interests in associates and joint ventures section of these Explanatory Notes.

	Company name	Operational headquarters	Registered office	Type of relationship (1)	Investment relationship		Available
					Holder	% held	% of votes (2)
	Banco BPM S.p.A.	**Verona**	**Milan**	**Parent Company**			
1.	Agriurbe S.r.l. in liquidation Share capital € 10,000.00	Milan	Milan	1	Banco BPM	100.000%	100.000%
2.	Aletti Fiduciaria S.p.A. Share capital € 1,040,000.00	Milan	Milan	1	Banca Aletti	100.000%	100.000%
3.	Banca Akros S.p.A. Share capital € 39,433,803.00	Milan	Milan	1	Banco BPM	100.000%	100.000%
4.	Banca Aletti S.p.A. Share capital € 121,163,538.96	Milan	Milan	1	Banco BPM	100.000%	100.000%
5.	Banca Aletti & C. (Suisse) S.A. Share capital CHF 35,000,000	CH - Lugano	CH - Lugano	1	Banca Aletti	100.000%	100.000%
6.	Banco BPM Invest SGR S.p.A. Share capital € 2,500,000.00	Milan	Milan	1	Banco BPM	100.000%	100.000%
7.	Banco BPM Vita S.p.A. Share capital € 179,125,000.00	Milan	Milan	1	Banco BPM	100.000%	100.000%
8.	BBPM Life dac Share capital € 802,884.81	Dublin	Dublin	1	Vera Vita	100.000%	100.000%
9.	Bipielle Bank (Suisse) S.A. in liquidation Share capital CHF 25,000,000	CH - Lugano	CH - Lugano	1	Banco BPM	100.000%	100.000%
10.	BPM Covered Bond S.r.l. Share capital € 10,000.00	Rome	Rome	1	Banco BPM	80.000%	80.000%
11.	BPM Covered Bond 2 S.r.l. Share capital € 10,000.00	Rome	Rome	1	Banco BPM	80.000%	80.000%
12.	BRF Property S.p.A. Share capital € 2,000,000.00	Parma	Parma	1	Banco BPM	99.000%	99.000%
13.	BP Covered Bond S.r.l. Share capital € 10,000.00	Milan	Milan	1	Banco BPM	60.000%	60.000%
14.	Ge.Se.So. S.r.l. Share capital € 10,329.00	Milan	Milan	1	Banco BPM	100.000%	100.000%
15.	Lido dei Coralli S.r.l. Share capital € 10,000.00	Sassari	Sassari	1	Banco BPM	100.000%	100.000%
16.	Oaklins Italy S.r.l. Share capital € 109,000.00	Milan	Milan	1	Banca Akros	100.000%	100.000%
17.	Partecipazioni Italiane S.p.A. in liquidation Share capital € 350,000.00	Milan	Milan	1	Banco BPM	99.966%	100.000%
18.	P.M.G. S.r.l. in liquidation Share capital € 52,000.00	Milan	Milan	1	Banco BPM	84.000%	84.000%

Company name	Operational headquarters	Registered office	Type of relationship (1)	Investment relationship		Available
				Holder	% held	% of votes (2)
19. Sagim S.r.l. Società Agricola Share capital € 7,746,853.00	Asciano (SI)	Asciano (SI)	1	Agriurbe	100.000%	100.000%
20. Sirio Immobiliare S.r.l. Share capital € 10,000.00	Lodi	Lodi	1	Banco BPM	100.000%	100.000%
21. Tecmarket Servizi S.p.A. (*) Share capital € 50,000.00	Verona	Verona	1	Banco BPM	100.000%	100.000%
22. Terme Ioniche S.r.l. Share capital € 881.92400	Cosenza	Lodi	1	Banco BPM	100.000%	100.000%
23. Vera Vita S.p.A. Share capital € 219,600,005.00	Milan	Milan	1	Banco BPM Vita	100.000%	100.000%
24. BPL Mortgages S.r.l. (**) Share capital € 12,000.00	Conegliano V. (TV)	Conegliano V. (TV)	4	-	0.000%	
25. ProFamily SPV S.r.l. (**) Share capital € 10,000.00	Conegliano V. (TV)	Conegliano V. (TV)	4	-	0.000%	

(1) *Type of relationship:*
1 = majority of voting rights in the ordinary shareholders' meeting
4 = other forms of control
(2) *Availability of votes in the ordinary shareholders' meeting, distinguishing between actual and potential.*
(*) *Company held for sale pursuant to IFRS 5.*
(**) *Special Purpose Entity for securitisation transactions originated by the Group.*

Changes in the scope of consolidation

During the first half of 2024, changes in the scope of consolidation included the deconsolidation of the fully consolidated subsidiaries BP Mortgages S.r.l., following the early termination of the last outstanding securitisation and the placement in liquidation of the company, effective as of 1 May 2024, and Terme Ioniche Società Agricola S.r.l., following its incorporation into the company Terme Ioniche S.r.l.
These transactions did not generate any effects on the income statement of the Group as at 30 June 2024.

With reference to the binding agreement signed on 14 July 2023 for the establishment of a strategic partnership aimed at the development of a new Italian and independent company in the digital payments sector, which calls for the transfer to the joint venture BCC Pay S.p.A. (which on 1 May changed its name to Numia S.p.A.) of the e-money activities of Banco BPM and the interests in associates and joint ventures in Tecmarket Servizi, please recall that since 30 June 2023, the associated assets and liabilities subject to the transfer are shown in the specific balance sheet items "Non-current assets and disposal groups held for sale" and "Liabilities associated with assets classified as held for sale", in keeping with the provisions of IFRS 5. The completion of some activities in preparation for the finalisation of the transaction as well as the receipt of all authorisations from the competent authorities make it possible to confirm the closing to take place by 30 September 2024.

Significant events after the end of the interim period

The significant events that occurred in the period between the reference date of the interim report (30 June 2024) and the date of its approval by the Board of Directors (6 August 2024) are described below.

Additional Tier 1 capital instrument issue

As noted in the section regarding significant events that took place in the first half of the year in the Interim Report on Operations, in July Banco BPM issued a perpetual Additional Tier 1 instrument for an amount of 400 million to institutional investors. The securities, issued at par, may be called by the issuer starting from January 2031; the fixed six-monthly coupon, non-cumulative, was set at 7.25% until 16 July 2031 and its payment is fully discretionary and subject to certain limitations.
At the same time, the Bank announced an offer to repurchase a perpetual bond with a nominal amount outstanding of 400 million (ISIN XS2089968270).
These events will be accounted for in the second half of the year as they are attributable to the case set forth in IAS

10 of "non-adjusting events", i.e. events that do not involve any adjustment in the financial statement balances, as they are the expression of situations arising after the interim reporting date.

For other subsequent events, please refer to the Explanatory Notes, particularly with reference to:
- the paragraph "Liability provisions - Items 90 and 100" contained in Part B;
- the paragraph "Covered bond transactions and securitisations" in Part E.

OTHER ASPECTS

Impacts of the conflicts in Ukraine and the Middle East

The geopolitical tensions existing at the date of preparation of these financial statements, relating to the Russia-Ukraine conflict and the recent conflict in the Middle East, add new challenges and uncertainties to the macroeconomic environment, increasing the risk of limited predictions. Looking ahead, these uncertainties could lead to a revision of the estimates of financial statement items, based on the availability of new information, which cannot be predicted at present.
In line with the recommendations of the supervisory authorities (ESMA and CONSOB)[1] aimed at guaranteeing proper oversight over valuation issues impacted by the conflicts in question and a full and transparent disclosure in the financial statements, information is provided below on the Group's credit exposures directly or indirectly impacted by the same.

Direct exposures to Russia and Ukraine

For Banco BPM Group, the impacts directly related to the Russia-Ukraine conflict are entirely marginal, also considering that there are no operating activities located in Russia or Ukraine and that credit exposures to customers residing in these countries or indirectly related to Russian or Ukrainian counterparties are not significant. As at 30 June 2024, these exposures were entirely represented by loans.
In detail, as at 30 June 2024, the gross exposure to Russian customers and banks amounted to roughly 4 million, entirely represented by loans; the exposure net of adjustment provisions was 2 million. The most significant gross exposure, equal to 2 million, is represented by a counterparty classified as unlikely to pay, which has been almost entirely written down.

The exposures referring to counterparties belonging to groups with direct control by Russian, Belarusian or Ukrainian entities were stable compared to the previous year and refer to two Italian counterparties with an overall authorised credit amount of 46.1 million; the relative utilisation amounts to 1.1 million for unsecured loans.
Gross direct exposures to banks resident in Russia - for letters of credit issued by the same, referring to letters confirmed and not yet used and letters confirmed and used with a discount without recourse and commitment of the Bank to the beneficiary - totalled 2.8 million, a reduction compared to 3.3 million as at 31 December 2023.

Commercial risks associated with the operations of the Group's main customers and related to ongoing transactions with Russian and Ukrainian counterparties amounted to 7.5 million, unchanged compared to 31 December 2023.

Indirect impacts related to the Russia-Ukraine conflict - credit risk

With reference to impacts on credit quality, contact campaigns with customers belonging to the sectors potentially most vulnerable to the conflict, as more exposed to the increase in energy prices and difficulties in the procurement

[1] In more detail, see the following documents:
- ESMA Public Statement (ESMA71-99-1864) of 14/03/22 entitled "ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets";
- ESMA Public Statement (ESMA32-63-1277) of 13/05/22 entitled "Implications of Russia's invasion of Ukraine on half-yearly financial reports";
- ESMA Public Statement (ESMA32-63-1320) of 28/10/22 entitled: "European common enforcement priorities for 2022 annual financial reports";
- CONSOB notification of 18/03/2022 entitled "Notification on the impact of the war in Ukraine with regard to inside information and financial reporting;
- CONSOB notification of 19/05/22 entitled "Conflict in Ukraine - Notification on financial disclosure and obligations relating to compliance with the restrictive measures adopted by the European Union against Russia".

of raw materials, already ended in 2022. During the first half of 2024, in line with 2023, no elements emerged that require action different from that already envisaged as part of ordinary credit monitoring activities.

Exposures to the Middle East

As regards the Israeli-Palestinian crisis, the risks inherent in the countries directly involved in the conflict are marginal and substantially aligned with those of 31 December 2023. The credit exposure to the counterparties of Israel and the Palestine territories is nil, against an agreement of 13.5 million; the exposure in Israeli government securities amounts to 45 million, in terms of nominal value, while that in equities and funds to Israeli counterparties amounts to 6.7 million. Indirect risks for guarantees issued amount to 3.8 million, referring to Israeli counterparties.

Adopting a more conservative approach, the analysis extended to the surrounding countries potentially involved (Egypt, Lebanon, Iran and Qatar), highlights an effective, but low risk: the direct exposure to the counterparties of the aforementioned countries, for uses of the credit lines granted, is less than 15 million, while indirect risks for guarantees issued amount to roughly 77 million.

Covid-19 support measures by the Group represented by loans with public guarantee

Please recall that during the period of the Covid-19 pandemic, the Group had granted a series of support measures, including moratoria and guaranteed loans.
In this regard, it should be noted that for the support measures represented by moratoria, no moratorium was active, as the period of suspension of payments has now elapsed since 31 December 2023.
For loans granted with a public guarantee[1], the residual gross exposure as at 30 June 2024 amounted to approximately 10.5 billion (12.5 billion as at 31 December 2023), referring to the guarantee received from MCC/Small-Medium Enterprises Management Fund for 8.5 billion and from SACE for 2.0 billion. The public guarantees received cover 84.6% of the volumes agreed.
In terms of credit quality, the aforementioned exposures are classified for 9.7 billion as performing exposures (of which 2.1 billion in Stage 2) and for 0.8 billion as non-performing. Net of adjustment provisions, the net exposure in the financial statements is reduced to 10.2 billion (12.3 billion as at 31 December 2023).

New accounting standards/interpretations or amendments to existing standards approved by IASB/IFRIC

An illustration of the new accounting standards or amendments to existing standards approved by the IASB is provided below, as well as new interpretations or amendments to existing ones, published by the IFRIC, with separate disclosure of those applicable in 2024 and of those applicable in subsequent years.

IAS/IFRS accounting standards and related SIC/IFRIC interpretations endorsed that must be applied when preparing this Interim Financial Report

Regulation (EU) no. 2579 of 20 November 2023 - Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

On 22 September 2022, the IASB issued, in response to an IFRIC recommendation, the above amendments, with the aim of clarifying how a seller-lessee should carry out the subsequent measurement of liabilities in sale and leaseback transactions that meet the requirements of IFRS 15 for the purposes of accounting as a sale. The sale and leaseback is a transaction whereby a lessee sells an asset and subsequently rents it for a period of time from the new owner. IFRS 16 already included the information for the recognition of a sale and leaseback at the date on which the transaction takes place, but not the subsequent treatment.
In particular, the lessee must determine the liability of such a transaction in such a way as not to recognise in the income statement amounts that refer to the RoU (which the lessee in question has withheld), with the exception of any gain or loss relating to the partial or total termination of the contract.

[1] Loans granted as part of the Covid-19 support measures, pursuant to the provisions of Legislative Decree 8 April 2020 converted into Law on 5 June 2020 (which entered into force on 7 June 2020).

These amendments concern the sale and leaseback transactions concluded after the date of initial application, i.e. after 1 January 2024.

Regulation (EU) no. 2822 of 19 December 2023 - Amendments to IAS 1 "Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants"

On 23 January 2020, the IASB issued the amendment to IAS 1 "Classification of Liabilities as Current or Non-current", with a view to clarifying that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period. Its application, initially scheduled for the year 2022, was first deferred to 1 January 2023, with the amendments approved by the IASB on 15 July 2020, and finally deferred to 1 January 2024, with the amendments issued on 31 October 2022 "Non-current Liabilities with Covenants". This latter amendment requires that only those covenants that an entity is required to comply with on or before the reporting date are likely to affect the classification of a liability as current or non-current. It is also required to indicate in the Notes the information that allows the users of the financial statements to understand the risk that the non-current liabilities with covenants may become repayable within twelve months.

Regulation (EU) no. 1317 of 15 May 2024 - Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"

On 25 May 2023, through this amendment the IASB published some reporting obligations aimed at improving the transparency of financial agreements with suppliers and their effects on a company's liabilities, cash flows and exposure to liquidity risk.
Lack of transparency as to the content of the above-mentioned loan agreements represents an obstacle to an accurate analysis by a company's investors.
The amendments aim to add to the requirements already envisaged in the accounting standards by requiring companies to provide the terms and conditions of the agreements, the liabilities that are part of the agreements with a separate indication of the amounts for which the suppliers have already received payment, payment due dates and information on liquidity risk.

IAS/IFRS accounting standards and endorsed SIC/IFRIC interpretations, the application of which takes effect after 30 June 2024

There are no endorsed standards or amendments whose application takes effect after 30 June 2024.

IAS/IFRS accounting standards and SIC/IFRIC interpretations issued by the IASB/IFRIC, awaiting endorsement

The following is a summary of the standards, interpretations or amendments that have been approved by the IASB, but are pending endorsement.

Amendments to IAS 21: "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability"

On 15 August 2023, the IAS published an amendment to IAS 21 with the aim of specifying the situations in which one currency is convertible into another, the methods for determining the exchange rate to be applied when a currency is not exchangeable with the others and the disclosure which must be provided in this case. The amendments are applicable starting from 1 January 2025.

IFRS 18 "Presentation and Disclosure in Financial Statements"

On 9 April 2024, the IASB published the new accounting standard IFRS 18 "Presentation and Disclosure in Financial Statements", which replaces IAS 1 "Presentation of Financial Statements".

The new standard, applicable as of 1 January 2027, introduces three series of new requirements to improve company financial reporting and provide investors with a better basis for carrying out analyses and comparisons:

- better comparability in the income statement;
- greater transparency of the performance measures defined by the management;
- more useful grouping of information in the financial statements.

These amendments, which changed the presentation of the income statement and the disclosure in the financial statements, must be appropriately coordinated with Bank of Italy Circular no. 262, i.e. the circular governing financial statement layouts and the rules for drafting bank financial statements.

IFRS 19 "Subsidiaries without Public Accountability: Disclosures"

On 9 May 2024, the IASB published the new accounting standard IFRS 19 "Subsidiaries without Public Accountability: Disclosures", which will be applicable for reporting periods beginning on 1 January 2027.
IFRS 19 was established for subsidiaries of a parent company that prepares financial statements in compliance with IFRS in order to reduce the costs of preparing IFRS financial statements, making it possible to provide reduced reporting:

- for subsidiaries that use IFRS and for SMEs that use national accounting standards for their financial statements and that are often required to have a double track given the diversity between such standards and IFRS;
- for subsidiaries that use IFRS for their financial statements and that are required to provide supplementary information that may be disproportionate to the information needs of their users.

This facilitation is applicable only to subsidiaries that do not have "public accountability".
A subsidiary has public accountability if:

- Its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments for trading in a public market (a national or foreign stock market or an over-the-counter market, including local and regional markets), or
- it holds assets in a fiduciary capacity for a broad group of people as its primary business (for example banks, credit cooperatives, insurance companies, securities brokers, mutual funds and investment banks).

Entities that have the above characteristics may, but are not required to apply IFRS 19 in their consolidated, separate or stand-alone financial statements.

Amendments to IFRS 9 and IFRS 7 "Classification and Measurement of Financial Instruments"

On 30 May 2024, the IASB issued an amendment to IFRS 9 (and consequently to IFRS 7), planned to be initially applied on 1 January 2026, deriving from the responses to the Post Implementation Reviews on some areas of major concern or doubt triggered by the application of this standard.
In particular, the topics addressed concern:

- the classification of financial instruments with contractual cash flows characteristics impacted by ESG clauses. On this topic, the IASB has provided some non-exhaustive examples of financial instruments that pass or do not pass the SPPI test. More specifically:
  - the presence of a clause that provides for the recognition of additional interest in the event that the borrower achieves an ESG objective (for example a reduction in carbon emissions), the extent of which is contractually predetermined, falls within the category of a "basic lending agreement", therefore it passes the test;
  - the existence of a condition that provides for the adjustment of the interest rate on the basis of a market variable (for example the carbon price index) does not compensate the lender for the risks and costs associated with the loan of the principal amount; therefore, it is not a basic lending agreement;
- the settlement of liabilities through electronic payment systems. The amendment establishes that a liability can be settled in cash, using an electronic payment system, before the settlement date (as an exception to the current rules) and if, and only if the payment instruction that has been ordered by the entity:
  - cannot be withdrawn, stopped or cancelled;
  - the company has no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
  - the settlement risk associated with the electronic payment system is insignificant, i.e. when the completion of the payment instruction follows a standard administrative procedure and the time between requirements (a) and (b) and the delivery of cash to the counterparty is brief. However, settlement risk would not be insignificant if the completion of the payment instruction is subject to the entity's ability to deliver the cash on the settlement date.

Interest Rate Benchmark Reform ("IBOR Reform")

IBOR Reform - regulatory, accounting and planning aspects

Note that in 2019, Banco BPM Group launched a project called "IBOR Transition" to implement all the necessary interventions in order to adapt the operating and application processes to the new "Risk Free" rates, with a view to the gradual replacement of IBOR rates, the termination of which was planned between 2021 and 2023, according to a calendar defined by the Regulator.

On one hand, this project took care of the relations with external, national and supranational bodies, and on the other hand it redesigned internal operating processes, working on the legal aspects (adjusting the contracts of variable rate loans repaid in instalments) and the resulting IT implications.
The most critical part of the transition of the Group's IBOR rates was completed at the end of 2023, with the discontinuation of the EONIA and LIBOR indices (including the USD LIBOR discontinued on 30 June 2023). As at 30 June 2024, two potential areas of attention remain:

- the use of the Compounded ESTR as a replacement rate for the Euribor in loan contracts: this rate is characterised by its dependence on past values, and in conditions of high volatility it could present significant discontinuities with respect to the Euribor;
- the stock of loans indexed to the Euribor, prior to the systematic introduction of an appropriate replacement clause, which mostly have the EUR LIBOR (discontinued) as an alternative rate or use other rates that are no longer adequate.

The resolution of these points was outlined in two important documents, published in 2023:

- the *Guidance on Euro Risk Free Rates* of the "Working Group on Euro Risk-free rates" (May 2023), which recommends the use of the Term ESTR as the first alternative rate to the Euribor in place of the Compounded ESTR, as it is a "forward-looking" rate that would be more aligned with the evolution of the Euribor;
- *Italian Legislative Decree no. 207* which, implementing the indications of European Delegation Law (DE) no. 127 of 4 August 2022, (i) makes it possible to replace the replacement rates clause with a reference to a document published on the bank's public website (Robust written plan, https://gruppo.bancobpm.it/bmr-benchmarks-regulation/) and (ii) introduces a transitional rule that allows banks to make unilateral one-off changes on the rates included in outstanding floating rate loan agreements (the "stock").

In this regard, the areas of attention highlighted above are addressed by a specific project with the aim of completing the adjustment of new contracts and the action on the replacement rates used on the stock by the end of 2024.

As regards the quantification of the current exposure to IBOR rates, the amounts referring to the discontinued indices as at 30 June 2024 are limited to some multi-currency accounts, for which the rate has stopped at the index's last value before its termination. The above-mentioned exposure is almost exclusively attributable to the position of a single corporate customer (11 million), classified as unlikely to pay since May 2023, in relation to the fact that relations with banks are blocked by international courts.

Other significant aspects relating to Group accounting policies

Below is an illustration of several transactions or events occurring during the first half of 2024, deemed significant for defining the related accounting treatment and/or impacts on the balance sheet or income statement.

TLTRO III - Targeted Longer Term Refinancing Operations

With regard to the description of the main characteristics and the accounting treatment of TLTRO III Operations, please refer to "Other significant aspects relating to Group accounting policies" in the consolidated financial statements as at 31 December 2023.

Active loans and relative interest pertaining to H1 2024

As at 30 June 2024, the residual nominal value of the TLTRO III operations underwritten by the Group amounted to 5.7 billion (15.7 billion as at 31 December 2023) and pertained entirely to two quarterly drawdowns by the Parent Company on 29 September 2021 and 22 December 2021. The reduction compared to the amount outstanding as at 31 December 2023 is attributable for 10.0 billion to the repayment of the tranche expiring on 27 March 2024.

Considering the interest accrued but not yet collected, a negative 272.6 million, the value of the TLTRO III loans as at 30 June 2024 amounted to 5,972.6 million. This value corresponds to the amount that would be paid by the ECB to Banco BPM, should their early repayment be permissible as at 30 June 2024.

Interest accrued in the first half of 2024 was a negative -211.2 million (-367.6 million in negative accruals for the first half of 2023) and is calculated on the basis of Deposit Facility rates in force from time to time. The change in the extent of interest is attributable to the performance of interest rates and repayments made during the period.

Tax credits linked to the "Relaunch" Decree obtained following sale by direct beneficiaries or previous purchasers

In order to combat the negative economic effects of the Covid-19 pandemic, Law no. 77 of 17 July 2020, converted with amendments into Decree Law no. 34 of 19 May 2020 ("Relaunch Decree"), a range of tax incentives were introduced which make it possible to benefit from deductions linked to expenses incurred for specific work, for example to increase the level of energy efficiency of existing buildings ("ecobonus") or to reduce their seismic risk ("sismabonus").
Subsequently, the government took action on several occasions - first with Decree Law no. 50/2022 (the "Aid Decree"), then with Decree Law no. 39/2024 - with significant restrictions, new obligations and additional limits, such as to significantly restrict access to building bonuses and their attractiveness. For a description of the main impacts for the Group related to this latest Decree, please refer to what is illustrated in the Interim Report on Operations.
In this context, the Group's operations consist of acquiring tax credits relating to these building interventions, which can be recovered only by offsetting with its own tax payables, in compliance with the timing established on the original tax deduction, rather than through resale transactions.

The peculiarity of the tax credits described above does not make it possible to associate them with any specific international accounting standard; in this case, IAS 8 provides that the company management must independently define the accounting treatment considered the most suitable to guarantee relevant and reliable information to users of the financial statements.
To this end - taking into account the instructions provided on 5 January 2021 by the Bank of Italy, CONSOB and IVASS in document no. 9 of the Coordination Round Table on the application of IAS/IFRS "Accounting treatment of tax credits linked to the "Heal Italy" and "Relaunch" Decree Laws, purchased following the sale by direct beneficiaries or previous purchasers" - Banco BPM Group defined its own accounting policy by making reference to certain accounting provisions under IFRS 9. More specifically, the tax credits in question were deemed to be substantially similar to a financial asset, and therefore the provisions envisaged by the afore-cited standard can, by analogy, be applied, if compatible with the characteristics of the operation.

In particular, for credits acquired according to a "Hold to Collect" business model, as they fall within the scope of the Bank's "offsetting capacity", the accounting rules set forth in IFRS 9 for "Financial assets at amortised cost" apply. Therefore, the credits acquired are initially recognised at fair value, equal to the consideration paid to the customer to purchase the tax credit, and subsequently measured at amortised cost, taking into account their value and offsetting timing. Instead, the provisions relating to the calculation of expected credit losses (ECL), pursuant to IFRS 9, are not applicable: the recoverability of tax credits effectively depends on the tax capability of the purchaser, namely the ability to offset tax credits purchased with its tax payables, as they cannot be refunded by the Tax Authority. Said credits are recognised in the residual item "130. Other Assets"; the interest accrued based on the amortised cost is recognised in the income statement in item "10. Interest and similar income".

As at 30 June 2024, the nominal value of all HTC tax credits acquired amounted to 4,788.0 million, of which 667.9 million for transactions completed during the first half of 2024 (4,120.1 million in credits acquired as at 31 December 2023).

The total receivables recovered through offsetting amounted to 1,802.8 million (of which 907.7 million in the first half of 2024), therefore the residual nominal value as at 30 June 2024 amounted to 2,985.2 million (the value as at 31 December 2023 was 3,225.0 million).
The corresponding book value, shown in the balance sheet item "130. Other assets" on the basis of the amortised cost, which takes into account the purchase price and the net interest accrued as at 30 June 2024, amounts to 2,726.1 million (2,981.8 million as at 31 December 2023).

As at 30 June 2024, commitments were also made with third parties for future purchases of HTC tax credits for a total amount of roughly 200 million.

The amount of the credits purchased and the purchase commitments undertaken as regards the HTC model, as illustrated above, is lower than the estimate of the Bank's prospective offsetting capacity, also considering that the related purchase ceiling, resolved by the Board of Directors of Banco BPM, was set prudentially, with the aim of considering the uncertainties related to the timing of the actual entry into the tax box and the actual characteristics of the credits purchased, dependent on the assumption of purchase commitments. As at 30 June 2024, therefore, there are no risks of irrecoverability both with reference to the tax credits recognised in the financial statements and in relation to the credits that may be purchased against the commitments to purchase entered into.

As of 2024, Banco BPM activated an alternative method for the acquisition of building bonus tax credits, based on the Hold To Collect and Sell (HTCS) model, with the objective of exploiting the prudent margins considered in the estimate of Banco BPM's fiscal capacity, taken as a reference in determining the ceiling of the HTC model, which is in fact lower than the maximum offsetting capacity of the Bank. The HTCS business model, with respect to the HTC, therefore aims to boost purchases of tax credits, thus making it possible to seize commercial opportunities without, however, assuming the risks of non-recovery due to inadequate offsetting capacity. The HTCS business model undertaken by the Group makes it possible to recover tax credits both through offsetting with the Bank's tax payables, and, if necessary, by transferring the same to other operators interested in their purchase, if deemed advantageous.

For these credits, the provisions of IFRS 9 for the category of "Financial assets measured at fair value through other comprehensive income" are considered applicable; in addition to the observations made above for HTC credits, it is necessary to determine an additional income component equal to the difference between fair value and amortised cost. In this regard, fair value is measured on the basis of the Discounted Cash Flow (DCF) technique, i.e. discounting cash flows on the basis of the interest rate curve corresponding to the offsetting maturities, plus the commercial spread calculated at the initial recognition date. Such fair value is shown in the residual item "130. Other Assets"; the interest accrued based on the amortised cost is recognised in the income statement in item "10. Interest and similar income", while fair value adjustments are represented under other income items that may be transferred to the income statement in the statement of comprehensive income.
As at 30 June 2024, the nominal value of the credits acquired on the basis of the HTCS model amounted to 355.7 million; the corresponding book value, which takes into account the purchase price, the fees accrued on the basis of amortised cost and the fair value adjustment, is equal to 323.4 million. This value is basically in line with amortised cost as the fair value adjustment attributable to the change in interest rates with respect to the purchase date is completely negligible (+26 thousand euro).
During the half-year, these receivables were not subject to any assignment or offsetting.

As at 30 June 2024, there are commitments with third parties for future purchases of credits for a total amount of around 1 billion.

Reorganisation of bancassurance activities and relative accounting impacts

As reported in the Interim Report on Operations in the paragraph "Integration of the insurance business", as part of the strategy to strengthen the insurance business model, in December 2023 the project for the insourcing of the Life insurance business was completed through the purchase from Generali Italia of 65% of the share capital of Vera Vita (which in turn holds the entire share capital of BBPM Life dac), in which the Group already held a stake of 35%, thus achieving full control. On the same date, the partnership agreement with Crédit Agricole Assurances S.A. (CAA) was also implemented for the distribution of Non-Life and Protection products, through the sale of 65% of Banco BPM Assicurazioni, with the consequent loss of control, and 65% of Vera Assicurazioni (which in turn wholly owns Vera Protezione), immediately after its purchase from Generali Italia.

A description is provided below of the evolution that took place up to the date of preparation of the consolidated interim financial statements as at 30 June 2024, as well as some useful clarifications for the proper comparison of the balances.

Definition of the prices of the purchase from Generali Italia and sale to Crédit Agricole Assurances S.A.

The prices of the aforementioned purchase and sale transactions, taken as a reference for the preparation of the 2023 financial statements and the relative accounting impacts, reflected the best available estimate at the time, as they were dependent on the evolution of certain metrics whose final quantification, in line with contractual provisions, was agreed upon by the parties only after the approval of the 2023 results.
The revision of the estimate carried out for the 2023 financial statements, resulting from the above-mentioned definition of the transaction prices, had a positive impact of 2.5 million net of tax effects. It should be noted that in 2023 the estimated impact of the transactions in question, net of taxes, overall amounted to -22.2 million.

Notes for a proper comparison of the comparative balances

In light of the above-mentioned reorganisation, for the proper comparison of the comparative balances, it should be noted that starting from 1 January 2024, the economic contribution of the subsidiaries Vera Vita and BBPM Life is included, line by line, in the consolidated financial statements, while for the income statement as at 30 June 2023, the contribution of those interests in associates and joint ventures was limited to 35% and shown in income statement item "250. Gains (losses) of associates and joint ventures".
Otherwise, starting from 1 January 2024, the contribution of the Banco BPM Assicurazioni investment in associates is included in income statement item "250. Gains (losses) of associates and joint ventures", while for the first half of 2023, when the interest was 100% held, the relative contribution was shown, line by line, in the consolidated interim financial statements.
Lastly, as regards Vera Assicurazioni, the comparison is on a like-for-like basis; as it qualifies as an interest in associates with the same shareholding (35%) for both 2023 and the first half of 2024, the relative economic contribution is shown, for all periods, in income statement item "250. Gains (losses) of associates and joint ventures".

Purchase Price Allocation

With reference to the acquisition of control of Vera Vita and its subsidiary BBPM Life dac, as at 31 December 2023 - conventionally assumed as the business combination date - the cost of the business combination, equal to 417.3 million, was allocated to the identifiable net assets acquired, including any contingent liabilities, on the basis of the relative fair values (Purchase Price Allocation - PPA). As a result of this process, carried out with the support of independent experts, no residual difference emerged to be recognised in the 2023 financial statements as goodwill/badwill.
The analyses thus carried out were also confirmed for the preparation of the consolidated interim financial statements as at 30 June 2024, as the existence of new information for a different measurement of the fair value of the items acquired has not yet been fully assessed; in this regard, however, it should be noted that, as permitted by IFRS 3 and in line with what was already presented in the 2023 financial statements, the PPA process should still be deemed provisional. In line with the standard mentioned above, the effects of the PPA will be made final by 31 December 2024, with the possible restatement of the financial statements published in the meantime if the determination of the fair value of the net assets acquired or the relative repayment patterns differ from initial estimates.

"Hold to Collect" Business Model – sales

In the first half of 2024, sales of securities classified in the accounting portfolio of "Financial assets at amortised cost" with a nominal value of approximately 0.8 billion were finalised. These transactions, all carried out by the Parent Company, generated a profit on disposal of 1.6 million, which is represented in income statement item "100. Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost". This result compares with a profit realised in the first half of 2023 of 2.7 million, resulting from the completion of sales transactions for a total nominal value of USD 50 million.
Please recall that for exposures classified in the portfolio of "Financial assets at amortised cost", namely in the portfolio held for the purpose of collecting contractual cash flows (the "Hold to Collect" or HTC Business Model), accounting standard IFRS 9 envisages that their sale is permitted in observance of specific materiality and frequency thresholds, close to maturity, in the event of a significant increase in credit risk or in the case of exceptional circumstances.

In this regard, the above-mentioned sale transactions correspond to roughly 2.8% of the nominal value of the securities in issue as at 1 January 2024 and therefore within the materiality threshold of 10% of the nominal value of the securities portfolio at the beginning of the year, established by Group policy. The annual frequency threshold (2) is also respected, defined in terms of twelve annual transactions, to be understood as the overall number of sale transactions (of one or more securities) completed within 10 business days of the first sale transaction.

For more details on the breakdown of the above-mentioned thresholds, along with the other indicators/limits of eligibility of sales, please refer to the accounting policies illustrated in the Annual Financial Report as at 31 December 2023.

During the first half of 2024, additional sales of securities were carried out for the portfolio of financial assets at amortised cost, for an amount of 15.0 million, considered eligible regardless of any materiality and frequency thresholds, as they in part occurred close to maturity and in part were subject to a repurchase offer (similar to early repayment).
In addition, as part of the derisking process illustrated in the Group Report on operations, the sale of non-performing credit exposures represented by loans to customers, considered eligible regardless of any frequency and materiality thresholds, continued during the first half of 2024, in line with the provisions of IFRS 9 and the Group policy.

Lastly, it should be noted that the management of debt securities classified in the "HTC" and "Hold To Collect and Sell" portfolios continues to be in line with the choices made in previous years; in fact during the half-year, there were no changes to the business model that led to the need to reclassify the securities portfolio, as there were also no changes to accounting policies relating to eligibility criteria for HTC sales.

Additional Tier 1 Issue

The Additional Tier 1 (AT1) are subordinated instruments classified in Additional Tier 1 capital, under the terms of Regulation no. 575 of 2013 (CRR), addressed to institutional operators.

As at 30 June 2024, Banco BPM had Additional Tier 1 instruments totalling a nominal amount of 1.4 billion, resulting from 4 issues carried out from 2020 to 2023.

More specifically, these are issues made on 14 January 2020, 12 January 2021, 5 April 2022 and 17 November 2023.
Since these are perpetual securities, the issuer has the option of early redemption starting respectively from 21 January 2025, 19 January 2026, 12 April 2027 and 24 May 2029; in case of failure to call, the call can be exercised every five years and subsequently every six months for all issues, with the exception of the 2023 AT1, for which the call can be exercised only every 5 years.

The six-monthly coupon, non-cumulative, was set at an annual rate of 6.125%, 6.5%, 7% and 9.5%, respectively. If the option of early redemption is not exercised, a new fixed-rate coupon will be determined adding the original spread to the mid-swap rate in euro at five years to be recorded at the moment of the recalculation date. This new coupon will remain fixed for the next five years and until the next recalculation date.
For the above issues, in line with the provisions of the CRR for AT1 instruments, the issuer has full discretion in deciding not to pay the coupons, for any reason and for an unlimited period of time. Cancellation is instead obligatory if certain conditions occur, including the occurrence of a trigger event, namely when the Common Equity Tier 1 (CET1) of Banco BPM (or consolidated CET1) is lower than 5.125%. In addition, interest is not cumulative, as any amount that the issuer decides not to pay or would be obliged not to pay will not be accumulated or payable at a later date. It is also envisaged that on the occurrence of a trigger event, the capital would be irrevocably and obligatorily written down by the amount needed to bring the CET1 (of Banco BPM or of the Group) to 5.125%. The capital written down could be reinstated (written up), on fulfilment of certain conditions, and in any event at the issuer's complete discretion, even in the event that Banco BPM decided to repay the issue early.
Based on the characteristics described above, the issues in question are considered the equivalent of "equity instruments" in terms of accounting standard IAS 32, as illustrated in the accounting policies shown in paragraph "16- Other information" of "A.2 - Key financial statement items" of the Annual Financial Report as at 31 December 2023, to which reference is made.

In the financial statements as at 30 June 2024, the price received from the above-cited issues, after deducting the directly attributable transaction costs, net of the related tax effects amounting to 10.7 million, is shown under shareholders' equity item "140. Equity instruments", for an amount of 1,389.7 million. The reduction compared to the figure as at 31 December 2023 (1,465.8 million) is mainly explained by the redemption of the 11 April 2019 issue following the exercise of the call on 18 June 2024, for the residual portion not subject to repurchase in November 2023.
Consistent with the nature of the instruments, the coupons are recognised as a reduction of shareholders' equity, in item "150. Reserves", if and for the amount at which they were paid. In the first half of 2024, the shareholders' equity decreased by 38.7 million, as a result of the payment of the coupons related to AT1 issues (53.4 million) net of the related IRES tax effect of 14.7 million. For the same reason, the reduction in shareholders' equity in the first half of 2023 was 35.4 million (70.1 million for the year 2023).

Contributions to deposit guarantee systems and resolution mechanisms

Following transposition into the national legislation of Directives 2014/49/EU (Deposit Guarantee Schemes Directive –"DGSD") of 16 April 2014 and 2014/59/EU (Bank Recovery and Resolution Directive - "BRRD") of 15 May 2014, starting from financial year 2015, credit institutions are obliged to provide the financial resources necessary for the financing of the Interbank Deposit Guarantee Fund (FITD) and the National Resolution Fund (merged into the Single Resolution Fund (SRF) starting from 2016), through payment of ex ante ordinary contributions to be paid annually, until the target level is reached.

Where the available financial resources of the FITD and/or the SRF are insufficient to guarantee the protected reimbursement of depositors or to fund the resolution, respectively, it is set out that banks shall provide such funds via the payment of extraordinary contributions.
The contributions are recognised in the income statement item "190. b) Other administrative expenses" in application of IFRIC 21 interpretation "Levies", on the basis of which the liability relating to the payment of a levy arises at the time the "obligating event" occurs, namely at the time of the obligation to pay the annual fee. In the case in hand, from an accounting perspective, the contributions are considered the equivalent of a levy and the time of the occurrence of the "obligating event" has been identified as in the first quarter for the SRF (1 January of each year) and in the third quarter for the FITD (30 September of each year).

With reference to the ordinary contribution of the Single Resolution Fund - SRF (Directive 2014/59/EU - Bank Recovery and Resolution Directive - "BRRD"), with the payment of the contribution for the year 2023, equal to 85.4 million (57.6 million net of the tax effect) charged to the income statement for the first quarter of 2023, the contribution phase aimed at ensuring the establishment of the minimum financial resources of the fund equal to 1% of protected deposits (the "target level") has been completed. The Single Resolution Board is in any case required to verify annually whether the available funds of the SRF have decreased below the target level and, following this examination, will assess whether it is necessary to collect further contributions.

On the other hand, the FITD regulations (Directive 2014/49/EU *Deposit Guarantee Schemes Directive* - "DGSD") establish that the target level (0.8% of total protected deposits) must be reached by 3 July 2024. For the last contribution year, the articles of association of the FITD (art. 42 bis) establish that the extent of the contribution required from the individual bank is commensurate with the amount of its protected deposits as at 31 March 2024 (rather than 30 September as took place for the years 2015 to 2023) with respect to the total protected deposits of the Italian banks participating in the FITD and the relative degree of risk of the bank with respect to the degree of risk of all other FITD member banks as at 31 March 2024.
The amount pertaining to 2024, net of the relative tax effect, amounts to 66.6 million (98.7 million gross taxes); for the year 2023, the contribution to the FITD was instead charged to the income statement for the third quarter, as it was commensurate with the protected deposits of the member banks as at 30 September 2023.

For 2024, as for the previous years, the Group did not avail itself of the option to fulfil the request to pay the contribution by taking on an irrevocable payment commitment ("IPC").

Extraordinary tax calculated on the increase in net interest income pursuant to art. 26 of Decree Law no. 104 of 10 August 2023

Art. 26 of Decree Law no. 104 of 10 August 2023 - converted with amendments by Law no. 136 of 9 October 2023 - introduced in the national tax legislation system, for the year 2023, an extraordinary tax to be paid by banks, commensurate with the increase in net interest income between 2021 and 2023, with a maximum limit calculated according to the risk exposure on an individual basis ("RWA - Risk Weighted Assets") referring to 2022 year-end close.
At the time of the conversion of the aforementioned decree, paragraph 5-bis was introduced, which allowed banks, in place of the payment of the tax by 30 June 2024, to allocate, at the time of approval of the financial statements for the year 2023, an amount not less than two and a half times the tax to a non-distributable reserve identified for this purpose.
If the reserve thus constituted is subsequently used for the distribution of profits, the tax due must be paid in full, increased by the interest accrued on the basis of what is established by law. This reserve may be used to cover losses and can be included in Common Equity Tier 1 capital (CET1), in line with the provisions of Regulation (EU) no. 575/2013.
On the basis of these provisions, the extraordinary tax at Group level amounted to approximately 152 million. By virtue of the decree in question, the Annual Shareholders' Meeting of Banco BPM of 18 April 2024 approved the proposal to allocate a portion of the profit for the year 2023, equal to two and a half times the amount of the extraordinary tax and therefore 378.3 million, to establish a specific reserve. A similar decision was passed by the shareholders' meeting of Banca Aletti, which allocated 2.4 million to a specific reserve.
In order to prepare the condensed interim financial statements as at 30 June 2024, the Board of Directors of Banco BPM confirms that there is no intention to proceed with the distribution of the above-mentioned reserve and, consequently, there is no "binding event" against which to recognise, pursuant to IFRIC 21 and IAS 37, a liability and the relative expense.

E-money business enhancement project

As described in the section on "Significant events during the period" in the Interim Report on Operations, the finalisation of the agreement signed on 14 July 2023 by Banco BPM, BCC Iccrea Group and FSI for the establishment of a strategic partnership aimed at the development of a new Italian and independent company in the digital payments sector is expected to take place by 30 September 2024.
The agreement calls for the contribution to a joint venture (BCC Pay S.p.A., which on 1 May 2024 changed its name to Numia S.p.A.) of the e-money business of Banco BPM and the interest held in Tecmarket, with the payment of a mixed consideration in cash and in shares issued by the SPE Pay Holding, namely by the parent company of Numia S.p.A., which on 1 May 2024 in turn changed its name to Numia Group S.p.A.
After the transaction, Numia Group will be owned roughly 43% by FSI and around 28.6% each by Banco BPM and Iccrea Banca. Numia Group will continue to hold 100% of the share capital of Numia S.p.A., while the latter will become the sole shareholder of Tecmarket. The Agreement also calls for the signing of a multi-year distribution contract for Numia's services on the Banco BPM network as well.
For the purposes of preparing the condensed interim financial statements as at 30 June 2024, as the assumptions set forth in IFRS 5 were met, the assets and liabilities of the e-money business and the interests in associates and joint ventures subject to the transfer were reclassified to the specific balance sheet items. "120. Non-current assets and disposal groups held for sale" and "70. Liabilities associated with assets classified as held for sale".
With reference to the income statement for the first half of 2024, there was no impact, both in valuation terms, as the sale price is significantly higher than the book value, and in terms of exposure, as the business is not classified as discontinued operations because it does not represent an important autonomous unit or geographical area of activity (major line of business).
In greater detail, the balance sheet items of the business are mainly represented by liabilities relating to the accounting balances outstanding on prepaid cards, which as at 30 June 2024 amounted to 207.5 million. Upon completion of the transfer transaction, the business unit will break even, as Banco BPM plans to make available to the transferee cash and cash equivalents equal to the balance of the prepaid cards; from this perspective, as at 30 June 2024 a reclassification of 207.5 million was made from asset item "10. Cash and cash equivalents" to item "120. Non-current assets and disposal groups held for sale", conventionally taking it from the sub-item "Available cash".

For further details, please refer to the information provided in the section "Non-current assets and disposal groups held for sale and associated liabilities – Item 120 in the assets and Item 70 in the liabilities", contained in "Part B - Information on the consolidated balance sheet" of these Explanatory Notes.

A.2 - KEY FINANCIAL STATEMENT ITEMS

For accounting standards with regard to the classification, recognition, measurement and derecognition of financial statements items, as well as the procedures for recognising revenues and costs, reference should be made to the Banco BPM Group's Annual Financial Report as at 31 December 2023 ("A.2 - Key financial statement items").

A.3 - DISCLOSURE ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

During the period there were no transfers between portfolios of financial assets.
In this regard, it should be noted that, during the period, as in the previous ones, there was no change in Banco BPM Group's business model, i.e. the way in which the Group manages financial instruments.

A.4 - FAIR VALUE DISCLOSURE

Methodologies for determining the fair value of financial assets and liabilities measured in the financial statements at fair value

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants, at the current conditions on the measurement date in the main market or in the most advantageous market (exit price). Underlying the fair value measurement is the assumption that the entity is a going concern, namely that it is in a fully operational situation and that it does not intend to liquidate or significantly reduce its operations or undertake transactions at unfavourable conditions. Fair value is not therefore the amount that the entity would receive or pay in the event of forced transactions or sales below cost.

Fair value is a market valuation approach not specifically referring to estimates concerning possible future cash flows developed by the individual company; indeed, fair value must be determined by adopting the assumptions that market participants would use in determining the price of assets and liabilities, presuming that they are acting in their own best economic interest.
To measure the fair value of financial and non-financial assets and liabilities, IFRS 13 established a three-level fair value hierarchy, based on the source and the quality of the inputs used:

- **Level 1**: the inputs are represented by listed prices (unadjusted) on active markets for identical assets and liabilities;
- **Level 2**: the inputs are represented by:
  - prices listed on active markets for similar assets and liabilities;
  - prices listed on non-active markets for identical or similar assets and liabilities;
  - parameters observable on the market or corroborated by market data (e.g. interest rates, credit spreads, implicit volatility, exchange rates) and used in the valuation technique;
- **Level 3**: the inputs used are not observable on the market.

For financial instruments, measured in the financial statements at fair value, the Group has implemented a "Fair Value Policy" that assigns the highest priority to prices listed on active markets (level 1) and the lowest priority to the use of unobservable inputs (level 3), as more discretionary, in line with the above-illustrated fair value hierarchy. More specifically, this policy establishes:

- the rules for identifying market data, the selection/hierarchy of the sources of information and the price configurations needed to measure the financial instruments listed on active markets and classified as level 1 of the fair value hierarchy ("Mark to Market Policy");
- the valuation techniques and the relative input parameters in all cases in which the Mark to Market Policy cannot be adopted ("Mark to Model Policy").

Mark to Market

To measure the fair value, the Group uses, whenever available, information based on market data obtained from independent sources, as considered the best evidence of the fair value. In this case, the fair value is the market price of the same instrument being measured, namely without changes or reorganisations of the same instrument, inferable from the prices listed on an active market (classified as level 1 of the fair value hierarchy). A market is considered active when the list prices express actual and regular market transactions and are readily and regularly available through stock markets, brokers, intermediaries, sector companies, listing services or authorised entities.

Mark to Model

If the "Mark to Market Policy" is not applicable, due to the absence of prices directly observable in markets considered active, valuation techniques must be adopted that maximise the use of information available on the market, based on the following valuation approaches:

1. Comparable Approach: in this case, the instrument's fair value is derived from the prices observed in recent transactions on similar instruments in active markets, suitably adjusted to take into account differences in the instruments and in the market conditions, rather than from the prices of recent transactions on the same instrument as that subject to valuation not listed in active markets;
2. Model Valuation: if there are no transaction prices observable for the instrument to be measured or for similar instruments, a valuation model needs to be adopted; this model must be of proven reliability in estimating the hypothetical "operating" prices and therefore must be widely acknowledged by market operators.

In particular:

- debt securities are valued according to the discounted cash flow method, appropriately adjusted to take account of issuer risk;
- loans that do not pass the SPPI test are valued on the basis of the discounting of expected cash flows determined using models that vary according to the status of the counterparty at an interest rate considered representative from the perspective of the potential buyer;
- unlisted equity instruments are measured by referring to direct transactions of the same security or similar securities observed over a suitable time frame as compared to the valuation date, using the market multiples method of comparable companies, and, as an alternative, using financial, income and equity valuation methods;
- investments in UCITs, other than open-ended harmonised UCITs, are measured on the basis of the NAV made available by the fund administrator or by the management company. These investments typically include private equity, private debt and similar funds, property funds and hedge funds;
- Bond Repo contracts are valued by discounting the forward contractual flows expected, determined based on the characteristics of the contract, based on the interest rate curve differentiated according to the issuer of the security underlying the contract (government securities and corporate securities);
- OTC derivative contracts are measured on the basis of multiple models, depending on the type of instrument and input factors (interest rate risk, volatility, exchange rate risk, price risk, etc.) which affect their valuation; for the purpose of discounting future cash flows, Banco BPM Group uses the OIS ("Overnight Indexed Swap") curve as a reference, considered to be the expression of a risk-free rate. The values thus obtained are then adjusted to take account of all factors considered relevant by market participants, with the aim of best reflecting the realisable price of a potential market transaction (model risk, liquidity risk, counterparty risk). With regard to the counterparty risk of performing derivatives, referring both to the credit risk of the counterparty "Credit Valuation Adjustment" (CVA) and the risk of failure to fulfil its contractual obligations "Debit Valuation Adjustment" (DVA), the corresponding correction factor is determined for each individual legal entity of the Group according to the expected future exposure generated by the contracts, the probability of default of the parties and the related losses. More specifically, the calculation of expected exposure takes into account the effects resulting from the existence of netting or collateral agreements, which are able to mitigate counterparty risk, while the probability of default is estimated using Credit Default Swap pricing, when available, as a priority over internal parameters. The model for the quantification of CVA/DVA adjustments provides that, for each derivative, counterparty risk is equal to the sum of the components:
  - "Bilateral CVA": this is the possible loss if the future exposure is positive for the Group, adjusted to take account of the possibility that the Group may fail before the counterparty;

- "Bilateral DVA": aimed at appreciating the benefit in the event of breach of contractual obligations, if the expected exposure is negative for the Group. This benefit is then mitigated to take into account the probability that, in the course of the transaction, the counterparty may fail before the Group.

The classification as level 2 rather than level 3 is established on the basis of the market observability of the significant inputs used to determine the fair value. A financial instrument must be classified in its entirety at a single level; therefore, if inputs belonging to different levels are used in the valuation technique, the entire valuation must be classified in correspondence with the level of the hierarchy at which the lowest level input is classified, when deemed significant to the calculation of the fair value as a whole.

The following types of investment are considered level 2:

- financial instruments represented by OTC derivatives and by repurchase agreements on debt securities ("Bond Repo") when the inputs of the pricing models used to calculate the fair value, are observable in the market or, if not observable, are deemed that they do not significantly influence the fair value measurement;
- equity instruments not listed on active markets, measured using the market multiples technique, referring to a selected sample of comparable companies with respect to the subject of the valuation, or measured on the basis of the effective transactions made in a period of time reasonably close to the reference date;
- debt securities of third parties or own issues, not listed on active markets, for which the inputs, including the credit spreads, are taken from market sources;
- UCIT units, not listed on active markets, characterised by significant levels of transparency and liquidity. The above-mentioned units are valued on the basis of the NAV provided by the management company/fund administrator.

As a rule, the following financial instruments are considered level 3:

- hedge funds characterised by significant levels of illiquidity, and for which the process to evaluate the assets of the fund requires a considerable amount of assumptions and estimates. The fair value measurement is made on the basis of the NAV. Said NAV may be appropriately corrected to take the poor liquidability of the investment into account, namely the period of time between the repayment request date and the effective repayment date, as well as to take any exit commissions of the investment into account;
- real estate funds characterised by significant levels of illiquidity and valued on the basis of the last available NAV;
- private equity, private debt and similar funds, measured on the basis of the last available NAV, possibly adjusted to take into account events not included in the valuation of the price or to reflect a different valuation of the assets underlying the fund in question;
- illiquid shares for which no recent or comparable transactions are observable, usually measured on the basis of the equity model;
- debt securities characterised by complex financial structures for which sources that are not publicly available are usually used. These are non-binding prices and are also not corroborated by market data;
- debt securities issued by parties in financial difficulty, for which the management has to use its own judgement to establish the "recovery rate", as no significant prices can be observed on the market;
- financial instruments represented by OTC derivatives, for which the non-observable input parameters used by the pricing model are deemed significant in order to measure the fair value;
- medium-long term loans (performing and non-performing) valued on the basis of the expected cash flows determined using models that vary according to the status of the counterparty, and discounted at an interest rate considered representative from the perspective of the potential buyer.

For further details on the methods used to measure the fair value of financial assets and liabilities, on the techniques and inputs used, on how to complete the transfer tables between levels, please refer to the Annual Financial Report as at 31 December 2023 ("Part A - Accounting policies", "A.4 - Fair value disclosure").

Sensitivity of the valuations of level 3 financial instruments

Exposures in level 3 financial instruments totalled 2,171.0 million and are mostly represented by equity instruments, UCIT units and loans mandatorily measured at fair value as illustrated below.

Equity instruments and UCIT units

Investments in equity instruments and in UCIT units, classified as level 3, totalled 1,485.7 million (corresponding to 68.4% of level 3 financial assets measured at fair value), as illustrated in more detail in the paragraph below "Fair value hierarchy of financial assets and liabilities measured at fair value in the financial statements".
For the above instruments, it is not usually possible to make any quantitative sensitivity analysis of the fair value, with respect to the change in non-observable inputs, insofar as the fair value was acquired from external sources or was generated by a model with specific inputs (for example, the company's capital values) and for which the necessary information for a sensitivity analysis is not available, with the exception of that stated below.
For the UCIT units held by the Group, following the contribution of non-performing loans not qualified as real estate funds, the measurement at fair value was carried out on the basis of the Discounted Cash Flow technique. The inputs used are as follows:

- cash flows referring to the net distributions envisaged for investors in the business plans of the respective transactions;
- discount rate between 6.6% and 9.8%, depending on the capital structure and the risk premium of the transaction.

For these funds, whose book value amounts to 282.5 million[1], a sensitivity analysis was carried out with respect to the discount rate, determined on the basis of the Weighted Average Cost of Capital ("WACC") model. The above analysis shows that, if the discount rate is changed by +100/-100 bps, the fair value would record a change of approximately -/+8 million respectively (-/+2.7% in percentage terms).
For more details on the contribution funds of non-performing loans, please refer to what is illustrated in "Part E - Covered bond transactions and securitisations" in these Notes.

Loans mandatorily measured at fair value

Level 3 financial instruments include loans to customers which, if they do not pass the SPPI test, are classified in the portfolio of assets mandatorily measured at fair value, equal to 524.3 million (corresponding to 24.1% of level 3 financial assets measured at fair value).
For these instruments, the fair value is affected by both the forecasts of recovery of contractual cash flows and by the financial component linked to the selection of discount rates.
In particular, for the main positions, amounting to 318 million (60% of the book value), a sensitivity analysis was conducted of the fair value with respect to the discount rate.
The above analysis shows that, if the discount rate is changed by +/- 100 bps, the fair value would record a change of approximately -/+ 4 million (1.3% in percentage terms).

Fair value hierarchy of financial assets and liabilities measured at fair value in the financial statements

Given the above, the table below provides a breakdown of the financial assets and liabilities measured at fair value on a recurring basis, in the fair value hierarchy. As defined by the cited standard IFRS 13, recurring valuations refer to assets and liabilities measured at fair value in the balance sheet, based on that envisaged or permitted by the reference international accounting standards.

[1] The total book value as at 30 June 2024 of contribution funds, including real estate funds valued on the basis of NAV, amounted to 390.4 million.

Financial assets/liabilities measured at fair value	30/06/2024			31/12/2023		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit and loss	8,841,457	3,765,565	1,877,105	7,626,280	3,417,370	1,723,884
a) Financial assets held for trading	3,257,942	2,296,751	265	2,495,994	1,857,805	204
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	5,583,515	1,468,814	1,876,840	5,130,286	1,559,565	1,723,680
2. Financial assets measured at fair value through other comprehensive income	20,583,009	166,243	293,892	19,222,017	170,632	286,995
3. Hedging derivatives	-	976,608	-	-	980,017	-
Total	**29,424,466**	**4,908,416**	**2,170,997**	**26,848,297**	**4,568,019**	**2,010,879**
1. Financial liabilities held for trading	552,934	21,018,502	-	213,386	20,680,770	-
2. Financial liabilities designated at fair value	674,332	6,826,818	18,295	5,966	6,555,904	18,295
3. Hedging derivatives	-	749,959	-	-	1,041,678	-
Total	**1,227,266**	**28,595,279**	**18,295**	**219,352**	**28,278,352**	**18,295**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets measured at fair value on a recurring basis

As at 30 June 2024, financial instruments measured significantly on the basis of non-observable parameters (Level 3) are for the most part (86.5%) comprised of instruments classified in the "Other financial assets mandatorily measured at fair value" portfolio as well as of instruments classified in the category of "Financial assets measured at fair value through other comprehensive income" (13.5%). The remainder is classified in "Financial assets held for trading".
More specifically, level 3 financial assets amounted to 2,171.0 million and are represented by the following types of investment:

- unlisted equity instruments of 204.8 million, mostly valued on the basis of internal equity models or with transaction prices, which do not meet the requirements to be assigned to level 2;
- UCIT units of 1,280.9 million; these are funds characterised by significant levels of illiquidity, and for which the process to evaluate the assets of the fund requires a considerable amount of assumptions and estimates. For more details on UCIT units held by the Parent Company in relation to sales of multi-originator loans, refer to that illustrated in "Part E - Covered bond transactions and securitisations";
- loans to customers amounting to 524.3 million, measured at fair value, for failure to pass the SPPI test, as the related cash flows do not exclusively represent the payment of interest and principal;
- debt securities for 160.9 million;
- Over The Counter (OTC) derivatives for 0.1 million.

With regard to derivative financial instruments held for trading and hedging, excluding the share of level 3 illustrated above, the same are classified as level 1 and level 2 in the fair value hierarchy. Specifically:

- level 1 includes listed derivatives (futures and options), measured on the basis of the prices provided by the Clearing Houses, for a total of 207.9 million;
- level 2 includes Over The Counter (OTC) derivatives measured on the basis of models that use observable market parameters to a significant extent, or on the basis of prices originating from independent sources, for 2,608.2 million.

Financial liabilities measured at fair value on a recurring basis

Level 1 financial liabilities refer to listed trading derivatives for 168.4 million and to technical overdrafts listed in active markets for 384.5 million.
The remaining financial liabilities are predominantly represented in level 2, and for the most part concern the portfolio of "Financial liabilities held for trading" relating to Bond Repo trading for 18,308.5 million, financial and credit derivatives for 1,472.5 million and issues of unconditionally guaranteed Certificates for 1,237.5 million.
"Financial liabilities designated at fair value", classified as level 2, mainly include liabilities related to Class III insurance products (unit-linked and index-linked policies), the benefits of which are correlated with the value of market indices and units of investment funds, for 3,070.2 million and issues of unconditionally guaranteed capital

Certificates for a book value of 3,756.5 million; while the 18.3 million represented at level 3, relate to liabilities recognised against Loans transferred and not derecognised, measured at fair value.

Transfers between fair value levels (Level 1 and Level 2) for financial assets and liabilities measured at fair value on a recurring basis

During the half-year, there were no transfers between levels 1 and 2.

Impact of Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA) on the determination of the fair value of derivative financial instruments

As at 30 June 2024, cumulative adjustments made to the fair value of derivative instruments, other than issues of certificates, to account for counterparty risk "Credit Valuation Adjustment (CVA) and Debt Valuation Adjustment (DVA)", were positive overall for 4.9 million, and were comprised by:

- adjustments for CVA which resulted in a cumulative loss, in terms of lower assets/higher liabilities, of 2.8 million;
- adjustments for DVA which resulted in a cumulative benefit, in terms of higher assets/lower liabilities, of 7.7 million.

As at 31 December 2023, cumulative fair value adjustments to take account of counterparty risk (CVA/DVA) were positive overall for 10.3 million, equal to the imbalance between negative adjustments for CVA (-1 million) and positive adjustments for DVA (+11.3 million).
The resulting impact on the income statement for the first half of 2024 was therefore a negative 5.4 million.

Period changes in financial assets measured at fair value on a recurring basis (level 3)

	Financial assets at fair value through profit and loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value		
1. Opening balance	**1,723,884**	**204**	**-**	**1,723,680**	**286,995**	**-**
2. Increases	**274,905**	**187**	**-**	**274,718**	**11,488**	**-**
2.1. Purchases	89,436	124	-	89,312	110	-
2.2. Profits charged to:	39,265	1	-	39,264	9,100	-
2.2.1. Income statement	39,265	1	-	39,264	-	-
- of which capital gains	35,119	-	-	35,119	-	-
2.2.2. Shareholders' equity	-	X	X	X	9,100	-
2.3. Transfers from other levels	-	-	-	-	-	-
2.4. Other increases	146,204	62	-	146,142	2,278	-
3. Decreases	(121,684)	(126)	-	(121,558)	(4,591)	-
3.1. Sales	(27,730)	(122)	-	(27,608)	(718)	-
3.2. Redemptions	(10,629)	-	-	(10,629)	-	-
3.3. Losses charged to:	(34,518)	-	-	(34,518)	(1,061)	-
3.3.1. Income statement	(34,518)	-	-	(34,518)	-	-
- of which capital losses	(32,666)	-	-	(32,666)	-	-
3.3.2. Shareholders' equity	-	X	X	X	(1,061)	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5. Other decreases	(48,807)	(4)	-	(48,803)	(2,812)	-
4. Closing balance	**1,877,105**	**265**	**-**	**1,876,840**	**293,892**	**-**

Period changes in liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	**-**	**18,295**	**-**
2. Increases	**-**	**-**	**-**
2.1 Issues	-	-	-
2.2. Losses charged to:	-	-	-
2.2.1. Income statement	-	-	-
- of which capital losses	-	-	-
2.2.2. Shareholders' equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	**-**	**-**	**-**
3.1. Redemptions	-	-	-
3.2. Buy-backs	-	-	-
3.3. Profits charged to:	-	-	-
3.3.1. Income statement	-	-	-
- of which capital gains	-	-	-
3.3.2. Shareholders' equity	X	-	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**-**	**18,295**	**-**

Fair value disclosure on financial assets and liabilities measured at cost

With reference to the fair value disclosure, required by IFRS 7, paragraphs 25 and 26, referred to by standard IAS 34, regarding the fair value of financial assets and liabilities recognised in the financial statements at amortised cost, please refer to the relevant tables showing the breakdown of financial assets and liabilities measured at amortised cost in "Part B - Information on the consolidated balance sheet" (for asset item 40 and liability item 10).
For an illustration of the method used to determine fair value, which is relevant for information purposes only, reference should be made to the Annual Financial Report as at 31 December 2023.

A.5 - DISCLOSURE ON "DAY ONE PROFIT/LOSS"

In accordance with IFRS 7 paragraph 28, in the context of the Group's financial instruments, it should be noted that in the period there were no transactions that led to the recognition of "day one profit/loss" and therefore as at 30 June 2024 and as at 31 December 2023, there were no suspended costs or revenues related to the effect.

Disclosure on structured credit products

As at 30 June 2024, the Group's exposure to structured credit instruments amounted to 2,343.3 million and consisted of 1,952.9 million in asset backed securities (ABS) arising from securitisation transactions and 390.4 million in units in mutual funds held as a result of multi-originator sales of impaired loan portfolios.
The composition of ABSs is as follows:

- 35.7 million relating to securities issued by the entity Tevere SPV, which the Group holds following the securitisation of UTP and bad loans, called "Project Argo", completed in June 2022 (senior tranche of 34.2 million; B1 mezzanine tranche of 0.5 million; B2 mezzanine tranche of 0.5 million and junior tranche of 0.5 million);
- 163.2 million relating to securities issued by the entity Aurelia SPV, which the Group holds following the GACS securitisation of bad loans, called "Project Rockets", completed in May 2021 (senior tranche of 162.5 million; mezzanine tranche of 0.7 million);

- 12.4 million relating to securities issued by the entity Titan SPV, which the Group holds following the securitisation of bad loans, called "Project Titan", completed in December 2020 (senior tranche of 12.3 million; mezzanine tranche of 0.1 million);
- 0.5 million relating to securities issued by the entity Tiberina SPV, which the Group holds following the securitisation of UTP and bad loans, called "Project Django", completed in December 2020 (B2 mezzanine tranche of 0.1 million and junior tranche of 0.4 million);
- 473.5 million relating to securities issued by the Leviticus SPV, which the Group holds following the GACS securitisation of bad loans, called "Project ACE", completed in February 2019 (senior tranche of 468.9 million; mezzanine tranche of 4.6 million);
- 513.2 million relating to securities issued by the entity Red Sea SPV, which the Group holds following the GACS securitisation of bad loans, called "Project Exodus", completed in June 2018 (senior tranche of 510.2 million; mezzanine tranche of 3.0 million);
- 754.4 million for securities relating to third-party securitisations (senior tranche for 734.8 million; mezzanine tranche for 4.9 million; junior tranche for 14.7 million). It should be noted that the junior tranche is attributable nearly exclusively (14.5 million) to the security issued by the SPE "BNT Portfolio SPV" established in 2014 to complete the securitisation of agricultural loans of Banca della Nuova Terra, financed by the issue of a single tranche of securities.

For an examination of mutual funds resulting from multi-originator sales transactions, reference should be made to the "Part E - Covered bond transactions and securitisations".

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Financial assets at fair value through profit and loss – Item 20

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 30/06/2024			Total 31/12/2023		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	1,222,102	45,075	-	388,873	43,132	-
1.1 Structured securities	1,820	43,858	-	1,698	38,478	-
1.2 Other debt securities	1,220,282	1,217	-	387,175	4,654	-
2. Equity instruments	1,820,375	-	18	1,949,389	-	18
3. UCIT units	7,553	-	121	9,712	-	121
4. Loans	-	620,077	-	-	69,944	-
4.1 Repurchase agreements	-	620,077	-	-	69,944	-
4.2 Other	-	-	-	-	-	-
Total (A)	**3,050,030**	**665,152**	**139**	**2,347,974**	**113,076**	**139**
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	207,912	1,631,494	126	148,020	1,744,326	65
1.1 held for trading	207,912	1,627,296	126	148,020	1,319,599	65
1.2 connected with the fair value	-	4,124	-	-	424,715	-
1.3 other	-	74	-	-	12	-
2. Credit derivatives	-	105	-	-	403	-
2.1 held for trading	-	105	-	-	403	-
2.2 connected with the fair value	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**207,912**	**1,631,599**	**126**	**148,020**	**1,744,729**	**65**
Total (A+B)	**3,257,942**	**2,296,751**	**265**	**2,495,994**	**1,857,805**	**204**

L1 = Level 1
L2 = Level 2
L3 = Level 3

2.5 Financial assets mandatorily measured at fair value: breakdown by product

Items/Amounts	Total 30/06/2024			Total 31/12/2023		
	L1	L2	L3	L1	L2	L3
1. Debt securities	246,905	147,766	31,090	193,887	123,142	32,454
1.1 Structured securities	-	-	1,000	-	2	1,000
1.2 Other debt securities	246,905	147,766	30,090	193,887	123,140	31,454
2. Equity instruments	195,934	31,625	40,737	245,625	30,476	40,207
3. UCIT units	5,140,676	1,301,688	1,280,752	4,690,774	1,405,947	1,178,504
4. Loans	-	(12,265)	524,261	-	-	472,515
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	(12,265)	524,261	-	-	472,515
Total	**5,583,515**	**1,468,814**	**1,876,840**	**5,130,286**	**1,559,565**	**1,723,680**

L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial assets measured at fair value through other comprehensive income – Item 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by product

Items/Amounts	Total 30/06/2024			Total 31/12/2023		
	L1	L2	L3	L1	L2	L3
1. Debt securities	20,579,835	52,718	129,834	19,218,007	57,107	127,785
1.1 Structured securities	-	-	-	-	6,333	-
1.2 Other debt securities	20,579,835	52,718	129,834	19,218,007	50,774	127,785
2. Equity instruments	3,174	113,525	164,058	4,010	113,525	159,210
3. Loans	-	-	-	-	-	-
Total	**20,583,009**	**166,243**	**293,892**	**19,222,017**	**170,632**	**286,995**

L1 = Level 1
L2 = Level 2
L3 = Level 3

Banco BPM holds, among level 2 equity instruments, 4,541 stakes in the Bank of Italy's share capital, corresponding to 1.5137% of the entire share capital. The book value of 113.5 million is obtained by applying the value of 25,000 euro to each unit, which is also confirmed by recent transactions on the share capital of the Bank of Italy. Note that these shares derive from the capital increase operation carried out by the Bank of Italy in 2013 as an effect of Italian Decree Law 133 of 30 November 2013, converted with Italian Law 5 of 29 January 2014, leading to the issuing of new shares, with a value of 25,000 per unit.

Financial assets at amortised cost – Item 40

4.1 Financial assets at amortised cost: breakdown by product for loans to banks

Transaction type/Amounts	Total 30/06/2024						Total 31/12/2023					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and Stage 2	Stage 3	Acquired or originated impaired	L1	L2	L3	Stage 1 and Stage 2	Stage 3	Acquired or originated impaired	L1	L2	L3
A. Loans to Central Banks	**1,050,306**	**-**	**-**	**-**	**-**	**1,050,306**	**933,326**	**-**	**-**	**-**	**-**	**933,326**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Minimum reserve	1,050,306	-	-	X	X	X	930,779	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	2,547	-	-	X	X	X
B. Loans to banks	**5,144,156**	**-**	**-**	**1,801,836**	**771,013**	**2,585,394**	**4,992,783**	**-**	**-**	**1,717,634**	**62,724**	**3,213,537**
1. Loans	2,570,669	-	-	-	-	2,585,394	3,208,314	-	-	-	-	3,213,537
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	630,207	-	-	X	X	X	277,434	-	-	X	X	X
1.3. Other loans:	1,940,462	-	-	X	X	X	2,930,880	-	-	X	X	X
- Reverse repurchase agreements	211,105	-	-	X	X	X	798,375	-	-	X	X	X
- Loans for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	1,729,357	-	-	X	X	X	2,132,505	-	-	X	X	X
2. Debt securities	2,573,487	-	-	1,801,836	771,013	-	1,784,469	-	-	1,717,634	62,724	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	2,573,487	-	-	1,801,836	771,013	-	1,784,469	-	-	1,717,634	62,724	-
Total	**6,194,462**	**-**	**-**	**1,801,836**	**771,013**	**3,635,700**	**5,926,109**	**-**	**-**	**1,717,634**	**62,724**	**4,146,863**

L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Financial assets at amortised cost: breakdown by product for loans to customers

Transaction type/Amounts	Total 30/06/2024						Total 31/12/2023					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and Stage 2	Stage 3	Acquired or originated impaired	L1	L2	L3	Stage 1 and Stage 2	Stage 3	Acquired or originated impaired	L1	L2	L3
1. Loans	**99,030,223**	**1,645,893**	**109,151**	**1,978**	**-**	**99,725,626**	**102,049,241**	**1,824,035**	**141,890**	**-**	**-**	**102,464,851**
1. Current accounts	7,003,670	138,305	1,900	X	X	X	7,455,398	140,610	1,603	X	X	X
2. Reverse repurchase agreements	3,448,675	-	-	X	X	X	4,833,466	-	-	X	X	X
3. Mortgage loans	76,185,221	1,036,959	39,137	X	X	X	77,039,793	1,234,850	71,540	X	X	X
4. Credit cards, personal loans and salary-backed loans	536,303	7,610	40	X	X	X	656,754	9,382	70	X	X	X
5. Loans for leases	345,812	117,560	1,649	X	X	X	398,795	118,295	1,592	X	X	X
6. Factoring	73,197	-	-	X	X	X	81,271	-	-	X	X	X
7. Other loans	11,437,345	345,459	66,425	X	X	X	11,583,764	320,898	67,085	X	X	X
2. Debt securities	**27,963,988**	**-**	**-**	**25,308,911**	**121,796**	**2,009,410**	**25,251,278**	**-**	**-**	**22,984,058**	**1,530**	**2,036,041**
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	27,963,988	-	-	25,308,911	121,796	2,009,410	25,251,278	-	-	22,984,058	1,530	2,036,041
Total	**126,994,211**	**1,645,893**	**109,151**	**25,310,889**	**121,796**	**101,735,036**	**127,300,519**	**1,824,035**	**141,890**	**22,984,058**	**1,530**	**104,500,892**

L1 = Level 1
L2 = Level 2
L3 = Level 3

As at 30 June 2024, the breakdown into risk stages of loans to customers is provided in the table below (purchased or originated impaired loans were classified in the relative risk stages; the contribution of the insurance companies is excluded):

Exposure types/risk stages	Stage 1	Stage 2	Stage 3	Total
Bad loans	-	-	601,069	**601,069**
Unlikely to pay	-	-	950,364	**950,364**
Non-performing past-due exposures	-	-	102,934	**102,934**
Non-performing exposures	**-**	**-**	**1,654,367**	**1,654,367**
Performing exposures	**88,182,031**	**10,948,219**	**-**	**99,130,250**
of which: purchased or originated credit impaired	**-**	**100,677**	**8,474**	**109,151**
Total loans to customers	**88,182,031**	**10,948,219**	**1,654,367**	**100,784,617**

For further details on the credit risk of loans to customers, please refer to the "Results" section of the Interim Report on Operations.

Interests in associates and joint ventures – Item 70

Interest in associates and joint ventures as at 30 June 2024 amounted to 1,429.3 million, compared with 1,454.2 million as at 31 December 2023.

The decrease recorded in the half-year of -24.9 million refers to the effects resulting from the measurement at equity of interests in associated companies, specifically:

- the increase of 75.0 million, which includes the Group's share of the results achieved by the investees during the period (+74.9 million) and the effects pertaining to the Group of valuation reserves and other reserves of associates (+0.1 million);
- the decrease of 99.9 million, mainly due to the effect of the distribution of dividends (-79.1 million), as well as the effects of the changes pertaining to the Group in the valuation reserves and other reserves of the companies SelmaBipiemme Leasing (-11.9 million), Anima Holding (-7.0 million) and Vera Assicurazioni (-1.9 million).

7.1 Interests in associates and joint ventures: information on investment relationships

Company name	Registered office	Operational headquarters	Type of relationship (a)	Investment relationship		Available
				Holder	% held	% votes
A. Companies subject to joint control						
N/A						
B. Companies subject to significant influence						
1. Agos Ducato S.p.A. Share capital € 638,655,160.00	Milan	Milan	1	Banco BPM	39.000%	39.000%
2. Alba Leasing S.p.A. Share capital € 357,953,058.13	Milan	Milan	1	Banco BPM	39.189%	39.189%
3. Anima Holding S.p.A. Share capital € 7,291,809.72	Milan	Milan	1	Banco BPM	22.379%	22.379%
4. Aosta Factor S.p.A. Share capital € 14,993,000.00	Aosta	Aosta	1	Banco BPM	20.690%	20.690%
5. Banco BPM Assicurazioni S.p.A. Share capital € 22,000,000.00	Milan	Milan	1	Banco BPM Vita	35.000%	35.000%
6. Calliope Finance S.r.l. in liquidation Share capital € 600,000.00	Milan	Milan	1	Banco BPM	50.000%	50.000%
7. Gardant Liberty Servicing S.p.A. Share capital € 150,000.00	Rome	Rome	1	Banco BPM	30.000%	30.000%
8. Etica SGR S.p.A. (*) Share capital € 4,500,000.00	Milan	Milan	1	Banco BPM	19.444%	19.444%

Company name	Registered office	Operational headquarters	Type of relationship (a)	Investment relationship		Available
				Holder	% held	% votes
9. GEMA Magazzini Generali BPV-BSGSP S.p.A. Share capital € 3,000,000.00	Castelnovo Sotto (RE)	Castelnovo Sotto (RE)	1	Banco BPM	33.333%	33.333%
10. SelmaBipiemme Leasing S.p.A. Share capital € 41,305,000.00	Milan	Milan	1	Banco BPM	40.000%	40.000%
11. S.E.T.A. Società Edilizia Tavazzano S.r.l. in liquidation Share capital € 20,000.00	Milan	Milan	1	Banco BPM	32.500%	32.500%
12. Vera Assicurazioni S.p.A. Share capital € 63,500,000.00	Verona	Verona	1	Banco BPM Vita	35.000%	35.000%
13. Vorvel SIM S.p.A. Share capital € 7,300,000	Milan	Milan	1	Banco BPM	20.000%	20.000%

(a) Type of relationship:
1 = investment in share capital
(*)Companies subject to significant influence based on partnership agreements or shareholders' agreements with other shareholders.

7.2 Significant interests in associates and joint ventures: book value, fair value and dividends received

Company name	Book value	Fair value	Dividends received
A. Companies subject to joint control			
N/A			
B. Companies subject to significant influence			
Agos Ducato S.p.A.	748,437	-	51,090
Alba Leasing S.p.A.	173,426	-	-
Anima Holding S.p.A.	258,600	333,002	17,865
Total	**1,180,463**	**333,002**	**68,955**

The "Fair value" column shows the value relating to the stock market listing as at 30 June 2024 of the associate Anima Holding, which is the only listed company.
Also note that dividends received during the half-year were recognised as decreasing the book value of the interest in associates and joint ventures, in that the profits, which gave rise to them, were already indicated in the financial statements as at 31 December 2023, as a result of measuring the investment using the equity method.

Interests in associates and joint ventures: impairment testing to determine whether there has been a permanent loss in value

As at 30 June 2024, there were no indicators of impairment in interests in associates and joint ventures.

More specifically, as at 30 June 2024, the interest in Gardant Liberty Servicing S.p.A. was recognised in the financial statements at a value of 43.9 million. The impairment test conducted as at 31 December 2023 on this interest was carried out by estimating the recoverable amount by applying analytical methods such as the Discounted Cash Flow (in the asset side and equity side versions), the Dividend Discount Model and the income method. As at 30 June 2024, in accordance with measurement criteria, assumptions, metrics and methodologies, there were no indicators of impairment on the interest.
Also with regard to the interests held indirectly in Banco BPM Assicurazioni, recognised in the financial statements for a value of 22.8 million, following the revaluation carried out as part of the reorganisation of the Bancassurance segment, given the performance of own funds, there were no indicators of impairment identified.

Commitments relating to interests in jointly controlled companies and subject to significant influence

Commitments deriving from agreements with Crédit Agricole for consumer loans

On 28 June 2019, in execution of the agreements signed at the end of 2018 by Banco BPM, Crédit Agricole Consumer Finance S.A., Crédit Agricole S.A. and Agos Ducato, the reorganisation of the Group's consumer credit

segment was completed. The reorganisation, which confirms the partnership between Banco BPM Group and Crédit Agricole for the next 15 years:

(i) formalised, inter alia: (a) a new Shareholders' Agreement, (b) a new Distribution Agreement, and (c) a new Funding Agreement;

(ii) resulted in the transfer of ProFamily to Agos Ducato, through the finalisation of a demerger of ProFamily's non-captive operations in favour of a newly established company, which retained the name ProFamily, 100%-owned by Banco BPM and subsequently merged into Banco BPM.

On 18 December 2020, an Amendment Agreement between the parties was signed, with a view to further consolidating the existing partnership related to the consumer finance activities in Italy of Agos Ducato, through which some changes were made to the agreements signed in 2018. Those amendments, inter alia, extended by an additional 24 months, and therefore, up to 31 July 2023, the term for the exercise of the put option referring to a 10% investment in the capital of Agos Ducato held by Banco BPM, at the previously agreed strike price of 150 million.
As part of the Banco BPM's bancassurance evolution project, which includes the launch of a 20-year commercial partnership with Crédit Agricole Assurances S.A. in the Non-Life and Protection segment, on 12 May 2023, the term for the exercise of the put option was extended for a further two years, i.e. until 31 July 2025 (this further extension was conditional on the closing of the transaction for the acquisition by Crédit Agricole Assurances of the interests in Banco BPM Assicurazioni and in Vera Assicurazioni, finalised on 14 December 2023).
Lastly, at the Agreement expiry date and, more specifically, on 28 June 2024, the renewal until 28 June 2029 of the Shareholders' Agreement relating to the company Agos Ducato was formalised between Banco BPM on one hand and Crédit Agricole S.A. and Crédit Agricole Consumer Finance on the other. In this context, the right of Banco BPM to exercise the unconditional put option on 10% of the share capital of Agos Ducato, at an already agreed exercise price of 150 million, was extended by another three years from 1 July 2028 to 31 July 2028.

In the new Shareholders' Agreement, the previous change of control clause was also extended, through the recognition in favour of Crédit Agricole Consumer Finance of a call option on the entire 39% share in Agos Ducato held by Banco BPM, in the event of the acquisition of a controlling interest of Banco BPM by some specifically identified banks that carry out consumer credit activities potentially competing with the business of Agos Ducato. If the call option is exercised by Crédit Agricole Consumer Finance, there will be an automatic termination of both the Distribution Agreement, and therefore Banco BPM may be considered free from the exclusive commitments with Agos for consumer credit products, and the Funding Agreement.
The exercise price will be determined on the basis of the Agos fair market value at the exercise of the option, determined by excluding the distribution agreement with Banco BPM which will be terminated.

Lastly, the new Shareholders' Agreement simplified the potential listing process of Agos Ducato, through the establishment of a single procedure to be implemented at the request of Banco BPM starting from 1 July 2025, until the expiry date of the Shareholders' Agreement.

Commitments deriving from bancassurance agreements with Crédit Agricole Assurances S.A.

During the year, the Group continued with the process of integrating the insurance business started in 2022 with the acquisition of control of the companies Banco BPM Vita and Banco BPM Assicurazioni, and with the finalisation of an agreement with Crédit Agricole Assurances for the launch of a commercial partnership in the Non-Life/Protection business segment.
In particular, on 14 December 2023, Banco BPM Group completed the internalisation of the Life business through its acquisition from Generali Italia, for a total consideration of 392.4 million:

- of 65% of the share capital of Vera Vita S.p.A., which in turn holds 100% of the share capital of Vera Financial Dac (which at the same time changed its company name to BBPM Life Dac);
- of 65% of the share capital of Vera Assicurazioni S.p.A. (which in turn holds 100% of the share capital of Vera Protezione S.p.A.).

A deferred price component, settled in May 2024, was added to the consideration paid to Generali Italia, commensurate with 65% of the profits accrued by the companies from 1 January 2023 to 14 December 2023, equal to 22.2 million as the deferred price for the acquisition of the interest in Vera Assicurazioni and 24.4 million as the deferred price for the acquisition of the interest in Vera Vita.

On the same date, the Group completed the sale to Crédit Agricole Assurances, for a total consideration of 243.6 million, of shares representing 65% of the share capital of Vera Assicurazioni S.p.A. (which holds 100% of the share capital of Vera Protezione S.p.A.) and 65% of the share capital of Banco BPM Assicurazioni, previously held by Banco BPM and Banco BPM Vita respectively.
In March 2024, this price was subject to an adjustment in favour of the Banco BPM Group on the basis of the final values of the companies' own funds as at 31 December 2023; specifically, Crédit Agricole Assurances paid Banco BPM 24.0 million as a price adjustment for the sale of Vera Assicurazioni S.p.A., and Banco BPM Vita paid Crédit Agricole Assurances 2.7 million as a price adjustment for the sale of Banco BPM Assicurazioni S.p.A. In addition, the sale agreement calls for possible adjustments by way of earn-out and claw-back in the event of situations of "Overperformance" or "Underperformance" of the production levels, respectively, within the terms and conditions set forth in the agreements between the parties.
That being said, the Shareholders' Agreement relating to the aforementioned equity interests held in Banco BPM Assicurazioni S.p.A., Vera Assicurazioni S.p.A. and, indirectly, Vera Protezione S.p.A., contemplated by the partnership with Crédit Agricole Assurances S.A., envisages, among other things, the granting of a Put Option to Crédit Agricole Assurance S.A. and a Call Option to Banco BPM referring to all the equity investments held by Crédit Agricole Assurances S.A., in the capital of the companies, exercisable upon the occurrence of certain exceptional events (so-called "triggering events"). In particular, Crédit Agricole Assurances S.A. and Banco BPM S.p.A. may exercise the Put Option and the Call Option, inter alia, in the following cases:

a) change of control of the respective counterparty (and/or, in relation to Crédit Agricole Assurances S.A., of the parent company);
b) termination of the Distribution Agreement;
c) in the event of significant Underperformance, in relation to which the corrective actions have not led to an improvement in company performance.

The exercise prices of the Put and Call Options will be determined according to pre-established mechanisms linked to the valuation of the residual business of the companies, envisaged by the agreements between the parties.

Commitments arising from agreements with Anima on Asset Management

It should be noted that during 2017 and subsequent years, in execution of the agreements signed on 9 November 2017 between Banco BPM and Anima Holding, a series of agreements were signed to regulate:

- the sale to Anima Holding of Aletti Gestielle SGR;
- the long-term partnership in the asset management sector between Banco BPM Group and Anima Group;
- the sale by Banca Aletti to Anima SGR of the mandates for the exclusive management of certain insurance assets related to the insurance products of the group's Life insurance companies and of the Non-Life bancassurance JVs through the Banco BPM network.

These agreements, which have a total duration of 20 years from their origin, include: (i) exclusive preferential access by the Anima Group to Banco BPM Group's present and future distribution networks, with different characteristics between the "retail" network and the other networks, (ii) the distribution of products such as UCITs and Individual Portfolio Management and other products and services of the Anima Group, (iii) the essential economic terms relating to the Partnership, including the minimum expected levels and objectives and certain protection and guarantee mechanisms related to the failure to achieve them.

On 14 May 2020, Anima Group and Banco BPM Group (Banco BPM and Banca Aletti) renegotiated the framework partnership agreement, concerning both the redefinition of the expected target levels and the deadline for achieving them.

For the provisions for risks and charges to cover commitments arising from the sale of interests in associates and joint ventures and any related partnership agreements, reference should be made to the following section "Liability provisions - Items 90 and 100".

Property, plant and equipment – Item 90

Property, plant and equipment totalled 2,775.2 million as at 30 June 2024, compared with the amount of 2,858.0 million of the previous year. In detail, the aforementioned assets are represented by:

- property, plant and equipment used in operations valued at cost of 737.9 million, mainly concerning rights of use relating to property rental contracts;
- property used in operations and valuable works of art measured on the basis of the restatement of values of 1,263.7 million;
- property held for investment purposes measured at fair value of 773.6 million.

For further details on the composition of property, plant and equipment, please refer to the following tables.

As at 30 June 2024 there were no commitments for the purchase of property or other property, plant and equipment of a significant amount.

9.1 Property, plant and equipment used in operations: breakdown of assets at cost

Asset/Amounts	Total 30/06/2024	Total 31/12/2023
1. Owned assets	**71,315**	**67,849**
a) land	-	-
b) buildings	-	-
c) furniture	10,473	11,142
d) electronic systems	55,517	51,034
e) other	5,325	5,673
2. Rights of use acquired through leases	**666,584**	**694,746**
a) land	-	-
b) buildings	637,538	665,667
c) furniture	-	-
d) electronic systems	25,229	27,483
e) other	3,817	1,596
Total	**737,899**	**762,595**
of which: obtained through the enforcement of guarantees received	-	-

9.2 Property, plant and equipment held for investment purposes: breakdown of assets at cost

As at 30 June 2024, as well as at 31 December of last year, the Group does not hold property, plant and equipment for investment purposes valued at cost. Therefore, the related table is omitted.

9.3 Property, plant and equipment used in operations: breakdown of revalued assets

Asset/Amounts	Total 30/06/2024			Total 31/12/2023		
	L1	L2	L3	L1	L2	L3
1. Owned assets	**-**	**-**	**1,263,660**	**-**	**-**	**1,273,164**
a) land	-	-	884,824	-	-	889,908
b) buildings	-	-	325,880	-	-	330,300
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	52,956	-	-	52,956
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**1,263,660**	**-**	**-**	**1,273,164**
of which: obtained through the enforcement of guarantees received	-	-	18,153	-	-	19,707

The changes that occurred during the half-year, aside from the normal deterioration process for 8.1 million, include the following:

- net changes in fair value for a total negative amount of 2.4 million. These effects are recognised almost entirely in item "260. Fair value gains (losses) on property, plant and equipment and intangible assets";
- transfers of certain properties for business use, no longer used for the business activities of Group companies, to investment properties for 2.3 million;
- capitalised costs for the extraordinary maintenance of properties used for business activities for 3.4 million.

9.4 Property, plant and equipment held for investment purposes: breakdown of assets measured at fair value

Asset/Amounts	Total 30/06/2024			Total 31/12/2023		
	L1	L2	L3	L1	L2	L3
1. Owned assets	**-**	**-**	**773,632**	**-**	**-**	**822,194**
a) land	-	-	463,320	-	-	473,944
b) buildings	-	-	310,312	-	-	348,250
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**773,632**	**-**	**-**	**822,194**
of which: obtained through the enforcement of guarantees received	-	-	369,193	-	-	414,021

The changes that occurred during the half-year include the following in particular:

- transfers of several properties from assets used in operations for a book value of 2.3 million;
- transfers of certain buildings, with a book value of 27.9 million, to assets held for sale;
- net changes in fair value for a total negative amount of 23.4 million euro recognised under item "260. Fair value gains (losses) on property, plant and equipment and intangible assets".

The remaining changes refer to purchases and sales transactions of insignificant amounts.

For the activities carried out in the first half of the year for the fair value measurement of real estate assets, please refer to what is described in the "*Significant accounting policies and uncertainties regarding the use of estimates in the preparation of consolidated condensed interim financial statements*" section in "Part A - Accounting policies".

Intangible assets – Item 100

10.1 Intangible assets: breakdown by type of asset

Asset/Amounts	Total 30/06/2024		Total 31/12/2023	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**56,709**	**X**	**56,709**
A.1.1 attributable to the Group	X	56,709	X	56,709
A.1.2 attributable to non-controlling interests	X	-	X	-
A.2 Other intangible assets	**687,112**	**504,272**	**696,444**	**504,272**
of which: software	422,039	-	415,302	-
A.2.1 Assets at cost:	687,112	504,272	696,444	504,272
a) Internally generated intangible assets	-	-	-	-
b) Other assets	687,112	504,272	696,444	504,272
A.2.2 Assets at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**687,112**	**560,981**	**696,444**	**560,981**

Intangible assets with a finite life include:

- software in the amount of 422.0 million (415.3 million as at 31 December 2023);
- the value of "Client Relationships" acquired as part of the business combination of the BPM Group and the Banca Popolare Italiana Group for a total of 228.8 million, down by 13.4 million compared to 31 December 2023 due to the amortisation process;
- the "Value of Business Acquired" (VoBA) generated through the acquisition of the controlling interest of the insurance companies for 36.3 million. The amount changed compared to the figure as at 31 December 2023 (39.0 million) due to amortisation (2.7 million).

For the above-mentioned activities, the analyses carried out on the evolution of flows and spreads, taken as a reference for the verification of the recoverability of the value, did not reveal any critical elements, also taking into account the broad safety margins in place for the test as at 31 December 2023, as well as the reduction in the half-year due to the amortisation process described above.

As at 30 June 2024, intangible assets with an indefinite life recognised in the financial statements amounted to a total of 561.0 million (unchanged value compared to 31 December 2023) and referred to:

- 56.7 million in goodwill deriving from the business combination with Banca Popolare Italiana (Bancassurance Protection CGU for 42.9 million), the acquisition of the controlling interests in the company Oaklins Italy S.r.l. (Banca Akros CGU for 3.8 million) and the acquisition of control of Banco BPM Vita (Banco BPM Vita CGU for 10.0 million);
- 504.3 million from business trademarks recognised following the business combination transactions with the former Banca Popolare Italiana Group (222.2 million) and with the former BPM Group (282.1 million), all allocated to the Retail CGU with the exception of 18.6 million relating to the valuation of the trademark of Banca Akros (Banca Akros CGU).

Intangible assets with an indefinite life: impairment testing to determine whether there has been a permanent loss in value

Reference values for the impairment test

As at 30 June 2024, the Group's intangible assets with an indefinite life, for which it is necessary to verify the existence of any indicators of impairment, amounted to 561.0 million, represented for 504.3 million by trademarks and for 56.7 million by goodwill, in line with the values set forth in the 2023 financial statements.

As at 31 December 2023, the recoverability checks relating to the aforementioned intangible assets were conducted on the basis of their allocation to the following Cash Generating Units (CGUs):

- Retail CGU, comprised of Private Customer and Retail Business segments, based on the revision of current customer portfolios in place at the end of 2023, consistent with 2023 Segment Reporting, to verify the trademarks recognised following the business combination with the former Banca Popolare Italiana Group in 2007 (222.2 million) and with the former Banca Popolare di Milano Group in 2017 (263.5 million);
- Banca Akros CGU, consisting of Banca Akros S.p.A., coinciding with the Investment Banking segment of Segment Reporting excluding the Oaklins impact, to test the corresponding trademark following the business combination with the former Banca Popolare di Milano Group in 2017 (18.6 million) and which, like at 31 December 2023, already takes into account - in terms of flows generated - the reorganisation of Global Markets activities;
- Oaklins CGU, set up by Oaklins, wholly owned by Banca Akros S.p.A. acquired in 2021 (3.8 million);
- Bancassurance Protection CGU, which includes the investee Vera Assicurazioni S.p.A. for the purposes of the goodwill impairment test relative to this operating segment, following the business combination with the former Banca Popolare Italiana Group in 2007, which amounted to 42.9 million as at 31 December 2023;
- Banco BPM Vita CGU: coinciding with Banco BPM Vita, for the purposes of impairment testing goodwill (10.0 million) referring to this operating segment, following the outcome of the PPA conducted on the investment following the acquisition of full control by Banco BPM during 2022.

The impairment test carried out as at 31 December 2023 could benefit from the following valuation margins ("headroom"):

- Retail CGU: 9,861 million, equal to the excess between the recoverable value of the CGU (13,549 million) and the relative book value (3,688 million);
- Banca Akros CGU: 34 million, equal to the excess between the recoverable value of the trademarks (53 million) and the relative book value (19 million);
- Oaklins CGU: 9 million, equal to the excess between the recoverable value of the CGU (15 million) and the relative book value (6 million);
- Bancassurance Protection CGU: 21 million, equal to the excess between the recoverable value of the CGU (178 million) and the relative book value (157 million);
- Banco BPM Vita CGU: 7 million, equal to the excess between the recoverable value of the CGU (365 million) and the relative book value (358 million).

Procedures for verifying the existence of any indications of impairment

On the basis of the provisions of IAS 36, the results of the last annual impairment test can be considered valid for subsequent interim reports if the intervening elements and circumstances (potential impairment triggers) do not cast doubt on the underlying hypotheses and assumptions and therefore the recoverability of the values. Otherwise, should a probable loss in value emerge from this verification, it would be necessary to carry out an actual impairment test.

External factors

As regards the "external" indicators, the analyses were aimed at verifying the evolution that took place in the half-year in the capitalisation of Banco BPM compared to that recorded in the indices of the Italian and European banking sector. In detail, the stock market price of the Banco BPM share as at 30 June 2024 comes to 6.014 euro compared to 4.781 euro as at 31 December 2023, recording performance better than the indices of the European

sector (Euro Stoxx Bank Index) and basically aligned with the Italian banking sector index (FTSE Italia All-Share Bank Index).
The trend in the price of Banco BPM shares in the configuration of average, maximum, minimum, as well as exact value relating to the first half of 2024 highlights a significant increase compared to what has been observed with reference to the end of the previous year and the second half of 2023.
In light of the above, although Banco BPM's stock market capitalisation as at 30 June 2024 (9.1 billion) shows a significant discount compared to tangible shareholders' equity (12.6 billion), a circumstance that can be found for all Italian banks for many years now, it is higher than that as at 31 December 2023 (7.2 billion).
The significant discount between the stock market capitalisation and tangible shareholders' equity is indeed linked to the structural misalignment between the valuations of the financial community - which, by their nature, are focused on short-term objectives and estimates - as well as the methods usually used to perform impairment tests, which give a significant value to medium/long-term growth potential. In fact, the measurements expressed for the purposes of preparing the financial statements are the result of an extrapolation of the economic value of the CGUs based on their specific profit capacities, measured using a much longer time horizon than that used by the financial community.

Internal factors - flows

For the "Retail" CGU, to which almost the entire value of the trademarks is attributed, the value in use as at 31 December 2023 was determined by applying the Dividend Discount Model (DDM) analytical methodology, in the Excess Capital variant. This model establishes that the economic value of a business is considered equal to the sum of: (i) the present value of future cash flows (expected dividends) generated over the selected planning time horizon and distributable to shareholders, while maintaining an adequate level of capitalisation to guarantee expected development, and (ii) the perpetual capitalisation of the normalised dividend of the last year of the forecast.
The estimates of the income flows used for the last impairment test as at 31 December 2023 were constructed in line with the Commercial Network data for the year 2024 and with the estimates for 2025 and 2026 of volumes and spreads consistent with development at consolidated level of the 2023-26 Strategic Plan, approved by the Board of Directors on 11 December 2023. To prepare the consolidated interim report as at 30 June 2024, the analyses carried out on the evolution of these income flows during the first half of the year did not highlight elements that could call into question the recoverability of the values subject to formal testing as at 31 December 2023. In fact, the final figures are in line with the forecasts assumed in the cash flow projections used in the 2023 impairment test. Therefore, there are no indications of impairment and it is not necessary to repeat the impairment test for the trademark in question.

With reference to the Banca Akros trademark, the recoverability of which was verified as at 31 December 2023 with the "royalties rate" methodology, there are no significant changes in the projections of operating income for the 2024-2026 period, which represent the flows used as a reference for the impairment test with the above-mentioned method. In particular, to prepare the consolidated interim report as at 30 June 2024, the analyses carried out on the evolution of these income flows during the first half of the year did not highlight elements that could call into question the recoverability of the values subject to formal testing as at 31 December 2023. In fact, the available final figures are higher than the forecasts assumed in the cash flow projections used in the 2023 impairment test. Therefore, there are no indications of impairment and it is not necessary to repeat the impairment test for the trademark in question.

With reference to Oaklins goodwill, the recoverability of which was verified as at 31 December 2023 through the application of an analytical income methodology, there are no significant changes in the profit projections for the 2024-2026 period, which represent the flows used as a reference for the impairment test with the income-based approach. Performance in the first half of 2024 also marked a slight slowdown for the company, but overall a recovery is expected in the second part of the current year, also thanks to the company's current pipeline of transactions, and the expectations for the next two years remain confirmed, not affecting the overall stability of future flows as a result of impairment. Therefore, it is not necessary to repeat the impairment test for the goodwill in question.

With reference to the goodwill of the Banco BPM Vita CGU, the recoverability of which was verified as at 31 December 2023, through the application of the Dividend Discount Model (DDM) analytical methodology, in the Excess Capital variant, there are no significant changes in the profit projections for the 2023-2026 period, which represent the flows used as a reference for the impairment test. The results for the first half of this year are higher

than the forecasts assumed in the projections used in the 2023 impairment test. Therefore, there are no indications of impairment and it is not necessary to repeat the impairment test for the goodwill in question.

Finally, as regards the Bancassurance Protection CGU, the economic and financial forecasts used for the 2023 impairment test are still valid for the purposes of the 2024 interim report.

Internal factors - other valuation parameters

As regards the profile of the valuation parameters, a Cost of Equity was used for the 2023 test consistent with the return required for investments with characteristics similar to that subject to valuation.
The Cost of Equity (Ke) was determined on the basis of the Capital Asset Pricing Model (CAPM), based on which the return of a risk asset should be equal to the sum of a risk-free rate (Rf) and a risk premium (MRP), considering the specific risk of the asset (ß) (Ke = Rf + ß x (MRP)).

In detail, in the impairment test as at 31 December 2023:
- the risk-free (Rf) component, which in any case encompasses the so-called "Country risk", was determined using the 1-year average of the yields of Italian 10-year BTP government bonds;
- the beta coefficient (ß), which measures the risk of the specific company or operating sector in terms of the correlation between the actual return of a share and the overall return of the reference market, was determined using: *(i)* for the Retail CGU: the average indicator relating to a sample of comparable companies (Italian listed banks), (ii) for the Banca Akros and Oaklins CGUs, the average indicator relating to a sample of companies active in Investment Banking, (iii) for the Bancassurance Protection CGU and the Banco BPM Vita CGU, the average indicator relating to a sample of companies active in the insurance sector;
- the market risk premium (MPR) was determined with a methodology aligned with valuation practice.

These parameters were updated with reference to 30 June 2024, using the same methodologies. It should be noted that, with respect to the impairment test as at 31 December 2023:
- the risk-free component (Rf) went from 4.26% to 4.09%;
- the beta coefficient (ß): for the Retail CGU it increased from 1.057 to 1.067, for the Banca Akros and Oaklins CGU it went from 1.062 to 1.060, for the Bancassurance Protection CGU and the Banco BPM Vita CGU it rose from 0.976 to 0.996;
- the market risk premium (MRP) went from 5.2% to 5.1%.

With the update of the parameters, as at 30 June 2024, the cost of equity (Ke) relating to the various CGUs therefore changes as follows:
- that relating to the Retail CGU went from 9.76% to 9.53%;
- that relating to the Banca Akros and Oaklins CGUs went from 9.79% to 9.50%;
- that relating to the Bancassurance Protection CGU and the Banco BPM Vita CGU went from 9.34% to 9.17%.

All other conditions being equal, the result is an increase in the recoverable values of the CGUs compared to those estimated when the last impairment test was performed.

As regards the other valuation parameters, there are no changes with respect to what was approved for the 2023 impairment test.

Conclusions on the existence of potential indications of impairment

In light of the above, taking into account the changes in the "Ke" discount rate and the sensitivity analyses carried out for the 2023 impairment test with respect to the parameter in question, no potential indication of impairment was identified.

Below, for the Retail CGU, the Banca Akros CGU, Oaklins, the Bancassurance Protection CGU and the Banco BPM Vita CGU, a mere update is provided of the sensitivity analyses with respect to those indicated in the 2023 financial statements, updating the "Ke" discount rate, with all other factors and parameters remaining the same (for example: income flows, "g" long-term growth rate, time reference).

For the Retail CGU, the following tables show that, with the mere updating of the cost of equity to 9.53%, all other factors and parameters being equal, the positive difference between the recoverable value and the book value would be 10.3 billion, up from 9.9 billion recorded as at 31 December 2023.
The rate of 36.56%, which would lead to the elimination of the margin, remains unchanged, all other factors being equal.

With regard to the sensitivity analyses of changes in income flows, the change in profit leading to an elimination of the margin went from -82.5% to -83.3%.

Sensitivity analysis - results of test on Retail CGU

		(Ke)			
		9.53%		36.56%	
		Differential		Differential	
		Absolute value	% impact on recoverable value	Absolute value	% impact on recoverable value
(g)	1.50%	9,587	68.8%	-17	-0.1%
	2.00%	10,251	73.5%	0	0.0%
	2.50%	11,010	79.0%	18	0.1%

Sensitivity analysis - results of test on Retail CGU

		Ke			
		9.53%		36.56%	
		Differential		Differential	
		Absolute value	% impact on recoverable value	Absolute value	% impact on recoverable value
PROFIT	5.00%	10,866	78.0%	137	1.0%
	0.00%	10,251	73.5%	0	0.0%
	-5.00%	9,636	69.1%	-137	-1.0%
	-83.3%	0	0.0%	-2,283	-16.4%

For the Banca Akros CGU, the following table shows that, with the mere updating of the cost of equity to 9.50%, all other factors and parameters being equal, the positive difference between the recoverable value and the book value would be 36 million, up from 34 million recorded as at 31 December 2023.
The rate of 23.16%, which would lead to the elimination of the margin, remains unchanged, all other factors being equal.

Sensitivity analysis - results of test on Banca Akros CGU:

		(Ke)			
		9.50%		23.16%	
		Differential		Differential	
		Absolute recoverable value	% impact on value	Absolute value	% impact on recoverable value
(g)	1.50%	33	60.5%	-0.3	-0.6%
	2.00%	36	66.1%	0	0.0%
	2.50%	40	72.4%	0.3	0.6%

For Oaklins, the following table shows that, with the mere updating of the cost of equity to 9.50%, all other factors and parameters being equal, the positive difference between the recoverable value and the book value would be 10 million, up from 9 million recorded as at 31 December 2023.
The rate of 21.40%, which would lead to the elimination of the margin, remains unchanged, all other factors being equal.

Sensitivity analysis - results of test on Oaklins					
		(Ke)			
		9.50%		21.40%	
		Differential		Differential	
		Absolute value	% impact on recoverable value	Absolute value	% impact on recoverable value
(g)	1.50%	9	56.0%	-0.1	-0.7%
	2.00%	10	61.5%	0	0.0%
	2.50%	11	67.7%	0.1	0.7%

For the Bancassurance Protection CGU, the following tables show that, with the mere updating of the cost of equity to 9.17%, all other factors and parameters being equal, the positive difference between the recoverable value and the book value would be 24 million, up from 21 million recorded as at 31 December 2023.
The rate of 10.46%, which would lead to the elimination of the margin, remains unchanged, all other factors being equal.
With regard to the sensitivity analyses of changes in income flows, the change in profit leading to an elimination of the margin went from -12.9% to -15.05%.

Sensitivity analysis - results of test on Bancassurance Protection CGU					
		(Ke)			
		9.17%		10.46%	
		Differential		Differential	
		Absolute value	% impact on recoverable value	Absolute value	% impact on recoverable value
(g)	1.50%	15	8.3%	-6	-3.6%
	2.00%	24	13.4%	0	0.0%
	2.50%	35	19.2%	7	4.0%

Sensitivity analysis - results of test on Bancassurance Protection CGU					
		(Ke)			
		9.17%		10.46%	
		Differential		Differential	
		Absolute value	% impact on recoverable value	Absolute value	% impact on recoverable value
Profit	10.00%	40	22.2%	14	7.5%
	0.00%	24	13.4%	0	0.0%
	-5.00%	16	8.9%	-7	-3.7%
	-15.05%	0	0.0%	-20	-11.2%

For the Banco BPM Vita CGU, the following tables show that, with the mere updating of the cost of equity to 9.17%, all other factors and parameters being equal, the positive difference between the recoverable value and the book value would be 14 million, up from 7 million recorded as at 31 December 2023.
The rate of 9.55%, which would lead to the elimination of the margin, remains unchanged, all other factors being equal.

With regard to the sensitivity analyses of changes in income flows, the change in profit leading to an elimination of the margin went from -2.67% to -4.86%.

Sensitivity analysis - results of test on Banco BPM Vita CGU					
		(Ke)			
		9.17%		9.55%	
		Differential		Differential	
		Absolute value	% impact on recoverable value	Absolute value	% impact on recoverable value
(g)	1.50%	-3	-0.8%	-15	-4.1%
	2.00%	14	3.7%	0	0.0%
	2.50%	33	8.9%	17	4.6%

Sensitivity analysis - results of test on Banco BPM Vita CGU					
		(Ke)			
		9.17%		9.55%	
		Differential		Differential	
		Absolute value	% impact on recoverable value	Absolute value	% impact on recoverable value
Profit	10.00%	42	11.3%	27	7.2%
	0.00%	14	3.7%	0	0.0%
	-1.00%	11	2.9%	-3	-0.7%
	-4.86%	0	0.0%	-13	-3.5%

It should also be noted that if the sensitivity analyses described above had been conducted with the use of a risk-free rate equal to the average over a shorter time horizon, their results would not have led to conclusions different from those reached.

Tax assets - Item 110 and Item 130 in the assets

Deferred tax assets

A. Deferred tax assets – breakdown

As at 30 June 2024, total DTAs amounted to 3,593.1 million (3,849.8 million as at 31 December 2023), of which 3,244.1 million had an impact on the income statement, while 349.0 million was recorded as a balancing entry in shareholders' equity, in accordance with the entries referred to. For a review of the breakdown of these DTAs, please see the table "11.1 Deferred tax assets: breakdown".

In greater detail, as at 30 June 2024, the deferred tax assets that meet the requirements of Italian Law no. 214 of 22 December 2011 ("Law 214/2011") for convertibility into tax credit amounted to 1,609.9 million (1,845.1 million as at 31 December 2023). The provisions under this law and, subsequently, under Italian Law 147/2013 (2014 Stability Law), provide for the conversion of DTAs into tax credits in the case of a "statutory loss", a "tax loss" for IRES purposes and a "net negative value of production" for IRAP purposes. For the purposes of these regulations, write-downs on loans not yet deducted based on temporal limits in effect at the time pursuant to Article 106, paragraph 3 of the Italian Consolidated Tax Law (TUIR) are included, as are negative components relative to goodwill and other intangible assets, not yet deducted according to the temporal limits in effect at the time (known as "qualified DTAs").

Specifically, as at 30 June 2024, the Group's eligible DTAs derive from:

- temporary deductible differences relative to write-downs on loans exceeding immediate deductibility limits envisaged in the tax regulations solely with reference to credit and financial entities for 1,087.1 million (1,275.0 million as at 31 December 2023);
- temporary deductible differences relative to goodwill and other intangible assets recognised in previous years for 522.8 million (570.1 million as at 31 December 2023).

It should be specified that, specifically with reference to these DTAs, their continued convertibility to tax credits is subordinate to the payment of the fee pursuant to Decree Law 59 of 3 May 2016, amended and converted into law with Law no. 119 of 30 June 2016. Italian Law no. 15 of 17 February 2017, converting the "Salva risparmio" Decree Law postponed the period for which the fee is due to 31 December 2030. In order to guarantee the convertibility of DTAs into tax credit and avoid the negative impacts that would otherwise result on Own Funds, Banco BPM Group availed of the option by paying said fee.
The fee for the year 2024 amounted to 17 million and was accounted for as at 30 June 2024 for the applicable portion.

As at 30 June 2024, residual deferred tax assets (non-convertible DTAs) amounted to 1,983.2 million (2,004.6 million as at 31 December 2023), of which 941.4 million deriving from IRES tax losses, which can be carried forward (886.2 million as at 31 December 2023) and 1,041.8 million deriving from costs and value adjustments deductible in years subsequent to those of recognition in the financial statements (1,118.4 million as at 31 December 2023).
Note that not all ineligible DTAs were recognised in the financial statements by Banco BPM and its subsidiaries. The amount of DTAs not posted as at 30 June 2024 in relation to the absence of the relative assumptions came to 28.7 million, all of which refers to the Parent Company, of which 4.6 million of IRES DTAs and 24.1 million of IRAP DTAs.

B. Deferred tax assets - recoverability checks

In compliance with the provisions of IAS 12 and the ESMA communication of 15 July 2019, Banco BPM Group recognised Deferred Tax Assets (DTAs), after verifying that the values recognised were supported by judgements that it was probable they could be recovered. In order to make these judgements, the current tax provisions were taken into consideration, in particular with reference to rules regarding whether certain deferred tax assets can be converted into tax credits, and the Group's capacity to generate future taxable income, also taking the "tax consolidation" option into account.

As regards eligible DTAs that can be converted into tax credits, equal to 1,609.9 million - corresponding to 44.80% of the total DTAs posted in the financial statements as at 30 June 2024 - the tax regulations introduced by Italian Law 214/2011, along with the exercise of the option for the annual fee regime illustrated above make their recoverability certain. This treatment is in line with the indications contained in the Bank of Italy/CONSOB/ISVAP document no. 5 of 15 May 2012 "Accounting treatment of deferred tax assets deriving from Italian Law 214/2011".
The recognition and subsequent maintenance in the financial statements of the remaining tax assets (non-convertible DTAs), totalling 1,983.2 million, strictly depends on the ability of the Group and/or the single companies to generate future taxable income ("tax capability").

To that end non-convertible DTAs were subject to three separate recoverability tests, based on a model that predicts future taxable income, as illustrated below:
- IRES taxable income resulting from the consolidated financial statements for the ordinary IRES tax rate (24%);
- IRES taxable income at individual level for Banco BPM, for the purpose of the additional IRES tax rate applicable to banks (3.5%);
- IRAP value of production at individual level for Banco BPM, for the purposes of IRAP.

The recoverability test was conducted based on the following information and assumptions:
- Banco BPM and its subsidiaries that have recorded DTAs reflected in the consolidated financial statements operate in Italy and, as a result, reference was made to the tax regulations in force in that country;
- implementation of the recently introduced tax changes, and in particular the repeal of the ACE starting from 1 January 2024, and the partial deferral of the deduction of the portions of value adjustments on loans envisaged for 2024 and 2026 to 2027 and 2028;
- said tax regulations do not establish time limits on the recovery of the IRES tax loss (Art. 84, paragraph 1 of Presidential Decree 917 of 22 December 1986);
- IAS 12 does not set out a maximum time horizon for forecasting taxable income;
- the estimates of future taxable income have been made using a multi-scenario approach, by taking as a reference the most recent cash flow projections of Banco BPM Group or Banco BPM for the 2024 - 2026 period;

- the estimates referred to in the previous point have been adjusted to take account of the uncertainty that characterises the actual realisation of long-term forecasts, applying a discount factor defined on the basis of a risk premium (so-called Risk-adjusted profit approach), in line with the recommendations set out by ESMA in the aforementioned Communication of 15 July 2019;
- Deferred Tax Liabilities (DTLs) were offset by DTAs in the event that their reversal over time is expected to occur in the same year.

Below is detailed information on the assumptions used for probability testing, their outcomes and sensitivity analysis.

B.1 Estimated future taxable income

The estimate of future taxable income took place starting from the most recent income projections of Banco BPM and the Group for the years 2024-2026 prepared for the ICLAAP, approved by the Board of Directors on 27 March 2024.

Considering the current context of uncertainty, these projections have been made with reference to three separate macroeconomic scenarios at the date on which the above-mentioned scenarios were developed, to which a different probability of occurrence has been attributed. In detail, alongside a baseline scenario, an adverse scenario and a favourable scenario were drawn up, to which probabilities of occurrence of 50%, 30% and 20% respectively were assigned, consistent with the other valuation processes.
As at 31 December 2023, the above-mentioned probabilities were the same.
For long-term profitability, starting from 2027, we took as reference the expected income in 2026, determined by weighting the three scenarios indicated, appropriately normalised to take account of a number of components considered non-recurring. This income has been projected, starting from 2028, with an annual growth rate (g) of 2%, equal to the nominal growth forecasts of the national economy.

B.2 Adjustment of future taxable income

In order to take into account the uncertainty that characterises the actual realisation of long-term forecasts, a discount factor of 5.44% has been introduced. This factor has been defined as a function of the risk premium required by the market (MRP - Market Risk Premium), equal to 5.1%, multiplied by the Beta coefficient (ß), equal to 1.067%, i.e. the coefficient that expresses the specific riskiness of the Group's business.
In more detail, the adjustment of taxable income is obtained by discounting each year's forecasts for the discount factor of 5.44%, applied according to the compound capitalisation formula, from 2028 onwards. This formula therefore makes it possible to adjust future forecasts according to an increasing abatement factor depending on the time horizon of the estimated taxable flows.

The growth rate (g), and the parameters to factor in the uncertainty of forecasts (MRP and ß) are consistent with those considered for the impairment test of intangible assets with an indefinite life; related to the Retail CGU, as illustrated in more detail in the previous section "Intangible assets - item 100".

B.3 Outcomes of the probability test and sensitivity analysis

Based on the valuation exercise conducted using the model described in points B.1 and B.2 above, the results are illustrated below, distinguishing between the consolidated IRES DTAs at an ordinary tax rate of 24%, IRES DTAs with an additional tax rate of 3.5% at the individual level of Banco BPM and IRAP DTAs at the individual level of Banco BPM, which represent almost all of the DTAs recognised in the consolidated financial statements.
The IRES DTAs recognised based on the ordinary tax rate of 24% as at 30 June 2024, which can be recovered through the income generated by all the companies belonging to the Group, amount to 1,614.1 million. Full recovery of those DTAs is expected by the end of 2033 (10 years), in line with the results as at 31 December 2023.
The IRES DTAs recognised based on the additional tax rate of 3.5% as at 30 June 2024, which can be recovered through the income generated in the separate financial statements of Banco BPM, amount to 241.4 million. As was found in the test as at 31 December 2023, the full recovery of the DTAs in question is expected to take place by the end of 2033 (10 years).

Lastly, referring to the IRAP DTAs of Banco BPM as at 30 June 2024, which can be recovered through income generated individually by Banco BPM, of 111.8 million, the projections of taxable income show, for each year, full recovery of the DTAs from temporary differences which shall reverse in that year.

Sensitivity analysis of the consolidated IRES DTAs based on the tax rate of 24%

The model used includes assumptions and hypotheses that could significantly affect the assessments of the recoverability of the DTAs, for the IRES DTAs recognised based on the rate of 24% (1,614.1 million, equal to 86.8% of the total non-convertible IRES DTAs).
To this end, a sensitivity analysis was conducted on the main hypotheses and assumptions relating to the recovery time horizon; in particular, the sensitivity analyses were developed on the basis of the following factors:

- discount rate of forecasts of future taxable income: any 1.5% increase/decrease in the adjusting factor (6.9% and 3.9% respectively) would result in the confirmation of recovery by the end of 2033;
- long-term income growth rate (g): a reduction of 0.5% (from 2% to 1.5%) would not have significant impacts on the horizon for recovery, which would be confirmed as by the end of 2033;
- a "normalised" taxable income expected from 2028 onwards: a 15% reduction in that income would not lengthen the expected return of the DTAs.

Furthermore, as previously discussed in the event that the projections of taxable income developed based on income flows not adjusted using the adjusting factor were confirmed by the results that the Group will generate in the future, the full recovery of the DTAs, including those relating to previous years' tax losses, would be unchanged in the year 2033 (10 years).

For the DTAs in question, the following table summarises the different time horizons for the return of DTAs in the various alternative scenarios illustrated above, compared with the recovery forecasts as at 30 June 2024 drawn up on the basis of the assumptions and hypotheses described in points B.1 and B.2 above.

Expected time horizon of return of the IRES DTAs based on the tax rate of 24%	Risk-adjusted profit approach					Income projections (without discount factor)
	Forecasts as at 30/06/2024	Sensitivity				
		Discount factor (+1.5%)	Discount factor (-1.5%)	Growth factor g (-0.5%)	Expected taxable income at the end of the explicit period (-15%)	
31/12/2026 (3 years)	24.8%	24.8%	24.8%	24.8%	24.8%	24.8%
31/12/2028 (5 years)	60.8%	59.9%	61.7%	60.7%	57.4%	64.1%
31/12/2030 (7 years)	89.8%	89.8%	89.8%	89.8%	89.3%	89.8%
31/12/2033 (10 years)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The sensitivity analyses show that, even in the event of negative changes in the underlying parameters, the recovery period does not change significantly, as the taxable income in the different scenarios assumed does not generate new DTAs on tax losses, in addition to those already recognised, whose recovery period is envisaged in a time horizon not exceeding the expected repayment plan of the other DTAs (equal to 10 years).

B.4 Considerations on DTAs relating to IRES tax losses that can be carried forward

Note that as at 30 June 2024, the DTAs deriving from IRES tax losses that can be carried forward amount to 941.4 million, compared to the figure of 886.2 million as at 31 December 2023.
With specific reference to said DTAs posted in previous years, they were recorded following the exact identification of the causes that generated the tax losses and the assessment that they would not repeat in the future on a recurring basis, in line with the provisions of IAS 12. The origin of the tax losses recorded up until 2019 is specifically attributable to the significant loan losses deemed extraordinary, recognised as part of the process of reducing the amount of non-performing loans and, to a lesser extent, to the other extraordinary charges attributable to the business combination that gave rise to Banco BPM Group (e.g. charges relating to the reduction of redundant personnel, the integration of IT systems, the rationalisation of the territorial network) or deriving from the need to favour the rescue of other banks external to the Group in order to protect the stability of the banking system. Also the

loss recognised in 2020, which originated from the circumstances of the Covid-19 pandemic, was deemed to be extraordinary, as also confirmed by the extraordinary measures set in place as a reaction to said circumstance.

11.1 Deferred tax assets: breakdown

	IRES	IRAP	Other taxes	30/06/2024	31/12/2023
A) As balancing entry in the Income Statement					
A.1) Convertible DTAs pursuant to Italian Law 214/2011	**1,443,707**	**166,184**	**-**	**1,609,891**	**1,845,142**
Write-downs of loans deductible in subsequent years	1,015,490	71,643	-	1,087,133	1,275,031
Costs deductible in subsequent years deriving from the tax relief on goodwill and other intangible assets	428,217	94,541	-	522,758	570,111
A.2) DTAs - Other types	**1,571,979**	**62,253**	**37**	**1,634,269**	**1,659,942**
Tax losses that can be carried forward	941,372	-	-	941,372	886,173
ECL adjustments of FTAs pursuant to IFRS 9 on loans to customers deductible in the subsequent years	164,628	33,285	-	197,913	219,904
Provisions and value adjustments deductible in subsequent years	81,008	-	-	81,008	91,955
Personnel expenses and provisions for employee severance pay deductible in subsequent years	67,553	673	-	68,226	89,214
Value adjustments to real estate deductible in subsequent years	276,827	21,120	37	297,984	289,772
Book values lower than the recognised tax values resulting from value adjustments to goodwill and other intangible assets	16,574	3,365	-	19,939	20,900
Book values lower than the recognised tax values resulting from fair value measurement of financial assets	651	48	-	699	864
Other cases of misalignment between book and tax values	23,366	3,762	-	27,128	61,160
Total A	**3,015,686**	**228,437**	**37**	**3,244,160**	**3,505,084**
B) As a balancing entry in Shareholders' Equity					
Book values lower than the recognised tax values deriving from fair value measurement of financial assets measured as a balancing entry in shareholders' equity	237,681	51,848	-	289,529	285,231
Other cases of misalignment between book and tax values	49,806	9,617	-	59,423	59,465
Total B	**287,487**	**61,465**	**-**	**348,952**	**344,696**
Total (A+B)	**3,303,173**	**289,902**	**37**	**3,593,112**	**3,849,780**

Other information

Global minimum tax

The OECD "Tax Challenges Arising from the Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two)" and Council Directive (EU) 2022/2523 of 14 December 2022 introduced legislation aimed at ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups (global minimum tax).
The global minimum tax consists of 3 taxes:

- top-up taxation by the country in which the companies of the multinational group pay a low tax if that country has chosen to introduce a Qualified Domestic Minimum Top-Up Tax (QDMTT);
- minimum top-up taxation by the country of location of the direct or indirect participant, taking into account any amount withdrawn through a minimum domestic tax (IIR - Income Inclusion Rule);
- minimum top-up taxation (UTPR - Under-Taxed Payments Rule) by countries that adopt the GloBE, in which the multinational group is present with other companies, in the cases in which the top-up taxation due in relation to the companies of the group subject to low taxation was not withdrawn or only partially.

The Banco BPM Group falls within the scope of application of Pillar Two regulations, and Banco BPM qualifies as the Ultimate Parent Entity of that Group.
As regards the breakdown of the Banco BPM Group for Pillar Two purposes, it is based in Italy and has its main foreign entities in the jurisdictions of Switzerland (through the subsidiaries Banca Aletti Suisse and Bipielle Bank

Suisse in liquidation) and Ireland (through BBPM Life, held by Vera Vita, a subsidiary of Banco BPM Vita, in turn held by Banco BPM).
Pillar II legislation has been enacted in the jurisdictions in which Banco BPM Group operates. The legislation entered into force for the Group's financial year starting on 1 January 2024. More specifically, in Italy the legislation was implemented through Italian Legislative Decree no. 209 of 27 December 2023 (Official Gazette no. 301 of 28 December 2023), which also introduced the Qualified Domestic Minimum Top-Up Tax(QDMTT), the implementing provisions of which are contained in Ministry of Economy and Finance decree of 1 July 2024 (Official Gazette no. 159 of 9 July 2024), as well as the implementation of the simplified transitional arrangements (TSH - Transitional Safe Harbors) enacted through the issue of Ministry of Economy and Finance decree of 20 May 2024 (Official Gazette no. 123 of 28 May 2024). The QDMTT was implemented in Switzerland with effect from 1 January 2024.
In Ireland, in December 2023, the Finance (No. 2) Bill 2023 was adopted, which includes the legislation relating to the implementation of Pillar II: the income inclusion rule (IIR) and the provisions on the Qualified Domestic Minimum Top-Up Tax (QDMTT) will apply for tax years starting from 31 December 2023.
The Group carried out an analysis on the initial possible impacts of the legislation under discussion (which the Group is currently still evaluating and implementing) on the basis of the most recent data available, i.e. those relating to the year 2023.
At present, and pending further regulatory changes and clarifications on the matter, as well as further analyses on the subject, Italy and Switzerland are expected to have benefited from the TSH regulations in 2023.
On the other hand, Ireland, in relation to 2023, would not have benefited from any of the TSHs. In relation to this period, the Banco BPM Group has made a potential estimate, through its local consultants, of the possible Top-up Tax due in that jurisdiction, which amounts to approximately 200 thousand euro.
Nonetheless, the analyses mentioned above are based on an analysis of a constantly evolving regulation that the Group is currently evaluating and implementing and on data that are not yet definitive (as the true impact of the regulation can only be confirmed when in possession of all data relating to the entire 2024 tax period, the first tax period of application of this legislation). Therefore, the results of the preliminary evaluation could differ (even substantially) from the actual results recorded at the time of the initial real application of the Pillar 2 regulation.

Other assets: receivables due from tax authorities

Item 130 "Other assets" as at 30 June 2024 includes receivables due from tax authorities of 4,160.2 million (4,020.9 million as at 31 December 2023), mainly represented by:

- receivables resulting from claims for the refund of direct taxes totalling 315.2 million concerning:
  - receivables of 216.3 million relating to 2018, the refund of which was requested in 2019;
  - IRPEG/ILOR receivables of 96.1 million relating to 1995 of the former Banca Popolare di Novara, the refund of which was denied by the Tax Authorities - Novara Provincial Office. With regard to the dispute initiated by the former Banco Popolare, both the Provincial Tax Commission and the Regional Tax Commission accepted the appeals presented, ordering the Tax Authority to also pay legal expenses. On the other hand, the Court of Cassation upheld the two grounds of the appeal of the Tax Authority aimed at asserting, from a procedural perspective, the nullity of the ruling on appeal as it did not have the necessary support, ordering the referral of the case to the appeal judge. At that time, the Bank's arguments, already successfully asserted in the first and second instance proceedings, regarding the receivables requested for reimbursement will be reiterated;
  - IRES and IRAP receivables of 2.8 million attributed following the liquidation of Group companies;
- IRES receivables due to non-deduction of IRAP of 0.6 million, of which 0.4 million relating to Banco BPM and 0.2 million relating to Banco BPM Vita. The receivable of Banco BPM relates to the residual amount not repaid, equal to 1.1 million of the receivable due to the former Banco Popolare. An appeal was filed with the Provincial Tax Commission for this receivable and a specific bad debt provision of 0.7 million was recognised in 2021. The Provincial Tax Commission of Venice partially accepted the Bank's appeal and declared the discontinuance of the matter in issue concerning the repayment of the sum of 0.25 million, partially settled in the first half of 2024. The Bank filed a cross appeal before the Veneto Tax Court of Justice of second instance;
- receivables resulting from claims for the refund of VAT and indirect taxes totalling 17.6 million concerning:
  - 7.4 million relating to tax years 1998, 1999 and 2000 of the former Banca Italease S.p.A.. The dispute, initiated for a total receivable of 179.9 million, was repaid during the year 2022 in the amount of 161.9 million, following the ruling during the resumption of the proceedings of the Regional Tax Commission of 9 November 2020, filed on 17 September 2021. With the aforementioned judgement, the Commission accepted the Bank's appeal with the exception of:

    - the amount of 1.7 million, relating to the VAT credit for the year 2000, for which the objection raised by the Office according to which there is no proof of the reimbursement due was considered valid;
    - the interest accrued on the VAT credit for the year 1999, for which the Commission denied the reimbursement of 7.7 million, considering that it concerned late payment interest. In the present case, according to the Commission, the Office should not be considered in default having requested additional documentation from the counterparty (documents relating to pending proceedings). The Bank's defence based on the irrelevance of this documentation for the purpose of proving the existence of the VAT credit was not accepted.

  Prudentially for the amounts not recognised, a specific bad debt provision of 9.4 million had been recognised as at 31 December 2021.

  The residual amount of 7.4 million (after the write-off of interest of 1.2 million in 2022) consists of interest accrued and not yet repaid. A further appeal was filed with the Court of Cassation;
  - 7.6 million referring to the dispute of the former Mercantile Leasing S.p.A. relating to the partial refusal of the VAT refund for the first and second quarters of 2007. Of this amount, 4.5 million was requested as a refund in the declaration and is not disputed. For the amount of 6.8 million, against the refusal of the reimbursement by the Tax Authority for the amount of 3.7 million, the Bank prudentially had recognised a specific bad debt provision of the same amount in the financial statements of the year 2021, although filing the dispute in any event;
  - 2.6 million refers to the compliance proceedings against the Municipality of Rome regarding the challenge to a payment injunction for INVIM (tax on increases in value of real estate) purposes relating to a real estate purchase made in 1976; awaiting refund;
- receivables recognised as a balancing entry for payments made on a provisional basis pending the final judgement in the outstanding tax disputes, for a total of 211.0 million, of which 209.5 million referring to Banco BPM and 1.6 million referring to Banca Akros. Among the amounts referring to Banco BPM, 201.9 million relates to the dispute concerning the alleged non-deductibility of the costs incurred in 2005 by the former Banca Popolare Italiana attributable to the attempted takeover of Banca Antonveneta. The Banca Akros amount relates to the provisional recognition of 2/3 of the amount of the penalty imposed in the dispute relating to tax monitoring;
- receivables deriving from excess advance stamp duty payments and substitute taxes applied to customers which will be recovered through offsetting in the total amount of 333.4 million;
- various receivables due from the Tax Authorities of 39.5 million mainly relating to the payment of the advance of substitute tax on capital gains;
- tax receivables connected with the interest accrued on loans disbursed to customers resident in areas hit by earthquakes for 53.5 million;
- tax credits connected with the VAT payment for 1.0 million;
- Ecobonus credits of 3,049.4 million;
- municipal tax (IMU) credits of 0.2 million relating to the merged company Release S.p.A.;
- other receivables for withholdings incurred in a higher amount than that established by the Conventions on the avoidance of double taxation on share dividends, for which refunds are expected from foreign governments of 1.1 million, net of the bad debt provision of 0.4 million that had been prudently made by Banca Aletti;
- tax credits due from Foreign tax authorities on dividends paid of 2.3 million;
- tax credits on mathematical reserves (Law 265/02) of 135.2 million, 110.8 million of which relating to Banco BPM Vita, and 24.4 million to BBPM Life;
- tax credits on insurance (Law 282/04) of 0.2 million relating to Banco BPM Vita.

In light of the above, the gross value of the tax credits is 4,174.4 million and the write-downs made amount to 14.2 million. Therefore, the net value of receivables due from the Tax Authority recognised in the financial statements is 4,160.2 million.

Non-current assets and disposal groups held for sale and associated liabilities – Item 120 in the assets and Item 70 in the liabilities

12.1 Non-current assets and disposal groups held for sale: breakdown by type of asset

	Total 30/06/2024	Total 31/12/2023
A. Assets held for sale		
A.1 Financial assets	340,112	299,072
A.2 Interests in associates and joint ventures	-	-
A.3 Property, plant and equipment	95,399	158,911
of which: obtained through the enforcement of guarantees received	42,826	104,744
A.4 Intangible assets	118	126
A.5 Other non-current assets	9,676	10,576
Total A	**445,305**	**468,685**
of which at cost	350,064	309,988
of which at fair value level 1	-	-
of which at fair value level 2	-	-
of which at fair value level 3	95,241	158,697
B. Discontinued operations		
B.1 Financial assets at fair value through profit and loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Interests in associates and joint ventures	-	-
B.5 Property, plant and equipment	-	-
of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	**-**	**-**
of which at cost	-	-
of which at fair value level 1	-	-
of which at fair value level 2	-	-
of which at fair value level 3	-	-
C. Liabilities associated with assets classified as held for sale		
C.1 Payables	(207,536)	(204,055)
C.2 Securities	-	-
C.3 Other liabilities	(7,957)	(7,956)
Total C	**(215,493)**	**(212,011)**
of which at cost	(215,493)	(212,011)
of which at fair value level 1	-	-
of which at fair value level 2	-	-
of which at fair value level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	**-**	**-**
of which at cost	-	-
of which at fair value level 1	-	-
of which at fair value level 2	-	-
of which at fair value level 3	-	-

As at 30 June 2024, assets held for sale included the following types:

- owned properties for which sales negotiations in progress render probable the completion of the sales during the next year (indicated under item A.3 "Property, plant and equipment");
- assets for 217.7 million and liabilities for 215.5 million relating to the e-money business and the investee Tecmarket, following the negotiations aimed at establishing a strategic partnership for the development of a new Italian and independent company in the digital payments sector. In greater detail, the equalised e-money business, represented by prepaid cards, is shown for 207.5 million under item A.1 "Financial assets" and for the same amount in item C.1 "Payables";
- financial assets attributable to loans classified as bad and unlikely to pay for which assignment has been approved, amounting to 132.3 million, shown in item A.1 "Financial assets".

For further details on the accounting of the agreement relating to the e-money business, refer to the paragraph entitled "Other significant aspects relating to Group accounting policies" contained in Part A.1 of these Explanatory Notes.

LIABILITIES

Financial liabilities at amortised cost – Item 10

1.1 Financial liabilities at amortised cost: breakdown by product for amounts due to banks

Transaction type/Amounts	Total				Total			
	30/06/2024				31/12/2023			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**5,972,568**	X	X	X	**17,042,573**	X	X	X
2. Due to banks	**6,491,230**	X	X	X	**4,723,177**	X	X	X
2.1 Current accounts and demand deposits	289,147	X	X	X	219,038	X	X	X
2.2 Fixed-term deposits	187,936	X	X	X	155,836	X	X	X
2.3 Loans	5,426,706	X	X	X	3,891,523	X	X	X
2.3.1 Repurchase agreements	5,386,629	X	X	X	3,767,949	X	X	X
2.3.2 Other	40,077	X	X	X	123,574	X	X	X
2.4 Payables for commitment to repurchase own capital instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	5,334	X	X	X
2.6 Other payables	587,441	X	X	X	451,446	X	X	X
Total	**12,463,798**	**-**	**-**	**12,463,798**	**21,765,750**	**-**	**-**	**21,765,750**

BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

"Due to central banks" includes refinancing operations with the European Central Bank. As at 30 June 2024, there are TLTRO III long-term refinancing operations for a nominal value of 5.7 billion (15.7 billion as at 31 December 2023). The reduction compared to the amount outstanding as at 31 December 2023 is attributable to the repayment of 10.0 billion of an issue maturing on 27 March 2024.

For more details, please see the section "Other significant aspects relating to Group accounting policies", found in Part A of these Explanatory Notes.

1.2 Financial liabilities at amortised cost: breakdown by product for amounts due to customers

Transaction type/Amounts	Total				Total			
	30/06/2024				31/12/2023			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	100,071,325	X	X	X	98,587,817	X	X	X
2. Fixed-term deposits	1,069,256	X	X	X	245,531	X	X	X
3. Loans	1,411,132	X	X	X	1,788,431	X	X	X
3.1 Repurchase agreements	914,518	X	X	X	1,290,049	X	X	X
3.2 Other	496,614	X	X	X	498,382	X	X	X
4. Payables for commitment to repurchase own capital instruments	-	X	X	X	-	X	X	X
5. Lease payables	648,489	X	X	X	668,180	X	X	X
6. Other payables	1,131,414	X	X	X	1,240,362	X	X	X
Total	**104,331,616**	**-**	**-**	**104,331,112**	**102,530,321**	**-**	**-**	**102,530,321**

BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

1.3 Financial liabilities at amortised cost: breakdown by product for debt securities in issue

Type of securities/Amounts	Total 30/06/2024				Total 31/12/2023			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	20,446,013	13,008,980	7,500,160	-	18,886,862	10,997,896	7,875,385	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	20,446,013	13,008,980	7,500,160	-	18,886,862	10,997,896	7,875,385	-
2. other securities	2,002	-	-	2,001	2,943	-	-	2,943
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	2,002	-	-	2,001	2,943	-	-	2,943
Total	**20,448,015**	**13,008,980**	**7,500,160**	**2,001**	**18,889,805**	**10,997,896**	**7,875,385**	**2,943**

BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Debt securities in issue as at 30 June 2024 amounted to 20.4 billion (18.9 billion as at 31 December 2023).

As specified in the section "Significant events during the period" in the Interim report on operations, in January, the placement of a 750 million 6-year Green Senior Non-Preferred bond issue for institutional investors was concluded, which is included within the Bank's Green, Social and Sustainability Bond Framework of the Euro Medium Term Notes Programme.
The bond, issued at a price equal to 99.537%, pays a fixed coupon of 4.875% until 17 January 2029 (date of possible early redemption); if not redeemed, the security will pay a floating rate equal to the 3-month Euribor + 2.350% until the original maturity.
In addition to this transaction, a second issue was finalised as part of the programme in March 2024, relating to Tier 2 subordinated securities for an amount of 500 million, maturing in ten years and 3 months (June 2034), fixed coupon of 5% up to the fifth year and redeemable in advance starting from the fifth year.
Please also note that in the first half of 2024, Banco BPM concluded the placement of two new issues of European Covered Bonds (Premium) intended for institutional investors: the first in January 2024 for 750 million and a maturity of six years, the second in May 2024 for 500 million and maturity in seven years. Both transactions are part of the BPM Covered Bond 2 programme of 10 billion.

During the half-year, bonds amounting to an approximate nominal value of 0.5 billion matured or were repaid.

Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by product

Transaction type/Amounts	Total 30/06/2024					Total 31/12/2023				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Due to banks	12,683,853	78,736	11,468,940	-	11,547,676	11,586,525	82,228	10,549,385	-	10,631,613
2. Due to customers	7,687,635	305,783	6,839,525	-	7,145,308	7,540,190	9,183	6,974,325	-	6,983,508
3. Debt securities	1,259,557	-	1,237,533	-	1,212,319	1,552,862	-	1,512,194	-	1,486,726
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	1,259,557	-	1,237,533	-	1,212,319	1,552,862	-	1,512,194	-	1,486,726
3.2.1 Structured	1,259,557	-	1,237,533	-	X	1,552,862	-	1,512,194	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**21,631,045**	**384,519**	**19,545,998**	**-**	**19,905,303**	**20,679,577**	**91,411**	**19,035,904**	**-**	**19,101,847**
B. Derivative instruments										
1. Financial derivatives	-	168,415	1,470,725	-	-	-	121,975	1,641,821	-	-
1.1 Held for trading	X	168,415	1,470,698	-	X	X	121,975	1,149,286	-	X
1.2 Connected with the fair value option	X	-	-	-	X	X	-	492,519	-	X
1.3 Other	X	-	27	-	X	X	-	16	-	X
2. Credit derivatives	-	-	1,779	-	-	-	-	3,045	-	-
2.1 Held for trading	X	-	1,779	-	X	X	-	3,045	-	X
2.2 Connected with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**168,415**	**1,472,504**	**-**	**X**	**X**	**121,975**	**1,644,866**	**-**	**X**
Total (A+B)	**X**	**552,934**	**21,018,502**	**-**	**X**	**X**	**213,386**	**20,680,770**	**-**	**X**

NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3
*Fair value * = Fair value calculated excluding changes in value due to changes in the issuer's credit risk with respect to the issue date*

Financial liabilities designated at fair value – Item 30

3.1 Financial liabilities designated at fair value: breakdown by product

Transaction type/Amounts	Total 30/06/2024					Total 31/12/2023				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. Due to customers	**3,088,536**	**-**	**3,070,241**	**18,295**	**3,088,536**	**2,812,363**	**-**	**2,794,068**	**18,295**	**2,812,363**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	3,088,536	-	3,070,241	18,295	X	2,812,363	-	2,794,068	18,295	X
of which:										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. Debt securities	**4,368,391**	**674,332**	**3,756,577**	**-**	**4,346,493**	**3,750,884**	**5,966**	**3,761,836**	**-**	**3,704,471**
3.1 Structured	4,362,337	668,366	3,756,489	-	X	3,744,831	-	3,761,749	-	X
3.2 Other	6,054	5,966	88	-	X	6,053	5,966	87	-	X
Total	**7,456,927**	**674,332**	**6,826,818**	**18,295**	**7,435,029**	**6,563,247**	**5,966**	**6,555,904**	**18,295**	**6,516,834**

FV = Fair Value
FV = FV calculated excluding changes in value due to changes in the issuer's credit risk with respect to the issue date*
NV = nominal value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Item "2. Due to customers" refers for 3,070.2 million to insurance company liabilities for the issue of Unit-linked policies (2,794.1 million as at 31 December 2023).

In item "3. Debt securities", structured debt securities refer to certificates with guaranteed capital.
The use of the fair value option is due to the characteristic of a complex contract containing one or more embedded derivatives capable of significantly modifying the cash flows of said contract.
The remaining positions refer to certain bond issues, carried out in previous years and hedged using derivatives, for which recourse to the fair value option was used to eliminate or significantly reduce an accounting asymmetry with respect to the valuation criteria of management hedging derivatives, as an alternative to the accounting treatment of hedge accounting.

During the half-year, there were no repayments of significant amounts.

Liability provisions – Items 90 and 100

As at 30 June, liability provisions amount to 778.5 million (894.8 million as at 31 December of last year) and include the provisions for employee severance pay of 238.1 million (246.2 million at the end of last year), pension plans of 87.4 million (91.7 million as at 31 December 2023), risk provisions for commitments and guarantees given of 117.0 million (133.8 million as at last 31 December) and other provisions for risks and charges of 335.9 million (423.1 million at the end of 2023).

The latter include:

- provisions for legal and tax disputes amounting to 55.9 million;
- provisions for personnel expenses for 163.6 million;
- other provisions for risks and charges of 117.0 million.

as illustrated in detail in the following paragraphs 10.6.1, 10.6.2 and 10.6.3.

10.1 Provisions for risks and charges: breakdown

Items/Components	Total 30/06/2024	Total 31/12/2023
1. Provisions for credit risk relating to commitments and financial guarantees given	37,772	41,676
2. Provisions for other commitments and guarantees given	79,273	92,122
3. Company pension funds	87,368	91,743
4. Other provisions	335,922	423,108
4.1 legal and tax disputes	56,047	68,629
4.2 personnel expenses	163,343	230,635
4.3 other	116,532	123,844
Total	**540,335**	**648,649**

10.6 Provisions for risks and charges - other provisions

10.6.1 Other provisions - legal and tax disputes

The Group operates in a legal and regulatory context that exposes it to a wide range of legal disputes, connected, for example, with the terms and conditions applied to its customers, to the nature and characteristics of the financial products and services provided, administrative errors, bankruptcy clawback actions and labour law disputes.
Banco BPM, the companies whose merger gave rise to the Group, the incorporated subsidiaries and the subsidiaries also underwent various audits by the Tax Authorities. Those activities regarded the determination of the taxable income reported for the purposes of income taxes, VAT, registration tax and, more generally, the methods of applying tax regulations in force at the specific time. As a result of those audits, Banco BPM Group is involved in several disputes.

Legal and tax disputes are specifically analysed by the Group, in order to distinguish those whose settlement is expected to require the use of resources which will generate economic benefits and, as a result, will require the recognition of provisions, from the rest of the "contingent liabilities". "Contingent liabilities" are those disputes which correspond to the following, for which no provisions are recognised:

i) possible obligations, meaning that it has not been confirmed whether the entity has a current obligation that may result in the use of resources embodying economic benefits;
ii) actual obligations which, however, do not meet all the conditions for recognition set out in IAS 37 (because it is not likely that resources embodying economic benefits will be required to settle the obligation, or because no sufficiently reliable estimate may be made of the amount of the obligation).

It is noted that the information provided below regarding the claims connected with the main disputes represent the maximum risk exposure, irrespective of the opinion expressed by the Group regarding the relative degree of adverse outcome. For several of these disputes, the Group deems that there are limited risk profiles and, thus, as these are not probable but just possible liabilities, it has not allocated any provisions.

For disputes for which the entity is retained to have a current obligation that may lead to the use of resources embodying economic benefits, the disclosure on the amount of the allocation to provisions for risks and charges is not provided for single dispute in order not to cause harm to the Group in the evolution of the dispute with the counterparty, either in court or by way of settlement. In any event, the total amount of the allocations broken down by type of dispute is provided where the disputes can be grouped into categories of similar nature.
Furthermore, as permitted by paragraph 92 of the reference international accounting standard (IAS 37), the disclosure set out below does not include the information that could harm the position of the Group banks involved in the actions to protect their position in the case and in the pending disputes.

As indicated in the paragraph "Significant accounting policies and uncertainties regarding the use of estimates in the preparation of consolidated condensed interim financial statements" contained in Part A of these Explanatory Notes, to which reference is made, the complexity of the situations and corporate transactions that form the basis of the disputes entail significant elements of judgement which may involve the existence and the amount, and the related timing for the liabilities to arise. In that regard, to the extent that the estimates made by the Group are deemed reliable and compliant with the reference accounting standards, it cannot be ruled out that the charges which may arise from the settlement of disputes may differ, also by significant amounts, from the amount of the provisions allocated.

The provisions allocated against all existing legal and tax disputes, including cases associated with clawback actions, total 55.9 million.

Legal disputes with customers

The high number of disputes prevents us from providing a detailed list, while their diverse nature makes it extremely difficult, if not impossible, to group them into categories of similar nature.
Below, a brief description is provided of the main legal disputes pending as at 30 June 2024, whose settlement is deemed could entail a probable or possible use of financial resources:

- Presidency of the Council of Ministers/Left-wing Democrats: following the appeal by means of an injunction requested against Left-wing Democrats (bad loans) and the Presidency of the Council of Ministers (guarantors of the Left-wing Democrats by virtue of sureties) for 3 pooled loans (of which one with leading bank Efibanca and a further two investees) for a total of 26.5 million, opposition to the injunction was submitted in 2015; the courts of the first and second instance rules were in favour of the banks, at the same time rejecting the challenges of the injunction. The appeal ruling was not challenged with an appeal to the Court of Cassation by the parties and the proceedings were concluded in the first half of the year with a ruling in favour of the pool banks;
- On 5 March 2019, Barberini Hotel S.r.l. filed proceedings in order to obtain an order for Banco BPM to pay the amount of 19.5 million, as a result of the termination of some lease agreements on the initiative of the defendant and the obligation to proceed with the repayment of the instalments received and, secondly, the reduction of the contractual penalty. The Milan Court of Appeal confirmed the ruling in favour of the Bank made by the Court of Milan. The case is pending in the Court of Cassation;
- On 18 July 2019, the heirs of a customer summoned Banco BPM before the court to request the cancellation of several transactions, mainly financial in nature, which were allegedly carried out on accounts held by the customer without authorisation and in violation of the MiFID regulations. The counterparties requested that the Bank be ordered to return a total amount of around 37 million. With a ruling on 12 April 2024, the Court of Milan largely rejected the opposing party's claims, limiting the bank's conviction to the amount of 594 thousand. The ruling was enforced, and the terms for the appeal are pending;
- On 20 December 2019, Banco BPM was summoned before the court, together with a pool of banks, by the receivership of the company Privilege Yard for allegedly abusive lending. The receivership requested that the liability of the banks be verified for collusion in the mala gestio (poor management) by the directors of Privilege Yard, ordering them to jointly pay compensation for the damages of around 97 million (Banco BPM share 27 million). With a ruling dated 11 October 2022, the Court of Rome ordered the banks, jointly and severally, to pay 57.1 million. Banco BPM enforced the ruling for the portion due and, together with the other institutions involved, challenged the measure before the Court of Appeal;
- On 4 February 2020, Malenco S.r.l. summoned Banco BPM before the court, together with another bank that led the pooled operations, in relation to the granting of loans for the construction and completion of a property complex. The company requested that the invalidity of the loans be ascertained for allegedly exceeding the usury threshold rate and the invalidity of the derivative contracts taken out to hedge the loans granted, with a request to order Banco BPM to pay the sum of 31 million, 10 million of which together with the other bank. The Court of Rome, with ruling of 21 November 2022, fully rejected the claims of Malenco. The appeal proceedings are pending;
- Ce.De.Sisa Centro Nord S.p.A. (in liquidation) – On 5 August 2020 the Bank was summoned for a liability action against Directors, Statutory Auditors, the Independent Auditors and consultants of the bankrupt company and the banks that colluded with the management body in aggravating liabilities. The Bank, which never granted loans but operated through advances on invoices, lodged a preliminary objection to the statute of limitations of the claim formulated. The total remedy sought against all the banks

is 120 million. The hearing for the examination of the court-appointed expert was held on 24 January 2024; the case was postponed to 13 March 2024 for its continuance. Following negotiations with the bankruptcy assignee, a settlement agreement was reached, finalised in July 2024, requiring the Bank to pay 200 thousand euro and abandon the proceedings, with each party bearing its own legal expenses;

- On 23 December 2022, the extraordinary receivers of Società Italiana per Condotte d'Acqua S.p.A. summoned the members of its Management and Supervisory Boards, the auditing firm and the banking class, including Banco BPM, and some insurance companies to court, to obtain a joint and several sentence of all defendants to pay the sum of over 389 million. The amount is requested by way of compensation for the alleged damages also caused by the abusive granting of credit by the banking class, which would have allowed the company to continue to operate despite the crisis situation, also causing the serious impoverishment of the company's net assets. The lawsuit is still pending in the initial stage before the Court of Rome;
- In 2020 Atlantia S.p.A. and Autostrade per l'Italia S.p.A. initiated a compensation claim against Astaldi S.p.A. on their own behalf and with a mandate to represent a grouping of companies, of the former subsidiary Bipielle Real Estate and of S.C.C. S.r.l. as assignees of the original contractors in the construction of some motorway sections in the province of Genoa by virtue of a contract signed in 1991. The case originates from the sentence of the above plaintiffs in a parallel and still pending dispute before the Court of Appeal of Rome, brought by the defendants in 1993 for the partial non-fulfilment of the contract. The compensation claim, quantified at 33.2 million during the proceedings, was made jointly and severally against only the three defendant companies convened with the exclusion of the other participants in the consortium;
- On 19 June 2023, AD Casa S.r.l. challenged Banco BPM for its failure to finalise the sale, in its favour, of a real estate complex in Florence, with a consequent request for an order to contract at the lower price of 21.9 million, compared to the 35.1 million agreed, in addition to compensation for damages quantified at 3.8 million. The initial agreement was questioned by the prospective purchaser in light of the new operational plan approved by the Municipality of Florence. The case is pending before the Court of Milan;
- The subsidiary Partecipazioni Italiane in liquidation, as the former owner of land located in Pavia that was the industrial site of the former Necchi S.p.A., (which ceased business operations many years ago), was the subject of an order of the Province of Pavia which requested that the subsidiary, as the party "historically" responsible, along with another party, carry out the reclamation and containment of that area, which for many years now has been owned by third parties outside Banco BPM Group.

  The Lombardy Regional Administrative Court rejected the subsidiary's appeal against the provincial order. The ruling was challenged before the Council of State where the proceedings are pending in the decision-making phase. Within the parallel environmental proceedings, both some of the current owners of the various portions of the former Necchi site and Partecipazioni Italiane submitted autonomous area characterisation plans. Considering the various positions of the parties, new administrative proceedings arose which are currently pending before the Lombardy Regional Administrative Court, with the involvement of the Municipality of Pavia, the Province of Pavia and the Lombardy Regional Environmental Protection Agency as well.

  With regard to one of the portions of the site, on 7 March 2022, a settlement agreement was finalised with one of the current owners, regarding the reclamation of the portion of the former Necchi area it owns. The agreement envisages, inter alia, the contribution of Partecipazioni Italiane to bearing the reclamation costs for an amount of 1.4 million plus VAT (half of which already paid at the time of finalisation of the agreement and half to be paid to the counterparty on announcement of the start of the reclamation activities), already accounted for in the financial statements as at 31 December 2021.

  In order to present the risk analysis and the operational project for the reclamation and permanent securing of the part of the area owned by the counterparty, additional checks and additions to the project are underway, also following the launch by the Superintendency of Cultural Heritage of a procedure for the declaration of cultural interest for a property located in the Ex-Necchi area.

  For the portion of the former Necchi area owned by INAIL and currently occupied by the Pavia Police Headquarters, through the technical consultant WSP Italia S.r.l. (formerly Golder Associates S.r.l.), the subsidiary completed the characterisation activities of the portion of the area, as per Characterisation Plan approved by decision of the Municipality of Pavia on 21 March 2022. Following the integration of investigations made necessary to limit possible reclamation interventions and any future measures to make groundwater safe, WSP Italia updated the estimate of costs for future activities to 290 thousand euro, plus VAT, allocated in the company's financial statements as at 31 December 2023.

In February 2024, the Municipality of Pavia prescribed that Partecipazioni Italiane, as the party deemed liable for the contamination, and/or the current owners of portions of the areas, must immediately take adequate measures to ensure the safety of the aquifer. The company promptly took action to implement the required measures with an initial estimate of costs of 150 thousand euro allocated in the company's interim financial statements as at 30 June 2024.
For the other two areas into which the site is divided, given the uncertainty of the interventions to be carried out, it is not possible to reliably estimate any expenses borne by the investee, even within a certain range.

In light of the successful outcomes in the courts of first instance and/or the existence of valid grounds on which to challenge the claims made by the claimants with regard to proceedings underway, the claims classified as possible but unlikely amount to a total of 932.0 million.
Claims classified as probable amount to a total of 273.5 million, against which 53.2 million has been allocated under the item Provisions for risks and charges.

Tax disputes

The total claims made by the Tax Authorities as part of the tax disputes initiated involving Banco BPM and its subsidiaries amounted to 224.0 million as at 30 June 2024[1] (unchanged compared to 31 December 2023).

Below, a description is provided of the main legal disputes (claims over or equal to 1 million) pending as at 30 June 2024, whose settlement is deemed could entail a probable or possible use of financial resources.

- Banco BPM (former Banca Popolare di Verona e Novara Soc. Coop.) - tax demand regarding IRAP tax paid to the Regional Headquarters for Veneto for 2006. The claim refers to the application of the ordinary rate of 4.25% to the net value of production resulting from business activities performed in Veneto and in Tuscany, instead of the higher rate of 5.25% and originally amounted to 7.1 million. The tax demand has been challenged. The Provincial Tax Commission partially accepted the appeal, declaring that the fines imposed are not due. The Regional Tax Commission confirmed the first instance judgement, also cancelling the tax demand relating to the additional IRAP referring to the Tuscany Region. On 18 January 2023, the ruling of the Court of Cassation was published, which recognised the validity of the appeal filed by the Bank for the effective lack of a specific provision of regional law that exempts, for tax year 2006, the system suspending the application of the increase in the IRAP rate set forth by state law. However, the Court pointed out that following the suspension of the effectiveness of the increase in the IRAP rate for 2002 for banks and insurance companies, it believes that the rate of 4.75%, already envisaged at national level for 2002 by Art. 45, paragraph 2 of Italian Legislative Decree no. 446 of 1997, should be applied instead of the ordinary rate of 4.25%. The Court therefore overturned the decision of the Regional Tax Commission, referring to the second instance Tax Court of Veneto, which will have to redetermine the Bank's tax liability by applying the rate of 4.75%. The dispute therefore remains pending due to its referral to the second instance Tax Court. However, the latter will no doubt reduce the amount of the original claim (of 7.1 million, as indicated above) and order the consequent reimbursement of the taxes and relative interest already paid as a consequence of the ruling now overturned;
- Banca Akros - formal notification received in December 2021 relating to the alleged infringement of the transmission obligations to the Tax Authority envisaged by Article 1, of Italian Decree Law 167 of 1990 with the application of the minimum sanction envisaged by Art. 5, paragraph 1, for the amount of 2.3 million. On 30 November 2022, the Office served a decision to impose penalties with which it rejected the defensive arguments made by the Bank and imposed a penalty of 2.3 million against it. Considering the reasons contained in the decision contradictory and unfounded, on 30 January 2023, the Bank filed an appeal to the Milan Tax Court of first instance. On 16 January 2024, the ruling of the Milan Tax Court was filed, confirming the imposition of sanctions. The Bank, fully convinced that its reasons have not been adequately taken into consideration by the judges of first instance, lodged an appeal with the competent Tax Court of Lombardy requesting the annulment of the ruling. In light of the assessments carried out, in the

[1] Note that said amount does not include the disputes with an immaterial unit amount, mainly comprised of local taxes. It is also noted that, with the exception of the assessments relating to 2005 of the former Banca Popolare Italiana and the liabilities classified as probable, the estimate of contingent liabilities relating to the notices of assessment does not include any interest to be paid in the event of losing the lawsuit. The estimate of contingent liabilities relating to formal reports on findings served or being served other than those classified as probable does not include interest or fines.

consolidated condensed interim financial statements as at 30 June 2024, no provision is recognised against a possible negative outcome of the dispute described;

- Banco BPM (former Banca Popolare Italiana Soc. Coop.) - notices of assessment relating to tax year 2005 regarding the claimed non-deductibility for IRES and IRAP purposes of costs and value adjustments to receivables relating to facts or actions classified as offences (regarding offences of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by Banca Popolare Italiana with relation to the attempted takeover of Banca Antonveneta). The claims amount to 199.8 million (including interest and tax collection fees, of which 182.0 million relating to IRES and 17.8 million relating to IRAP. It should also be noted that the overall claim includes penalties applied up to a maximum of 200%). With separate judgements filed on 15 October 2014, no. 8562 (IRES) and no. 8561 (IRAP), the Section 22 of the Provincial Tax Commission of Milan fully rejected the appeals submitted by the Bank, though not justifying in any way the rationale underlying the confirmation of the tax demand. Said judgement was appealed against before the Lombardy Regional Tax Commission. The discussion of the appeals filed on 3 February 2015 was held before Section 2 of the Milan Regional Tax Commission on 6 May 2015. With judgement no. 670 filed on 19 May 2015, also lacking adequate justification, the Commission rejected the joint appeals submitted and confirmed the challenged judgements. On 18 December 2015, an appeal was submitted to the Supreme Court, which is still pending.
  The notices illustrated were followed by additional notices of assessment served on 22 December 2014 relating to the formal report on findings dated 30 June 2011 for tax years 2006-2009. The claims contained in these notices also regard the claimed non-deductibility for IRES purposes of the costs deemed attributable to facts or actions classified as offences. More specifically, they regard value adjustments on loans already disputed with reference to tax year 2005. Said value adjustments, although recognised by Banca Popolare Italiana in its financial statements for 2005, were deductible on a straight-line basis over the following 18 financial years pursuant to the version in effect at the time of Art. 106, paragraph 3 of Italian Presidential Decree no. 917 of 22 December 1986. Therefore, the notices of assessment challenge the claimed non-deductibility of the portions of those adjustments to loans deducted in 2006, 2007, 2008 and 2009. Total claims amount to 15.8 million. An appeal has been presented to the Provincial Tax Commission. The Commission suspended the proceedings until the final judgement of the Supreme Court is passed on the notices of assessment relating to 2005, pursuant to the previous point.
  The claims illustrated, which amount to a total of 215.6 million, were carefully assessed by the Bank in light of the negative rulings made in the courts of the first two instances. In that regard, it must firstly be noted that, in the parallel criminal proceedings initiated against the parties that signed the tax returns for the offence of inaccurate tax return (offence founded on the same charges contained in the notices of assessment in question), the judge issued a judgement of acquittal of the defendants "because there is no case to answer". Even though the criminal proceedings are independent from the administrative disputes, which, thus, may conclude with a different result, it is noted that, in the operative part of the ruling, the criminal judge justified his decision using the arguments analogous to those formulated by the Bank in its defence in the appeals submitted in the administrative proceedings illustrated. Furthermore, an analysis of the order and the content of the ruling of the Regional Tax Commission shows that the Commission's decision on the merits of the case contains no specific justification and is based on a mere reference to the Authority's claims, with no express indication of the reasons for its decision not to accept the precise arguments laid out by Banco Popolare in support of its appeal.
  In the light of these analyses and considerations, it being believed that there are grounds to challenge the ruling as, in fact, all the defensive arguments regarding aspects of legitimacy not considered by the judges in the first and second instances can be submitted again to the court, on 18 December 2015, the aforementioned appeal was lodged with the Supreme Court.
  The appeal was assessed by the Court at a public hearing on 22 March 2024. In this regard, the Attorney General filed their own brief within the terms of the law, pursuant to Art. 378, first paragraph, of the Italian Civil Procedure Code, in which it recognises the validity of the grounds for the appeal relating to the nullity of the notice of assessment issued for IRAP purposes, as it was notified late, proposing to set aside the contested judgement, while proposing the rejection of the other grounds for the appeal relating to IRES.
  In light of the new elements, an in-depth analysis of the aforementioned brief was carried out, also with the support of tax experts and legal experts who are assisting the bank in these proceedings; said analysis sought to verify whether the new information contained in the same is sufficient to change the assessments made with regard to the risk of losing and the conclusions reached in this regard.
  The analysis conducted confirmed the assessment of the risk of losing as possible, but not probable, meaning that there is therefore no need to recognise provisions in the financial statements as at 31

December 2023 to cover the potential liability related to the outcome of the dispute in question. In greater detail, it should be first be highlighted that the assessment of the observations of the Attorney General is left exclusively to the Court, which is in no way bound by the position expressed by the same. In addition, the reasons given by the Attorney General were deemed unacceptable from various perspectives, also as they were contrary to the orientation expressed by the Court of Cassation on relevant legal issues.
Following the publication on 28 June 2024 of Italian Legislative Decree no. 87 of 14 June 2024, which amended the tax penalty system, pursuant to art. 20 of Law no. 111 of 9 August 2023, the Bank submitted two briefs to the Court in which it claimed, on a subordinate basis in relation to the grounds on which it filed its appeal, the applicability to the dispute in question of some of the changes introduced with the reform of the penalty system. In more detail, with an initial brief, the Court was asked to apply the provisions of the new art. 21 bis of Italian Legislative Decree no. 74 of 10 March 2000, i.e. the recognition of the judgement declared enforceable in tax matters as well to the irrevocable criminal judgement of acquittal because "there is no case to answer" pronounced at the end of the hearing in relation to the same facts charged against the parties signing the tax return relating to the 2005 financial year of Banca Popolare Italiana. With a second brief, it was also requested, subject to the interpretation of adjustment of art. 5 of Italian Legislative Decree no. 87 of 14 June 2024 to the principles of equality, legality and proportionality sanctioned at both national and international level, to recalculate the penalties, if deemed due, to the extent of 70% of the higher taxes deemed accurately assessed instead of the 200% applied in the notice of assessment and confirmed by the ruling of the Regional Tax Commission.
In light of the two briefs submitted by the Bank, on 29 July 2024 the Court of Cassation made public an interim order whereby it decided to assign to the Public Prosecutor and the parties, pursuant to art. 384, paragraph 3, of the Italian Civil Procedure Code, a term of 60 days from the date of publication of the order for the filing of observations with the Court Registry on the issue of the relationship between art. 5 of Italian Legislative Decree no. 87/2024 and art. 3, paragraph 3 of Italian Legislative Decree no. 472/1997, and, more generally, on the relevance of the *ius superveniens* in the case in question, reserving the right to make a decision on the dispute based on the outcome.
In light of the situation described and the assessments carried out, in the consolidated condensed interim financial statements as at 30 June 2024, no provision is recognised for a possible negative outcome of the dispute described.

<u>Auditing activities</u>

On 23 January 2024, the Italian Tax Authority - Lombardy Regional Department, Large Taxpayers Office - initiated a tax audit of the subsidiary company Banca Aletti S.p.A. for IRES, IRAP, VAT and withholding tax obligations for tax year 2018.
At the end of the audit, on 30 July 2024, the Italian Revenue Agency served a report on findings that contains a single charge in relation to the IRAP tax treatment of the economic result of the Corporate & Investment Banking business unit, which was spun off in favour of Banca Akros in 2018. The claim amounts to 0.9 million in higher taxes plus penalties and unquantified interest.
The bank deems the finding to be unfounded and, within the terms and in the manner prescribed by law, will represent the full fairness of its actions.

Following the completion of a questionnaire sent to the insurance companies that operate in Italy from Ireland, Luxembourg and Liechtenstein, the Italian Tax Police launched a tax control activity against the subsidiary insurance company BBPM Life Dac.
On 3 June 2024, the Italian Tax Police converted the inspection form from control to tax audit, for the purposes of Direct Taxes, for the tax periods from 2018 to 2022, particularly with reference to checking the proper fulfilment of obligations relating to tax monitoring, established by Decree Law no. 167 of 28 June 1990 (converted by Law no. 227 of 4 August 1990), pertaining to life insurance contracts entered into with Italian customers. At the date of approval of these consolidated condensed interim financial statements, the Italian Tax Police has not made any specific charges.

10.6.2 Other provisions - personnel expenses

They amount to 163.3 million (down compared to 230.6 million as at 31 December 2023) and include, inter alia: i) the estimated expense deriving from the expected payment of variable remuneration in compliance with the

provisions of the Group's incentive systems; and ii) the estimate relating to other disbursements planned in favour of the staff (e.g., loyalty bonuses, non-competition agreements, etc.).
This item also includes the residual amount of 59.2 million (net of the payments already made) allocated for the charges expected for the use of the extraordinary benefits of the Solidarity Fund and for early retirement incentives following the agreements reached with the trade unions announced to the market on 30 December 2020 and subsequent supplementary agreements relating to early retirement on a voluntary basis of around 1,850 total resources.
The reduction compared to the balance of 230.6 million as at 31 December 2023 is mainly due to the payment of amounts relating to the 2023 incentive system and Solidarity Fund cheques paid to those entitled during the half-year.

10.6.3 Other provisions - other

This residual category of provisions amounts to a total of 116.5 million and mainly includes allocations against the following liabilities:

a) risks relating to disputes and claims, both pending and expected, linked to operations with customers (21.5 million);
b) estimate of probable reimbursements of fees consequent to the possible early termination of insurance policies by customers (23.8 million);
c) risks associated with commitments undertaken as part of partnership agreements and guarantees granted against the disposal of interests or other assets or groups of assets (37.8 million);
d) risks associated with guarantees given for sales of non-performing loans already finalised as at 31 December 2022 (12.6 million).

Category a) includes the provision made against residual risks associated with reporting activities carried out of customers interested in purchasing diamonds to the specialised company Intermarket Diamond Business S.p.A. ("IDB"). Almost all of those reporting activities were carried out from 2003 to 2016 and, thus, prior to the merger that gave rise to Banco BPM. That activity was suspended in the initial months of 2017 and then definitively stopped.
In relation to these transactions, criminal proceedings were initiated before the Milan Public Prosecutor's Office, as part of which, on 19 February 2019, the Milan Public Prosecutor's Office served the Bank with a pre-judgement attachment order for a total amount of 84.6 million, which was later reduced to 83.8 million following a first partial release from the seizure and confiscation ordered by the Judge at the preliminary hearing in Milan, as part of the ruling to apply the penalty in the request of 8 April 2022.
Please also recall that in 2023, the Verona and Rome Public Prosecutors, having acknowledged the remediation activity carried out by the Bank, also sharing the Bank's legal arguments, ordered the release of the entire sum still subject to restriction equal to 83.8 million.

These situations resulted in the receipt of a high number of complaints from the Group customers involved and the launch of disputes in civil court. In this regard, also with a view to standing by to its customers, the Group has implemented a large-scale customer care initiative over the last few years, aimed, if necessary, at finalising transactions by providing a free service for assistance to customers in submitting requests to the bankruptcy receiver for the return of stones and, lastly, for the return of diamonds in custody at the vaults managed by the IDB bankruptcy. As at 30 June 2024, 24,488 claims had been received, and around 1,400 disputes notified (partly preceded by a claim) for total relief sought of around 721.3 million.
At the same date, due to the previously illustrated management and customer care activities, claims and disputes were resolved, through a settlement or the issue of a final ruling, for total relief sought of 668.2 million.
Against the complaints and disputes, both those not yet defined and those potentially estimated, the sub-item in question includes the specific provision recognised against the above disputes with customers amounting to 21.5 million as at 30 June 2024.
The total provision made over the years, from 2017, was 392.8 million, against which drawdowns for refunds to customers of 371.3 million were made.
As at 31 December 2023, the provision amounted to 25.6 million; during 2024, drawdowns for refunds of 5.0 million were made, and a further provision of 0.9 million was added, to take into account the updated estimates relating to the total expected remedy and the percentages of compensation.
Item b) represents the provision allocated in application of that established under accounting standard IFRS 15 against the risk of having to return a portion of commissions received for the placement of insurance policies with customers, in the case that these customers decide to close the insurance coverage in advance.

Item c) represents the provision allocated against risks associated with certain guarantees granted to the buyer at the time of disposals of interests, assets and groups of assets which have already been completed and as part of partnership agreements signed, as better specified below.

To this end, we can note that, in the context of the contracts signed at the time of the disposal of interests or business segments finalised in previous years, as well as any correlated partnership agreements, there are investment protection and guarantee mechanisms for the buyer. In detail, those mechanisms provide for the possible payment of indemnities to the buyer/partner in the event that specific business targets are not reached, setting out limits, deductibles, grace periods and exceptions in favour of Banco BPM Group. Certain protection and guarantee mechanisms shall remain in force until the end of the partnership.
A list is provided below of the main operations finalised for which the sale agreements and/or related partnership agreements envisage obligations for Banco BPM Group to pay potential indemnities:

- sale finalised in 2017 of the controlling interest in Aletti Gestielle SGR to Anima Holding;
- the sale finalised in 2018 of the contracts relating to delegated insurance asset management mandates placed through Banco BPM Group network to Anima SGR;
- the sale of a business unit relative to custodian bank business segment to BNP Paribas Securities Services in 2018 and the consequent revision of the obligations established at the time of the sale of the custodian bank business segment of the former Banca Popolare di Milano to the same buyer in 2010;
- sale completed on 14 December 2023 of a 65% stake in the insurance companies Vera Assicurazioni and Banco BPM Assicurazioni to Credit Agricole Assurances.

Where, based on the objectives reached and reported and the future projections of their evolution, it is deemed probable that indemnity will be paid to the buyer counterparty, the amount of the estimated liability has been allocated to the provisions for risks and charges in question.

With reference to the agreements with Anima Holding, revised in 2020, a system of penalties is envisaged in the event of failure to achieve the Net Funding targets set for the period January 2020 - February 2025, totalling 4.8 billion. Taking into account the trend of net funding as at 30 June 2024 and that expected in February 2025, estimated on the basis of a multi-scenario calculation, which is below the set target, a provision was made in past years to cover the net funding gap amounting to 37.8 million. This allocation remained unchanged in the first half of 2024.

Item d) refers to the amount allocated to cover probable future financial disbursements for guarantees granted as part of assignments of non-performing loans finalised in previous years.

Disclosure on provisions for employee severance pay and pension funds

Items/Components	Total 30/06/2024	Total 31/12/2023
Provisions for severance pay	238,143	246,192
Company pension funds	87,368	91,743
Total	**325,511**	**337,935**

Below is an illustration of the main changes that occurred in employee severance pay (balance sheet item 90) and in the pension funds (included in balance sheet item 100 "Provisions for risks and charges", the details of which were illustrated in point 10.1 above).
The provisions for employee severance pay are equal to 238.1 million; 246.2 million was the balance at the end of last year. The negative change is mainly to be found in payments made (9.3 million) and in the changes to some of the actuarial assumptions listed below which resulted in an overall decrease in the provision of 2.6 million, offset by the provision recognised in the income statement for the half-year of 3.8 million.
The changes in the actuarial assumptions that resulted in a reduction in employee severance pay of 2.6 million are attributable to changes in the financial assumptions. In detail, these relate to losses from the change in the inflation rate for 2.0 million and gains relating to the change in the discount rate for 4.6 million.

Pension funds equal to 87.4 million, the balance at the end of the previous year was 91.7 million; as far as the provision for employee severance pay is concerned, the negative change is a combination of negative changes due to settlements (4.0 million) and changes in actuarial assumptions (1.9 million) and positive changes due to provisions

recognised in the income statement (1.6 million).
The changes in actuarial assumptions that resulted in a reduction in pension funds of 1.9 million are attributable to:
- changes in financial assumptions of 0.9 million. In detail, these are gains relating to the change in the discount rate by for 1.5 million and losses relating to the change in the inflation rate of 0.6 million;
- profits relating to the differences between the previous actuarial assumptions used and what actually occurred for 1.0 million.

The changes due to modifications in actuarial assumptions set forth above, which overall amount to 4.5 million, are recognised as a balancing entry to the relative valuation reserve of shareholders' equity "Actuarial gains (losses) on defined benefit plans" and are reported in the statement of comprehensive income. Net of the tax effect, the increases in this reserve amount to 3.2 million.

The main actuarial assumptions used by the Group as at 30 June 2024, compared with those used as at 31 December 2023, are given below:

Main actuarial assumptions for measuring provisions for employee severance pay	
Demographic assumptions	
Employee mortality rate	IPS55 with Age-Shifting.
Frequency and amount of advances on employee severance pay	0.5%
Frequency of turnover	1.50%

Financial assumptions	**30/06/2024**	**31/12/2023**
Yearly discount rate:	weighted average of the rates in the Eur Composite AA curve depending on the duration of the plan (*)	
	from 3.43% to 3.97%	from 3.14% to 3.45%
Yearly inflation rate	weighted average of the rates in the European Zero-Coupon Inflation-Indexed Swap curve (**)	
	2.20%	2.00%

(*) weighted average of the rates of the Eur Composite AA curve on the reporting date, using as weights the ratios of the amount paid and advanced for each maturity to the total amount to be paid and advanced up to the discharge of the population considered.
(**) weighted average rate taken as the weighted average of the rates of the European Zero-Coupon-Inflation-Indexed Swap curve on the reporting date, using as weights the ratios of the amount paid and advanced for each maturity to the total amount to be paid and advanced up to the discharge of the population considered (with reference to all the Companies in Banco BPM Group).

Main actuarial assumptions used for the valuation of pension funds		
Demographic assumptions		
Employee mortality rate		IPS55 with Age-Shifting
Financial assumptions	**30/06/2024**	**31/12/2023**
Yearly discount rate	weighted average of the rates in the Eur Composite AA curve depending on the duration of the plan (*)	
	from 3.39 to 3.52%	from 3.14% to 3.24%
Yearly inflation rate	weighted average of the rates in the European Zero-Coupon Inflation-Indexed Swap curve (**)	
	2.20%	2.0%

(*) Weighted average of the rates of the Eur Composite AA curve on the reporting date, using as weights the ratios of the amount paid and advanced for each maturity to the total amount to be paid and advanced up to the discharge of the population considered.
(**) Weighted average rate taken as the weighted average of the rates of the European Zero-Coupon-Inflation-Indexed Swap curve on the reporting date, using as weights the ratios of the amount paid and advanced for each maturity to the total amount to be paid and advanced up to the discharge of the population considered (with reference to all the Companies in Banco BPM Group).

Information on amounts, timing and uncertainties of cash flows

As required under IAS 19, a sensitivity analysis was performed for the obligations relative to provisions for employee severance pay and pension funds, with the hypothesis of a 50 basis point increase or decrease in the discount rate and the inflation rate. The purpose of the analysis is to identify how much the liability would vary in relation to reasonably possible fluctuations in this actuarial assumption.

	Change in employee severance pay in absolute terms (*)	Change in employee severance pay in percentage terms
Change in actuarial assumption:		
- Discount rate:		
+0.5%	(6,763)	(2.84%)
-0.5%	7,092	2.98%
- Inflation rate:		
+0.5%	4,755	2.00%
-0.5%	(4,639)	(1.95%)

(*) the amounts in parentheses indicate a decrease in the provision.

	Changes in defined benefit funds in absolute terms (*)	Changes in defined benefit funds in percentage terms
Change in actuarial assumption:		
- Discount rate:		
+0.5%	(2,486)	(2.85%)
-0.5%	2,656	3.04%
- Inflation rate:		
+0.5%	1,574	1.80%
-0.5%	(1,493)	(1.71%)

(*) the amounts in parentheses indicate a decrease in the provision.

Insurance liabilities - Item 110

As at 30 June 2024, insurance liabilities refer to the subsidiaries Banco BPM Vita, Vera Vita and BBPM Life for a total of 12,311.4 million. The figure as at 30 June 2023 (equal to 4,342.8 million) is not comparable with that of the current year as it referred exclusively to Banco BPM Vita. In fact, it should be noted that Banco BPM Group acquired control of Vera Vita and BBPM Life on 14 December 2023.

Insurance liabilities include insurance contracts issued that are assets and those that are liabilities, whose net balance, equal to 12,311.4 million, is recorded under the items:

- Liabilities 110 a) insurance contracts issued - liabilities for 12,311.4 million;
- Assets 80 a) insurance contracts issued - assets for 0.06 million.

As shown in the table below, almost all insurance liabilities recognised under Liability item "110 a) - insurance contracts issued - liabilities" are measured on the basis of the "Variable Fee Approach" method, illustrated in the Annual Financial Report as at 31 December 2023 in section "A.2 - Key financial statement items" paragraph "15 - Insurance assets and liabilities", which should be referred to for further details.

Insurance liabilities - breakdown by measurement model

Items/Components	Total 30/06/2024	Total 31/12/2023
VFA - Variable Fee Approach	12,300,195	12,230,351
GMM - General Measurement Model (Building Block Approach)	8,910	6,995
PAA - Premium Allocation Approach	2,339	2,284
Total	**12,311,444**	**12,239,630**

The tables below provide information on the trend in the first half of 2024 in the book value of insurance liabilities relating to insurance contracts issued, measured on the basis of the VFA model (the balance of which was 12,300.2 million as at 30 June, as shown in the table above), highlighting:

- liabilities for remaining coverage and for claims;
- the underlying elements, represented by the present value of cash flows, the adjustment for non-financial risks and the contractual service margin.

Details are not provided relating to contracts measured with the GMM - General Measurement Model (Building Block Approach) and PAA - Premium Allocation Approach methods, due to their low degree of relevance.
In addition, for the reasons set forth above regarding changes in the scope of control of the insurance companies, the trends relating to the first half of 2023 are omitted as they are not comparable with those of the current half-year.

11.1 Trends in the book value of insurance contracts issued - GMM or VFA - liabilities for remaining coverage and for claims

11.1 a) Basis of aggregation 1 = Insurance contracts issued with direct participation features - Life business segment

Items/Liabilities	Liabilities for remaining coverage 30/06/2024		Liabilities for claims 30/06/2024	Total 30/06/2024
	Net of loss	Loss		
A. Opening book value				
1. Insurance contracts issued - liabilities	12,081,576	1,750	146,987	12,230,313
2. Insurance contracts issued - assets	(29,209)	-	-	(29,209)
3. Net book value as at 1 January	**12,052,367**	**1,750**	**146,987**	**12,201,104**
B. Insurance revenues	**(68,930)**	**-**	**-**	**-**
C. Costs for insurance services				
1. Claims and other directly attributable costs	1,602	-	52,021	53,623
2. Changes in liabilities for claims	-	-	1,160	1,160
3. Losses and related recoveries on onerous contracts	(1)	17,654	-	17,653
4. Amortisation of contract acquisition costs	2,958	-	-	2,958
5. Total	**4,559**	**17,654**	**53,181**	**75,394**
D. Profit (loss) on insurance services (B+C)	**(64,371)**	**17,654**	**53,181**	**6,464**
E. Net costs/revenues of a financial nature				
1. Relating to insurance contracts issued	141,194	-	-	141,194
1.1 Recorded in the income statement	266,243	-	-	266,243
1.2 Recorded in the statement of comprehensive income	(125,049)	-	-	(125,049)
2. Effects associated with changes in exchange rates	-	-	-	-
3. Total	**141,194**	**-**	**-**	**141,194**
F. Investment components	**(1,326,617)**	**-**	**1,326,617**	**-**
G. Total amount recorded in the income statement and the statement of comprehensive income (D+E+F)	**(1,249,794)**	**17,654**	**1,379,798**	**147,658**
H. Other changes	**10**	**-**	**15,772**	**15,782**
I. Cash movements				
1. Premiums received	1,332,713	-	-	1,332,713
2. Payments associated with contract acquisition costs	(12,626)	-	-	(12,626)
3. Claims paid and other cash outflows	(14,376)	-	(1,370,060)	(1,384,436)
4. Total	**1,305,711**	**-**	**(1,370,060)**	**(64,349)**
L. Net book value as at 30 June (A.3+G+H+I.4)	**12,108,294**	**19,404**	**172,497**	**12,300,195**
M. Closing book value				
1. Insurance contracts issued - liabilities	12,108,294	19,404	172,497	12,300,195
2. Insurance contracts issued - assets	-	-	-	-
3. Net book value as at 30 June	**12,108,294**	**19,404**	**172,497**	**12,300,195**

11.3 Trends in the book value of insurance contracts issued broken down by elements underlying the measurement

11.3 a) Basis of aggregation 1 = Insurance contracts issued with direct participation features - Life business segment

Items/Elements underlying measurement	Elements underlying the measurement of the book value of insurance contracts issued			
	Present value of cash flows 30/06/2024	Adjustment for non-financial risks 30/06/2024	Contractual service margin 30/06/2024	Total 30/06/2024
A. Opening book value				
1. Insurance contracts issued - liabilities	11,878,505	59,457	292,351	12,230,313
2. Insurance contracts issued - assets	(29,209)	-	-	(29,209)
3. Net book value as at 1 January	**11,849,296**	**59,457**	**292,351**	**12,201,104**
B. Changes relating to current services				
1. Contractual service margin recorded in the income statement	-	-	(23,194)	(23,194)
2. Change for past due non-financial risks	-	(4,902)	-	(4,902)
3. Changes related to experience	15,764	-	-	15,764
4. Total	**15,764**	**(4,902)**	**(23,194)**	**(12,332)**
C. Changes relating to future services				
1. Changes in the contractual service margin	3,385	(4,818)	1,433	-
2. Losses on groups of onerous contracts and related recoveries	18,685	(1,031)	-	17,654
3. Effects of contracts initially recognised in the reference year	(53,138)	2,962	50,176	-
4. Total	**(31,068)**	**(2,887)**	**51,609**	**17,654**
D. Changes relating to past services				
1. Adjustments to liabilities for claims	1,160	-	-	1,160
2. Changes related to experience	-	-	-	-
3. Total	**1,160**	**-**	**-**	**1,160**
E. Profit (loss) on insurance services (B+C+D)	**(14,144)**	**(7,789)**	**28,415**	**6,482**
F. Costs/revenues of a financial nature				
1. Relating to insurance contracts issued	242,153	489	(101,448)	141,194
1.1 Recorded in the income statement	316,393	663	(50,813)	266,243
1.2 Recorded in the statement of comprehensive income	(74,240)	(174)	(50,635)	(125,049)
2. Effects associated with changes in exchange rates	-	-	-	-
3. Total	**242,153**	**489**	**(101,448)**	**141,194**
G. Total amount of changes recorded in the income statement and the statement of comprehensive income (E+F)	**228,009**	**(7,300)**	**(73,033)**	**147,676**
H. Other changes	**29,858**	**(3,588)**	**(10,487)**	**15,783**
I. Cash movements				
1. Premiums received	1,332,713	-	-	1,332,713
2. Payments associated with contract acquisition costs	(20,316)	-	-	(20,316)
3. Claims paid and other cash outflows	(1,376,765)	-	-	(1,376,765)
4. Total	**(64,368)**	**-**	**-**	**(64,368)**
L. Net book value as at 30 June (A.3+G+H+I.4)	**12,042,795**	**48,569**	**208,831**	**12,300,195**
M. Closing book value				
1. Insurance contracts issued - liabilities	12,042,795	48,569	208,831	12,300,195
2. Insurance contracts issued - assets	-	-	-	-
3. Net book value as at 30 June	**12,042,795**	**48,569**	**208,831**	**12,300,195**

Group Equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 "Share capital" and "Own shares": breakdown

As at 30 June 2024, share capital was 7,100 million, consisting of 1,515,182,126 ordinary shares subscribed and fully paid up.

The "own shares" item is represented by 11,342,227 shares of the Parent Company, fully held by the same, for a book value of 51.7 million.

13.2 Share capital – Number of shares of the Parent Company: annual changes

	Ordinary	Other
A. Outstanding shares at the beginning of the year	**1,515,182,126**	**-**
- fully paid-up	1,515,182,126	-
- not fully paid-up	-	-
A.1 Own shares (-)	(6,958,684)	-
A.2 Shares in issue: opening balances	**1,508,223,442**	**-**
B. Increases	**1,433,071**	**-**
B.1 New issues	-	-
against payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
free of charge:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of own shares	1,433,071	-
B.3 Other changes	-	-
C. Decreases	**(5,816,614)**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	(5,816,614)	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in issue: closing balances	**1,503,839,899**	**-**
D.1 Own shares (+)	11,342,227	-
D.2 Outstanding shares at the end of the year	1,515,182,126	-
- fully paid-up	1,515,182,126	-
- not fully paid-up	-	-

Item B.2 includes shares assigned during the period to employees, implementing remuneration and incentive policies.
Item C.2 refers to the shares purchased by the Parent Company in the first half of the year for the share-based compensation plans implemented by the Parent Company.
For further details, please refer to Part I of these Explanatory Notes.

Information relating to issues and purchases/sales of shares issued by the Bank

During the half-year, there were no changes in the breakdown of the share capital.

Information relating to issues and purchases/sales of convertible bonds issued by the Bank

As at 30 June 2024, no convertible bond instruments issued by the bank were in circulation.

Equity instruments: breakdown

Equity instruments outstanding as at 30 June 2024 amounted to 1,389.7 million (1,465.8 million at the end of the previous year) and were represented by four issues of Additional Tier 1 securities for a total nominal value of 1.4 billion: the first finalised in January 2020, for a nominal amount of 400 million, the second in January 2021, for a nominal amount of 400 million, the third in April 2022 for 300 million and the fourth concluded in November 2023 for 300 million. The reduction compared to the figure as at 31 December 2023 is attributable to the repayment of the residual share of the April 2019 issue, following the exercise of the call in June 2024.
These were, in particular, subordinated instruments classified in Additional Tier 1 capital, under the terms of Regulation no. 575 of 2013 (CRR).
Such issues are classifiable as equity instruments under the terms of the accounting standard IAS 32. The price received from the issue, after deducting the directly-attributable transaction costs net of the tax effect was recognised in the item "140. Equity instruments".
In line with the nature of the instrument, the coupons are recognised as a decrease of shareholders' equity (item "150. Reserves"). In the first half of 2024, shareholders' equity decreased by 38.7 million, as a result of the payment of the coupons net of the related tax effect.

For further details on the above-mentioned transactions, refer to the paragraph entitled "Other significant aspects relating to Group accounting policies" contained in "Part A - Accounting Policies" of these Explanatory Notes.

Valuation reserves: breakdown

The following table shows the breakdown of valuation reserves.

(thousands of euro)	30/06/2024	31/12/2023
Financial assets measured at fair value through other comprehensive income	(655,829)	(530,957)
Property, plant and equipment	321,262	321,213
Foreign investment hedges	(1,536)	(2,806)
Cash flow hedges	(22,730)	(20,481)
Exchange rate differences	17,455	19,450
Financial liabilities designated at fair value through profit and loss (changes to its own credit risk)	(56,508)	(43,107)
Actuarial gains/(losses) on defined benefit pension plans	(55,238)	(58,468)
Share of valuation reserves related to interests in associates and joint ventures carried at equity	4,281	2,532
Revenues or costs of a financial nature relating to insurance contracts issued	133,964	36,246
Total	**(314,879)**	**(276,378)**

As regards financial assets measured at fair value through other comprehensive income of the banking group, the reserves resulting from the fair value measurement of debt securities totalled a negative 491.7 million euro as at 30 June 2024, net of taxes, with -488.3 million euro referring to government securities (-52.1 million euro relating to Italian government securities and -436.2 million euro to securities of other countries).

Reserves: other information

Group Reserves recognised under item 150 of the Balance sheet liabilities amount to a total of 4,859.8 million, classified as follows:

- profit reserves of 4,519.4 million;
- other reserves of 340.4 million.

Please refer to the Statement of Changes in Consolidated Shareholders' Equity for information on the evolution of the Reserves during the first half of 2024.

Lastly, note that the Parent Company has a "Legal Reserve" within its own capital reserves, established in accordance with the provisions of Art. 2430 of the Italian Civil Code, that corresponds to one fifth of share capital, and amounts to 1,420.0 million.

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	Total I half 2024	Total I half 2023
1. Financial assets at fair value through profit and loss:	14,091	12,281	-	26,372	12,898
1.1 Financial assets held for trading	10,100	8,723	-	18,823	7,146
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	3,991	3,558	-	7,549	5,752
2. Financial assets measured at fair value through other comprehensive income	254,596	-	X	254,596	110,145
3. Financial assets at amortised cost:	413,056	2,760,426	-	3,173,482	2,629,720
3.1 Loans to banks	38,483	448,149	X	486,632	446,529
3.2 Loans to customers	374,573	2,312,277	X	2,686,850	2,183,191
4. Hedging derivatives	X	X	268,963	268,963	162,629
5. Other assets	X	X	65,808	65,808	34,969
6. Financial liabilities	X	X	X	10	415
Total	**681,743**	**2,772,707**	**334,771**	**3,789,231**	**2,950,776**
of which: interest income on impaired financial assets	55	59,980	-	60,035	56,005
of which: interest income on finance leases	X	11,890	X	11,890	15,211

1.3 Interest and similar expense: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total I half 2024	Total I half 2023
1. Financial liabilities at amortised cost	(977,896)	(312,240)		(1,290,136)	(1,011,309)
1.1 Due to central banks	(211,199)	X	X	(211,199)	(367,751)
1.2 Due to banks	(172,409)	X	X	(172,409)	(113,814)
1.3 Due to customers	(594,288)	X	X	(594,288)	(355,435)
1.4 Debt securities in issue	X	(312,240)	X	(312,240)	(174,309)
2. Financial liabilities held for trading	(373,497)	-	-	(373,497)	(219,009)
3. Financial liabilities designated at fair value	-	(10,146)	-	(10,146)	(62)
4. Other liabilities and provisions	X	X	(228)	(228)	(60)
5. Hedging derivatives	X	X	(256,986)	(256,986)	(129,245)
6. Financial assets	X	X	X	-	(116)
Total	**(1,351,393)**	**(322,386)**	**(257,214)**	**(1,930,993)**	**(1,359,801)**
of which: interest expense relating to lease payables	(4,637)	X	X	(4,637)	(3,108)

Item "1.1 Due to Central Banks" refers for 211.2 million to interest accrued, negative, relating to the TLTRO III loan transactions with the ECB (as at 30 June 2023, the amounts, also negative, came to 367.6 million).
The change in the extent of interest is attributable to the performance of interest rates and repayments made during the period.

For additional details, including the relative accounting treatment, please refer to the paragraph entitled "Other significant aspects relating to Group accounting policies" contained in Part A - "Accounting Policies" of these Explanatory Notes.

Fees and commissions – Items 40 and 50

2.1 Fee and commission income: breakdown

Service type/Amounts	Total I half 2024	Total I half 2023
a) Financial instruments	76,286	67,308
1. Placement of securities	9,839	5,179
1.1 With underwriting commitments and/or on the basis of an irrevocable commitment	-	929
1.2 Without irrevocable commitment	9,839	4,250
2. Receipt and transmission of orders and execution of orders for customers	49,411	44,482
2.1 Receipt and transmission of orders for one or more financial instruments	35,213	30,846
2.2 Execution of orders for customers	14,198	13,636
3. Other fees and commissions relating to activities associated with financial instruments	17,036	17,647
of which: own account trading	-	-
of which: individual portfolio management	14,325	13,588
b) Corporate Finance	3,488	3,062
1. Merger and acquisition advisory services	2,636	2,947
2. Treasury services	852	115
3. Other fees and commissions with corporate finance services	-	-
c) Investment advisory activities	2,081	1,033
d) Offsetting and settlement	-	-
e) Collective portfolio management	-	-
f) Custody and administration	6,858	6,179
1. Custodian bank	-	-
2. Other fees and commissions related to custody and administration activities	6,858	6,179
g) Central administrative services for collective portfolio management	-	-
h) Trust activities	841	887
i) Payment services	272,189	279,657
1. Current accounts	113,993	128,083
2. Credit cards	12,451	13,447
3. Debit cards and other payment cards	46,947	41,858
4. Bank transfers and other payment orders (*)	96,398	93,057
5. Other fees and commissions relating to payment services	2,400	3,212
j) Distribution of third party services	354,006	335,644
1. Collective portfolio management	255,897	230,664
2. Insurance products	47,848	51,177
3. Other products	50,261	53,803
of which: individual portfolio management	659	574
k) Structured finance	315	185
l) Servicing for securitisation transactions	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees given	46,302	44,611
of which: credit derivatives	-	-
o) Financing operations (*)	134,801	107,458
of which: for factoring transactions	3,470	1,645
p) Foreign currency trading	1,880	1,588
q) Commodities	-	-
r) Other fee and commission income	165,973	153,535
of which: for management of multilateral trading facilities	-	-
of which: for management of organised trading facilities	-	-
Total	**1,065,020**	**1,001,147**

(*) The figures relating to the previous period have been restated for a like-for-like comparison with the classification criteria of commissions on the purchase of tax credits - Ecobonus.

2.2 Fee and commission expense: breakdown

Type of services/Amounts	Total I half 2024	Total I half 2023
a) Financial instruments	(4,602)	(7,068)
of which: financial instrument trading	(3,660)	(3,343)
of which: placement of financial instruments	(942)	(3,724)
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Offsetting and settlement	(1,842)	(2,169)
c) Collective portfolio management	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(6,995)	(6,414)
e) Collection and payment services	(30,139)	(29,696)
of which: credit cards, debit cards and other payment cards	(25,189)	(24,644)
f) Servicing for securitisation transactions	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	(45,111)	(28,039)
of which: credit derivatives	-	-
i) Off-site offer of financial instruments, products and services	(2,756)	(1,480)
j) Foreign currency trading	(1)	(3)
k) Other fee and commission expense	(14,505)	(18,000)
Total	**(105,951)**	**(92,869)**

Net trading income – Item 80

4.1 Net trading income: breakdown

Transactions/Income components	Capital gains (A)	Trading income (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**124,747**	**87,507**	**(79,170)**	**(43,720)**	**89,364**
1.1 Debt securities	2,515	10,426	(2,880)	(4,509)	5,552
1.2 Equity instruments	122,139	76,422	(75,301)	(38,607)	84,653
1.3 UCIT units	25	94	(703)	(527)	(1,111)
1.4 Loans	68	-	(286)	-	(218)
1.5 Other	-	565	-	(77)	488
2. Financial liabilities held for trading	**3,202**	**5,853**	**(21,035)**	**(30,832)**	**(42,812)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	1,472	3,510	(345)	(16,001)	(11,364)
2.3 Other	1,730	2,343	(20,690)	(14,831)	(31,448)
3. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**12,043**
4. Derivative instruments	**340,538**	**1,290,916**	**(280,375)**	**(1,420,086)**	**(71,554)**
4.1 Financial derivatives:	339,272	1,287,448	(280,077)	(1,415,200)	(71,104)
- On debt securities and interest rates	157,356	860,034	(244,603)	(873,545)	(100,758)
- On equity instruments and share indices	176,937	252,674	(30,905)	(366,889)	31,817
- On currencies and gold	X	X	X	X	(2,547)
- Other	4,979	174,740	(4,569)	(174,766)	384
4.2 Credit derivatives	1,266	3,468	(298)	(4,886)	(450)
of which: natural hedges connected with the fair value option	X	X	X	X	-
Total	**468,487**	**1,384,276**	**(380,580)**	**(1,494,638)**	**(12,959)**

Fair value gains/losses on hedging derivatives – Item 90

5.1 Fair value gains/losses on hedging derivatives: breakdown

Income components/Amounts	Total I half 2024	Total I half 2023
A. Income relating to:		
A.1 Fair value hedging derivatives	506,228	485,803
A.2 Hedged financial assets (fair value)	560,992	1,069,310
A.3 Hedged financial liabilities (fair value)	234,854	45,726
A.4 Cash flow hedging derivatives	-	1,808
A.5 Assets and liabilities in foreign currency	-	166
Total gains on hedging derivatives (A)	**1,302,074**	**1,602,813**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(106,301)	(552,862)
B.2 Hedged financial assets (fair value)	(1,062,445)	(945,893)
B.3 Hedged financial liabilities (fair value)	(79,988)	(107,342)
B.4 Cash flow hedging derivatives	(56,819)	(1,808)
B.5 Assets and liabilities in foreign currency	(1,269)	-
Total losses on hedging derivatives (B)	**(1,306,822)**	**(1,607,905)**
C. Fair value gains/losses on hedging derivatives (A - B)	**(4,748)**	**(5,092)**
of which: gains/losses of hedging on net positions	-	-

Gains (losses) on disposal/repurchase - Item 100

6.1 Gains (losses) on disposal/repurchase: breakdown

Items/Income components	Total I half 2024			Total I half 2023		
	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets						
1. Financial assets at amortised cost	44,554	(50,091)	(5,537)	30,914	(31,361)	(447)
1.1 Loans to banks	2,597	(2,176)	421	-	-	-
1.2 Loans to customers	41,957	(47,915)	(5,958)	30,914	(31,361)	(447)
2. Financial assets measured at fair value through other comprehensive income	34,707	(20,404)	14,303	10,435	(5,663)	4,772
2.1 Debt securities	34,698	(20,404)	14,294	10,435	(5,663)	4,772
2.2 Loans	9	-	9	-	-	-
Total assets (A)	**79,261**	**(70,495)**	**8,766**	**41,349**	**(37,024)**	**4,325**
Financial liabilities at amortised cost	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	2,032	(211)	1,821	706	(727)	(21)
Total liabilities (B)	**2,032**	**(211)**	**1,821**	**706**	**(727)**	**(21)**

The result shown under item "1.1 Loans to banks" relates to debt securities.
The result shown under item "1.2 Loans to customers" essentially includes profits and losses deriving from the assignment of receivables for a net negative amount of 7.1 million (of which 45.2 million in losses and 38.1 million in gains).
After deducting this component, the net result of this item was impacted by transactions on debt securities for approximately 1.1 million, of which 1.3 million relating to the sale of HTC securities during the half-year.

For further details on the disposal of HTC securities, refer to the paragraph entitled "Other significant aspects relating to Group accounting policies" contained in Part A - "Accounting Policies" of these Explanatory Notes.

Net gains (losses) from other financial assets and liabilities measured at fair value through profit and loss – Item 110

7.1 Net change in value of other financial assets and liabilities measured at fair value through profit and loss: breakdown of financial assets and liabilities designated at fair value

Transactions/Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**-**	**-**	**(71)**	**-**	**(71)**
1.1 Debt securities	-	-	(71)	-	(71)
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**47,999**	**2,081**	**(56,558)**	**(69,203)**	**(75,681)**
2.1 Debt securities in issue	47,999	2,081	(56,558)	(69,203)	(75,681)
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange rate differences	X	X	X	X	**-**
Total	**47,999**	**2,081**	**(56,629)**	**(69,203)**	**(75,752)**

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit and loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**222,711**	**61,142**	**(123,316)**	**(21,441)**	**139,096**
1.1 Debt securities	9,570	2,933	(3,871)	(16,626)	(7,994)
1.2 Equity instruments	10,462	11,491	(11,202)	(67)	10,684
1.3 UCIT units	200,625	44,500	(107,363)	(2,788)	134,974
1.4 Loans	2,054	2,218	(880)	(1,960)	1,432
2. Financial assets in foreign currency: exchange rate differences	**X**	**X**	**X**	**X**	**2,290**
Total	**222,711**	**61,142**	**(123,316)**	**(21,441)**	**141,386**

Net credit impairment losses/recoveries – Item 130

8.1 Net credit impairment losses related to financial assets at amortised cost: breakdown

Transactions/Income components	Impairment losses (1)						Recoveries (2)				Total I half 2024	Total I half 2023
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Loans to banks	**(1,309)**	**(243)**	**-**	**-**	**-**	**-**	**752**	**98**	**-**	**-**	**(702)**	**316**
- Loans	(737)	(195)	-	-	-	-	-	-	-	-	(932)	571
- Debt securities	(572)	(48)	-	-	-	-	752	98	-	-	230	(255)
B. Loans to customers	**(4,414)**	**(45,448)**	**(10,991)**	**(409,674)**	**-**	**-**	**30,939**	**2,722**	**248,404**	**-**	**(188,462)**	**(249,346)**
- Loans	(1,344)	(45,420)	(10,991)	(409,674)	-	-	28,968	2,489	248,404	-	(187,568)	(249,782)
- Debt securities	(3,070)	(28)	-	-	-	-	1,971	233	-	-	(894)	436
Total	**(5,723)**	**(45,691)**	**(10,991)**	**(409,674)**	**-**	**-**	**31,691**	**2,820**	**248,404**	**-**	**(189,164)**	**(249,030)**

8.2 Net credit impairment losses relating to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income components	Impairment losses (1)						Recoveries (2)				Total I half 2024	Total I half 2023
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt securities	(2,632)	(134)	-	-	-	-	1,342	-	-	-	(1,424)	(94)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(2,632)**	**(134)**	**-**	**-**	**-**	**-**	**1,342**	**-**	**-**	**-**	**(1,424)**	**(94)**

Profit (loss) on insurance services - Item 160

Insurance revenues and costs as at 30 June 2024 deriving from the insurance contracts issued, broken down by basis of aggregation, are shown below.
It should be noted that the figures referring to 30 June 2023 do not include the contribution of Banco BPM Assicurazioni of 9.1 million, as at that date the company was in the process of being disposed of; therefore, the figures shown in the table are attributable only to Banco BPM Vita.

Insurance revenues and costs deriving from insurance contracts issued, shown in detail in the table below, are recorded in the Income Statement items:

- 160 a) insurance revenues deriving from insurance contracts issued for +75.2 million;
- 160 b) costs for insurance services deriving from insurance contracts issued for -78.9 million.

10.1 Insurance revenues and costs deriving from insurance contracts issued: breakdown

Items/Basis of aggregation	Basis A1 30/06/2024	Basis A2 30/06/2024	Basis A3 30/06/2024	Basis A4 30/06/2024	Basis A5 30/06/2024	Total 30/06/2024	Total 30/06/2023
A. Insurance revenues deriving from insurance contracts issued valued on the basis of GMM and VFA							
A.1 Amounts associated with changes in assets for remaining coverage	**67,290**	**3,895**	**-**	**-**	**-**	**71,185**	**34,471**
1. Claims and other expected costs for insurance services	680,265	3,136	-	-	-	683,401	20,432
2. Changes in the adjustment for non-financial risks	4,900	160	-	-	-	5,060	2,909
3. Contractual service margin recorded in the income statement for services provided	23,195	709	-	-	-	23,904	11,328
4. Other amounts	(641,070)	(110)	-	-	-	(641,180)	(198)
A.2 Insurance contract acquisition cost recoveries	**2,954**	**-**	**-**	**-**	**-**	**2,954**	**373**
A.3 Total insurance revenues deriving from insurance contracts issued valued on the basis of GMM or VFA	**70,244**	**3,895**	**-**	**-**	**-**	**74,139**	**34,844**
A.4 Total insurance revenues deriving from insurance contracts issued valued on the basis of PAA						**1,885**	**2,127**
- Life business segment	X	X	X	X	X	-	-
- Non-Life business segment - motor	X	X	X	X	X	-	-
- Non-Life business segment - non-motor	X	X	X	X	X	1,885	2,127
A.5 Total insurance revenues deriving from insurance contracts issued	**70,244**	**3,895**	**-**	**-**	**-**	**76,024**	**36,971**
B. Costs for insurance services deriving from insurance contracts issued – GMM or VFA							
1. Claims and other directly attributable costs	(53,184)	(4,326)	-	-	-	(57,510)	(22,201)
2. Changes in liabilities for claims	(1,160)	1,000	-	-	-	(160)	(781)
3. Losses on onerous contracts and recoveries of such losses	(17,653)	(25)	-	-	-	(17,678)	(253)
4. Amortisation of insurance contract acquisition costs	(2,958)	-	-	-	-	(2,958)	(374)
5. Other amounts	-	-	-	-	-	-	-
B.6 Total costs for insurance services deriving from insurance contracts issued – GMM or VFA	**(74,955)**	**(3,351)**	**-**	**-**	**-**	**(78,306)**	**(23,609)**
B.7 Total costs for insurance services deriving from insurance contracts issued valued on the basis of PAA						**(1,388)**	**(1,176)**
- Life business segment	X	X	X	X	X	-	-
- Non-Life business segment - motor	X	X	X	X	X	-	-
- Non-Life business segment - non-motor	X	X	X	X	X	(1,388)	(1,176)
C. Total net costs/revenues deriving from insurance contracts issued (A.5+B.6+B.7)	**(4,711)**	**544**	**-**	**-**	**-**	**(3,670)**	**12,186**

Basis A1 = Basis of aggregation referring to insurance contracts issued with direct participation features - Life business segment
Basis A2 = Basis of aggregation referring to insurance contracts issued without direct participation features - Life business segment

Balance of revenues and costs of a financial nature relating to insurance activities - Item 170

The balance of financial revenues and costs relating to insurance activities in the first half of 2024, recorded under Income Statement item 170 a), was a negative 266.3 million.
The financial result as at 30 June 2024 relating to insurance contracts issued, broken down by basis of aggregation, is shown below.
It should be noted that the figures referring to 30 June 2023 do not include the contribution of Banco BPM Assicurazioni of 0.1 million, as at that date the company was in the process of being disposed of; therefore, the figures shown in the table are attributable only to Banco BPM Vita.

11.1 Net costs and revenues of a financial nature relating to insurance contracts issued

Items/Basis of aggregation	Basis A1 I half 2024	Basis A2 I half 2024	Basis A3 I half 2024	Total I half 2024	Total I half 2023
1. Interest accrued	(1,073)	-	-	(1,073)	-
2. Effects of changes in interest rates and other financial assumptions	-	-	-	-	-
3. Changes in fair value of assets underlying contracts valued on the basis of VFA	(265,170)	-	-	(265,170)	(66,884)
4. Effects of changes in exchange rates	-	-	-	-	-
5. Other	-	(7)	(10)	(17)	1
6. Total revenues/costs of a financial nature relating to insurance contracts issued recorded in account	**(266,243)**	**(7)**	**(10)**	**(266,260)**	**(66,883)**

Basis A1 = Basis of aggregation referring to insurance contracts issued with direct participation features - Life business segment
Basis A2 = Basis of aggregation referring to insurance contracts issued without direct participation features - Life business segment
Basis A4 = Basis of aggregation referring to insurance contracts issued without direct participation features - Non-Life Non-Motor business segment

Other operating expenses/income – Item 230

16.1 Other operating expenses: breakdown

	Total I half 2024	Total I half 2023
Expenses on leased assets	(11,467)	(13,389)
Other	(16,448)	(18,399)
Total	**(27,915)**	**(31,788)**

16.2 Other operating income: breakdown

	Total I half 2024	Total I half 2023
Income on current accounts and loans	3,171	3,333
Tax recoveries	138,734	125,995
Expense recoveries	9,128	8,867
Rental income on real estate	17,204	18,499
Other	27,072	42,924
Total	**195,309**	**199,618**

Gains (losses) on disposal of investments – Item 280

During the half-year, gains from the sale of property, plant and equipment of 1.0 million were recorded; in the same period of the previous year, losses of 0.2 million were recognised.

Earnings per Share

	30/06/2024		30/06/2023	
	Basic EPS	**Diluted EPS**	**Basic EPS**	**Diluted EPS**
Weighted average of ordinary shares (number)	1,507,561,235	1,507,561,235	1,507,539,147	1,507,539,147
Attributable profit (loss) (thousands of euro)	749,125	749,125	624,433	624,433
EPS (euro)	**0.50**	**0.50**	**0.41**	**0.41**

(*) The figures for the previous period have been reclassified to provide a like-for-like comparison.

Please note that, as at 30 June 2024, the Basic EPS matched the Diluted EPS given that there were no financial instruments with potential dilution effects.

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Introduction

The Banco BPM Group implements the process for managing risks originated by banking and financial activities to pursue stable and sustainable growth objectives over time, in line with the general policies established by the Board of Directors.

Risk profile and risk management and measurement systems

During the first half of 2024, the Board of Directors of the Parent Company Banco BPM approved the new Risk Appetite Framework (hereinafter, also "RAF"), both at consolidated level and at the level of the most important individual Legal Entity, through which the Body with strategic supervision functions approves the level of risk that the Group is willing to accept in pursuing its strategic objectives. Particularly with reference to the RAF of the Insurance Companies, as significant Legal Entities, the revision of the 2024 RAF was completed by the Parent Company's Risk Function and the Insurance Companies' Risk Function.

The new framework comprises the following basic elements:

1. Governance, which defines the roles and responsibilities of the parties involved and the information flows between them;
2. the system of metrics, which summarises risk exposure;
3. the system of thresholds, which defines the risk appetite;
4. the escalation process, activated with different levels of intensity and parties involved when the various thresholds defined are exceeded;
5. the Risk Appetite Statement (RAS), in which the metrics and methods for calculating the thresholds are analysed;
6. the instruments and procedures, which support the representation and operational management of the RAF, including "Most Significant Transactions (MST)" and "Significant Transactions (ST)".

The RAF is the tool that makes it possible to establish, formalise, communicate, approve and monitor the risk objectives that the Group and the individual relevant Legal Entities intend to assume. To this end, it is divided into thresholds and risk areas that make it possible to identify in advance the levels and types of risk that the Group intends to assume, stating the roles and responsibilities of the Corporate bodies and functions involved in the process of managing these risks. More specifically, the Risk Function, continuing with the work already started in recent years, has further strengthened the overall structure of the Framework, by envisaging, for certain indicators:

- the breakdown by hierarchical levels and risk area (cascading down);
- horizontal cascading at Legal Entity and business line/portfolio level.

The Group must ensure that the RAF, in its operational version, is used and internalised and constitutes an element of guidance for the preparation of processes such as, for example, the Strategic Plan and the Budget, as well as the internal processes of self-assessment of capital adequacy (ICAAP) and liquidity adequacy (ILAAP). The framework is also used as an operational tool within the Recovery Plan and when defining Remuneration Policies.
The general principles that guide the Group's risk assumption process can be summarised as follows:

- the activities carried out take into account the risks assumed and the measures set in place to mitigate them over the short and medium-long term;
- particular attention is paid to capital and liquidity adequacy and to the credit quality of the portfolio, also in the light of the introduction of new legislation and regulatory restrictions imposed by the Supervisory Body.

In addition, given the significance of the issue, the scope of ESG indicators has been expanded to include indicators at both banking (Banca Akros and Banca Aletti) and insurance (Banco BPM Vita and Vera Vita) legal entity level, and at Business Line level, as well as with reference to reputational risk.

In line with the results of the Risk Identification process, the RAF risk areas are identified, with respect to which indicators and thresholds are defined, expressing the risk appetite of the Group and the companies relevant for RAF purposes. In particular, the Group's RAF made it possible to identify a set of indicators for the main risk areas: Pillar I and Pillar II Capital Adequacy, Adequacy of Liquidity/Funding & IRRBB, Credit Quality & Structure, Profitability, Operational/Conduct, ICT, Cyber and Other Significant Issues. In particular, given the increasing importance of Cyber and ICT risk, a specific sub-area relating to "ICT, Cyber and Security" risk was introduced, with an expansion of the scope of the associated indicators. With regard to ESG factors, the different topics are included in the overall scope and are monitored using specific metrics included in the areas mentioned above.

The indicators that summarise the Group's risk profile in these areas have been divided into 3 levels, differentiating them between strategic indicators, which allow the Board of Directors to guide the Group's strategic choices, operational indicators, in order to integrate and anticipate the dynamics - where possible - of the strategic indicators, and Early Warning indicators (hereinafter also EWI), which cover the risk areas of the Operational RAF perimeter enabling the dynamics of the indicators belonging to the Strategic and Operational RAF to be anticipated. Specifically:

- the Strategic RAF is a set of metrics and thresholds that enable the Group's risk strategy to be defined and monitored. It includes a limited and exhaustive number of indicators, which express the risk appetite approved by the Board of Directors and represent the summary performance of the overall risk profile;
- the Operational RAF is a set of metrics that enables the strategic indicators to be integrated and broken down and the evolution of the risk profile to be anticipated. These metrics enable specific aspects of the main business processes to be encompassed and are usually monitored with greater frequency in line with their task of anticipating critical situations;
- the Early Warning Indicators are a set of metrics useful for predicting signs of deterioration of the indicators included in the Strategic and Operational RAF. These metrics enable specific aspects of the main business processes to be encompassed and are usually monitored with greater frequency in line with their task of anticipating critical situations.

The system of thresholds for the Strategic indicators envisages the definition of the following limits:

- *Risk Target* (Medium to Long Term Objective): normally the risk objective defined in the Industrial Plan at Group level. It indicates the level of risk (overall and by type) to which the Group is willing to be exposed to pursue its strategic objectives;
- *Risk Trigger*: this is the threshold, differentiated by indicator, the exceeding of which activates the various escalation processes envisaged by the Framework. The Risk Trigger is also determined with stress tests. The system of limits used for operational purposes is defined in accordance with the Risk Limits.
- *Risk Alert*: this is the threshold for Early Warning Indicators, the exceeding of which does not activate the various escalation processes envisaged by the Framework, but an information flow to the Committees and Corporate Bodies. *The Risk Alert* is also determined by the use of stress tests, and in line with the Trigger values of the Operational or Strategic Indicators, which anticipate their trends;
- *Risk Tolerance*: this is the maximum permitted deviation from the Risk Appetite; the tolerance threshold is set in such a way so as to ensure that the Group has sufficient margins to operate, even in conditions of stress, within the maximum risk that may be assumed;
- *Risk Capacity*: this is the maximum level of risk that the Group is able to assume without infringing regulatory requirements or other restrictions imposed by the shareholders or by the Supervisory Authority.

As regards the operational indicators, only the Risk Trigger is established: exceeding the risk limits triggers the prompt activation of specific escalation processes.

On the other hand, as regards the Early Warning indicators, only the alert threshold is established, and exceeding the risk limits does not trigger the activation of specific escalation processes, but the prompt preparation of an information flow to the Committees and Corporate Bodies.

The Risk Function, in collaboration with the Planning and Control Function and the other relevant Functions, develops the RAF, providing support to the Management Body (MB), from a legislative and operating perspective, consistent with strategy, business plans and capital allocation in ordinary conditions and in stressed situations. The RAF is updated at least once a year, also in the event of changes in the internal and external conditions in which the Group operates.

From an operating perspective, ex ante risk management activities are also found in the process to manage the Most Significant Transactions - MST (relating to credit, finance, disposal of loans, etc.), which primarily involve the Risk Function, which must express a prior and non-binding opinion on all transactions categorised as such based on criteria established and regulated internally. In the credit area, the scope of application of the ex-ante opinions of the Risk Function envisages the issue of a prior opinion also for Transactions defined as Significant (ST), allowing the preventive assessment of a significantly higher number of loan transactions, both in the disbursement phase - with reference also to the SME portfolio - and in the phase of classification from higher to lower risk, and vice versa. The scope of MST and ST in the credit area was expanded during the first half of 2024, including assessments relating to proposals to increase operating credit lines exceeding 25 million for transactions attributable to connected customer groups, with a concentration in Large Exposure reporting exceeding 20%.

The Group promotes the dissemination of a solid risk culture by developing and updating the skills of all personnel or specific targets, in light of the evolution of risks, the reference regulatory framework and the tools adopted for their oversight.

Every year, in collaboration with the competent Control and Central Functions, the Academy operating unit prepares Training Plans on the Administrative Liability of Entities, Privacy-GDPR, Transparency, Mifid2 and Anti-Money Laundering, in addition to Physical Security and Cybersecurity. Training programmes are also activated to support the Bank's main projects.

With reference to the first half of 2024, the Code of Ethics and Privacy courses were made available to all Group personnel.

Training activities were completed to support the evolution of credit policies and processes and tools for assessing credit risk integrated with ESG factors, involving the Central and Sales Network Structures most concerned. Also in the area of credit risk, training was completed in support of the Credit RWA Project, which introduced risk weighting based on capital absorption and the new Internal Rating System with a focus on Corporate. Training updates were also prepared on credit risk monitoring methods and tools.

In the financial realm, it is worth mentioning the courses on the evolution of financial consulting tools at Banco BPM and on the handling of inside information and the management of conflicts of interest included in the IVASS/ESMA annual training offer.

Lastly, during the first half of 2024, the training programme was also activated for the Control Functions of the Parent Company and Banco BPM Invest SGR, which made it possible to provide general information regarding:

- the reference regulatory framework for Alternative Asset Management Companies;
- the functioning of closed-end funds, with a focus on Private Equity Funds of Funds;
- the expectations of the Supervisory Authorities and the practices to be adopted in relations with them.

Specific in-depth analyses were also provided on Private Markets and Compliance, Risk Management and Anti-Money Laundering activities.

In the first half of 2024, the Group was engaged in carrying out the following regulatory analyses:

- *Data collection on the starting points* as at 31 December 2022 of the climate data requested by the ECB as part of the first "*Fit-for-55 climate risk scenario analysis*", conducted by the EBA with the collaboration of the ECB. The exercise, which was carried out in the first quarter of 2024, is part of the new mandates received by the EBA as part of the renewed sustainable finance strategy of the European Commission, which seeks to assess the resilience of the banking sector in line with the "Fit for 55" package and to acquire information on its ability to support the transition to a low-carbon economy under stress conditions;
- *Cyber Resilience Stress Test, the first analysis conducted by the ECB in the field of* Business Continuity and Operational Resilience proposed by the ECB, started on 23 November 2023 and ended at the end of July 2024. This analysis, aimed at assessing banking sector operational resilience in line with the most recent cyber threats, required the Group to simulate the analysis, recovery and restoration of a critical IT infrastructure for the Bank following a serious but plausible cybersecurity incident, and estimate its assumed economic impacts;
- in the insurance sector, the EIOPA 2024 Stress Test, launched by the European Insurance and Occupational Pension Authority (EIOPA) on 2 April and which will end in August, extended by IVASS to

the main Italian insurance entities, also including the Company Banco BPM Vita. The test, aimed at evaluating the resilience of the European insurance sector against serious but plausible adverse developments in economic and financial conditions, required participating companies to assess their risk profile in terms of both capital and liquidity following sudden market and insurance shocks, also taking into account impacts deriving from the application of plausible and realistic "management actions".

Monitoring and reporting activities

The risk monitoring and control activities performed by the Risk Function seek to ensure, at Group and individual Legal Entity level, the harmonised supervision of risks, by guaranteeing appropriate and timely information to the Corporate Bodies and Organisational Units involved in managing said risks, as well as ensuring the development and continuous improvement of the methods and models adopted for their measurement.

To this end, the Parent Company prepares periodic reports for the Corporate Bodies in line with the Group's internal policies. As part of integrated risk reporting prepared at Group and individual Legal Entities level, the Risk Function analyses the main risks to which the Group and the individual Legal Entities are exposed, and conducts a periodic assessment of the risk profile of the RAF indicators on the basis of the indicator's positioning with respect to the thresholds defined in the framework and/or the trend recorded, highlighting any areas for attention and improvement, for which specific analyses are provided which explain the relative trend. It should be noted that, at Insurance Company level, monitoring is carried out directly by the Company's Risk Function; the Parent Company's Risk Function integrates this information in its periodic reporting, in order to provide complete information on the Group's performance. Furthermore, at least on a quarterly basis an update is provided in integrated reporting on Recovery Plan indicator trend, with the support of the Recovery and Resolution Planning Function.
Positioning analyses (benchmarks) provide the Corporate Bodies of the Parent Company and top management with an at least six-monthly update on the Group's positioning, representing different comparisons on the main indicators with respect to the banking system identified by the EBA Risk Dashboard, or a significant European sample comparable with Banco BPM Group, making use of the main findings and the risk metrics reported in the EBA Risk Dashboards, ECB Supervisory Banking Statistics and in the information contained in the Market Disclosure (Pillar 3) documents, therefore enabling any opportunities for improving risk management to be identified.
In order to provide a dashboard that provides an overview on the evolution of the positioning of the Group and the reference samples (EBA Italy and Europe), starting from the analysis on data as at June 2023, an overall score was calculated based on the main 10 risk indicators of the EBA heatmap and the relative reference thresholds (indicated by the Authority in the Risk Dashboards). In the insurance sector, positioning analyses consider the main solvency metrics posted in the Solvency and Financial Condition Reports (SFCR) published annually by insurance companies and groups, in line with Pillar 3 of the Solvency II regime, as well as the data in the Quantitative Reporting Templates (QRTs), produced by the companies and available on the ANIA InfoQRT portal.
A verification of current and forward-looking capital adequacy, both from a Pillar I (regulatory) perspective and from a Pillar II (economic) perspective, in accordance with the provisions of the ECB ICAAP Guidelines, is also reported periodically to the Committees and Corporate Bodies.

Pillar I and Pillar II capital adequacy

To provide its management team and the Supervisory Authority with a complete and informed disclosure, which confirms the adequacy of its own funds, the first defence against the risks assumed, Banco BPM Group assesses its capital situation from a current and forward-looking perspective, both as regards Pillar I and Pillar II, based on Basel III rules (which are applied through CRR/CRD IV) and the specific guidelines that the banks receive from the Supervisory Authority.

As regards Pillar I, the Group's capital adequacy entails continuously monitoring and managing the capital ratios, calculated on the basis of the information provided by the Administration and Budget Function through the application of the rules established by Supervisory Regulations, in order to verify compliance with regulatory limits and to ensure that the minimum capitalisation levels required are maintained. These ratios are also estimated during the Budget preparation or Strategic Plan review process, and their consistency with the thresholds established in the Risk Appetite Framework is assessed.

As regards Pillar II, the Risk Function is tasked with coordinating the internal process to determine the Group's capital adequacy, in accordance with regulatory provisions, and with making estimates, reported to the Corporate Bodies and included annually in the ICAAP (Internal Capital Adequacy Assessment Process) package submitted to the Supervisory Authorities.

Within ICAAP, capital adequacy is assessed by verifying compliance with both Pillar I and Pillar II capital constraints (capital reserve calculated as the ratio between Available Financial Resources (AFR) and capital requirements – Economic Capital (ECAP), calculated using advanced methods developed internally and validated by the competent corporate function), using the Risk Appetite Framework, as well as qualitative elements.
The capital adequacy assessment, reported formally each year for supervisory purposes, is updated every six months, in compliance with external legislation and regulations (EBA SREP guidelines, ECB ICAAP guidelines) and internal reference regulations.
Such activity guarantees the continuous performance of the autonomous assessment process required by the Supervisory Authority, enabling any vulnerable areas and/or elements relating to the Group to be identified, and at the same time defining the potential actions deemed most appropriate, with a view to maintaining adequate capital buffers to guarantee that the medium/long term company strategies and objectives can be pursued. The main results emerging from this specific monitoring exercise are periodically reported to the Bank's Corporate Bodies.

Outcomes of internal validation activities

The Internal Validation Function conducts qualitative and quantitative analyses to assess the soundness and accuracy of Pillar I and Pillar II risk estimates.
It expresses an opinion on the regular functioning, on the predictive capacity, on the performance and on the prudence of the internal risk measurement methods.
From the analyses conducted in the first half of 2024, no significant gaps emerged in the methodologies used by the Group for risk measurement.

Climate and environmental risks

As part of the periodic update of the Risk Identification process, Banco BPM Group has identified and analysed the various ESG risk factors, breaking them down between those specifically linked to climate/environmental aspects and those concerning governance and social sustainability.

Risk management is one of the fundamental components of Banco BPM Group's operating activities. The approach to risk management has evolved considerably in recent years, when the risk related to the effects of climate change was fully integrated as a driver for the development of medium/long-term business strategy, stimulating the various interested parties, including Banco BPM, to take proactive steps to meet the growing interest of the various stakeholders in this issue.
This need emerged in particular following the international commitment stated with the 2015 Paris Climate Agreement and with the European Climate Law (EU Regulation no. 1119 of 30 June 2021), which sets out a binding objective of climate neutrality in the European Union by 2050 and an intermediate target for reduction of greenhouse gas emissions by at least 55% by 2030 with respect to the levels recorded in 1990.

In addition to all of the other projects undertaken as regards the analysis, management and mitigation of the risks relating to climate change, Banco BPM's decision to join the Task Force on Climate-Related Financial Disclosures (TCFD) and the Net-zero Banking Alliance (NZBA) further confirms the Group's awareness of playing a prominent role in action taken against climate change. For further details on the management and mitigation of climate and environmental risks, please refer to the Group's specific disclosure documentation: Non-Financial Statement and Pillar 3 Disclosure.

Main interactions with the ECB

The European Central Bank has a prominent role in guiding the players in the banking and credit sector towards the disclosure of risks related to climate change.

In November 2020, the ECB published the "Guide on climate-related and environmental risks" for banks, which contains the Regulator's expectations as regards the management of these risks, followed by the communication of the Chair of the ECB Supervisory Board in January 2021, concerning "Supervisory Expectations on climate-related and environmental risk: request for self-assessment and implementation plans", through which Banks were asked to conduct a self-assessment of the variances found with respect to the expectations contained in the ECB Guide (Questionnaire A) and to provide action plans with a view to monitoring the impact of climate and environmental changes (Questionnaire B), judged for Banco BPM Group to be complete and adequate. The results aggregated at European system level have been made available by the ECB.
The main activities carried out may, for presentation purposes, as there are numerous interconnections, be divided into the following macro-areas, the main elements of which are summarised below:

- Business Model and Strategy: to take strategic decisions that are consistent with and respect the context in which it operates, Banco BPM needs to understand the impact of climate-related and environmental risks. To this end, in the Group's Strategic Plan, the main strategic objectives as regards the management of climate and environmental risks are indicated, as well as the ways they can be integrated into the business and operations, also through Banco BPM's ESG Project, which involves the company at all levels;
- Governance and Risk Appetite: when drawing up business strategy and when establishing business objectives, Banco BPM considers the impact of climate and environmental risks, by including specific indicators that summarise the exposure to the risk in these areas in its Risk Appetite Framework (RAF), to allow the Corporate bodies, Management Committees and the main company functions involved, to take informed decisions relating to the management of these risks;
- Risk Management: to be able to consider climate-related and environmental risks in the risk management framework, the physical and transition risks that the loan and security portfolio of Banco BPM Group is exposed to were identified, for example by integrating such factors also within the definition and assessment of customer creditworthiness and in loan origination, monitoring and pricing processes. *The environmental and climate-related risk components are also adequately considered in processes for defining business continuity plans and in the implementation of operational, reputational, market and liquidity risk management frameworks;*
- Disclosure: Banco BPM publishes the information and results related to climate and environmental risks deemed relevant by developing reporting in line with the expectations established by specific legislation on the subject.

The main initiatives implemented in the first half of 2024

In the first half of 2024, Banco BPM continued the development and implementation activities of the many project initiatives aimed at analysing and managing climate and environmental risks, both with regard to the specific ESG Project and in response to the expectations of the ECB Guide on the subject, in line with the detailed operational plans defined by the Group and updated as part of the overall thematic review process (Thematic Review).

More specifically, Banco BPM has constantly refined its stress test framework, so as to incorporate climate and environmental risks into its projections, progressively establishing methodologies and processes according to the materiality of each specific risk. Of these, credit risk is the area most exposed in terms of materiality. This is why the Group decided to initiate a specific activity, which began in 2024 and ended with the approval of the 2024 ICAAP report, to include climate and environmental factors and the adoption of a "dynamic balance sheet" approach applied at sector level for the medium/long-term projection of loan volumes.

During the first quarter of the year, the Group was working on concluding the "Fit for 55 climate risk scenario analysis" data collection process conducted by the European Banking Authority in collaboration with the ECB and other Supervisory Authorities; this process falls within the mandates received by the EBA as part of the European Commission's renewed sustainable finance strategy. Its primary objective is to assess the overall resilience of the banking sector with respect to the targets defined with the "Fit for 55" package and to acquire information on the ability of the Entities to support the transition to a low-carbon economy. In this regard, the starting points values as at 31 December 2022 were provided. The forward-looking results of this module were obtained using the top-down climate risk stress test models defined by the Supervisory Authority. With reference to the foregoing, at the end of May 2024 the ECB sent each participant an individual report that shows, for selected areas, the progress compared to the results of the 2022 SSM Climate Risk Stress Test containing a good positioning of the Bank with respect to its peers.

By virtue of the entry into force of the new Corporate Sustainability Reporting Directive (CSRD), starting from the Consolidated Financial Statements as at 31 December 2024, Banco BPM Group will be required to prepare and publish the "Sustainability Statement" as an integral part of the Report on Operations, thanks to a project with the aim of taking the actions required to prepare the first Sustainability Statement by the end of March 2025.

After joining the Net Zero Banking Alliance (NZBA) in March 2023, the Group undertook to support its customers in complying with a robust and scientific transition plan, aligning credit and investment portfolios on the most material carbon-intensive sectors for Banco BPM in order to achieve the Paris Climate Agreement goal of zero net emissions by 2050. The 2030 reduction targets for priority sectors (Automotive, Cement, Coal, Oil & Gas and Power Generation) will be announced by the end of September 2024, while transition plans will be published within one year of the disclosure of the targets. In the meantime, Banco BPM is also working on other carbon-intensive sectors with a view to setting internal objectives, in order to holistically define and apply its net-zero strategy.

In addition, also leveraging the Sustainability Statement required by the CSRD, Banco BPM is engaged in assessing risks and opportunities linked to the business environment, since the transition plans will constitute a strategic tool to identify potential substantial climate-related risks and opportunities and develop projections and extend the time horizon of company plans. Accordingly, with regard to risk management, climate risk drivers have been formalised in the risk inventory since 2021 and have been fully integrated into the RAF, ICAAP and stress tests, while since June 2024 there has been an internal rating climate system applied for IFRS 9 purposes.
For the periodic capital adequacy assessment (ICAAP), climate and environmental factors were also considered in the estimation methods defined by the Group with reference to operational and real estate risk. Specifically, both the incidence of potential physical damage on the Bank's real estate and artistic assets (operational risk), and an additional write-down on business and investment assets owned by the Group were taken into account, due to the combined effect of acute physical risk stress and the possible emergence of a transition risk (real estate risk).

For an illustration of the impacts of ESG factors on credit processes, please refer to the following section on Credit risk.

Credit risk

Banco BPM Group pursues lending policy objectives that seek to:

- support the growth of business activities in the areas it operates in, with the goal of overseeing and managing the development of the Group's positioning, in line with RAF policies and budget and business plan objectives, focusing on the support and development of customer relationships;
- diversify its portfolio, limiting loan concentration on single counterparties/groups and on single sectors of economic activity or geographical areas;
- adopt a uniform and unique credit management model based on rules, methods, processes, IT procedures and internal regulations harmonised and standardised for all Group banks and companies.

To optimise credit quality and minimise the global cost of credit risk for the Group and the individual companies, under the organisational model the Parent Company's Loans Function is in charge of lending policy guidelines for both the banks and companies of the Group.
Guidelines have also been set at Group level, defining conduct with respect to assuming credit risk, to avoid excessive concentrations, limit potential losses and guarantee credit quality. In particular, in the loan approval phase, the Parent Company exercises the role of management, direction and support for the Group.
The above Function monitors the loan portfolio, and focuses on analysing the risk profile performance of economic sectors, geographical areas, customer segments and types of credit lines granted, as well as on other dimensions of analysis, which enable any corrective actions to be defined at a central level.
The role of the Parent Company's Risk Function is to support Top Management in planning and controlling the risk of exposure and capital absorption, in order to maintain the stability of the Group, verifying forward-looking capital adequacy and under stressed conditions, as well as compliance with the RAF thresholds, the Group's risk limits and its risk appetite. In particular, the Function's task is to develop, manage and optimise internal rating models (Pillar I), the loan portfolio model (Pillar II) over time, and to supervise - as part of second level controls - the calculation of risk-weighted assets using advanced methods.
Credit risk monitoring at portfolio level is based on a default model that is applied on a monthly basis to credit exposures of Banco BPM Group.

For an examination of the main initiatives and adjustments made to factor in uncertainties in the reference macroeconomic context and other risk factors not intercepted by expected loss calculation models, please refer to the section "Methods for measuring IFRS 9 expected losses for financial reporting purposes" as well as the Annual Financial Report as at 31 December 2023.

Credit quality

Banco BPM Group uses an elaborate set of instruments to grant and manage credit and to monitor portfolio quality.
Rating plays a key role in loan granting, credit product disbursement, monitoring and performance management processes. In particular, it plays a role in defining guidelines for credit policies, in deciding which bodies are competent to approve loans, as well as on the mechanism for the automatic renewal of uncommitted credit facilities, and it contributes to determining automatic interception of the monitoring and management process (Watchlist).
To proactively manage counterparties that show signs of a deterioration of credit risk, the Group utilises a specific platform to intercept, monitor and manage anomalous exposures, as well as a performance scoring model to intercept the first signs of deterioration of the counterparty, before the default event. Considering the new EBA guidelines on the definition of default, applied by the Group from 1 January 2021, the above-cited monitoring platform incorporates the new rules relating to overdue exposures, making provision, from the first few days in which the overdue event materialises, for intervention processes differentiated by counterparty type and level of exposure, according to a management approach which is as business-oriented as possible, to prevent deterioration in credit risk and the consequent restoration of the ordinary management of the relationship. More specifically, the process currently in place envisages the interception of overdue positions on a daily basis, and their subsequent management according to a structured procedure, which entails clustering the portfolio with anomalies and the subsequent definition of interventions according to a defined scale of priorities.

The methodologies underlying the risk parameters PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default), are used not only to assess the counterparty when granting, monitoring and renewing credit lines, but also to collectively write down receivables in the financial statements, in compliance with IFRS 9.
The credit assessment to calculate the amount of expected losses of non-performing loans differs according to the status and size of the exposure. The expected credit losses valued analytically by the manager are periodically reviewed.
For prudential purposes, credit risk monitoring at portfolio level is also based on a default model that is applied on a monthly basis to credit exposures of Banco BPM Group. For more information on the general features of this model, please refer to the following paragraph "Models for measuring credit risk for prudential purposes".
For other exposures - other than performing loans with ordinary and financial resident customers - risk is controlled through the use of supervisory regulatory metrics (Standard).

Information on the inclusion of ESG factors in credit processes

The main objective of the credit policies of Banco BPM Group is to guide the growth of volumes, with a view to optimising the risk-return ratio and to containing the future cost of credit risk, by already incorporating various clear ESG-related aspects from 2021, particularly as regards the Real Estate and Agrifood sectors. These aspects have been implemented in the loan application process through dedicated tools, which envisage acquiring information also relating to factors more linked to the environment and the climate during the proposal and approval stage.

Already last year ESG factors were included in the Group's credit processes; during the first half of 2023, the assessment of ESG factors and the impacts of potential risks linked to climate change on the economic and financial outlooks of the companies to which Banco BPM Group is exposed were integrated within the Credit Policies framework. In this regard, the assessment was extended to all Bank segments, including Small Business (through a simplified model), and the assessment of physical risk was integrated, with reference to both counterparties and collateral. The risk mitigation actions implemented by the counterparty to which the Group is exposed were also evaluated.

Again in the first half of 2023, also after the Bank joined the *Net Zero Banking Alliance*, stricter credit policies were introduced for those sectors defined as "priority" in that they are characterised by a higher level of emissions.

Lastly, project activities continued as part of the implementation of the "EU Taxonomy", with the aim of integrating the alignment of exposures of financed counterparties with the taxonomy into processes and products.

Starting from December 2022, in the estimate of expected credit losses (ECL) on performing credit exposures, the Group introduced a specific adjustment to factor the risks deriving from the exposure of debtor counterparties to climate and environmental factors. In particular, the impacts on the PD and LGD risk parameters of the counterparties were estimated, assuming a transition risk and a physical risk developed on the basis of the scenarios illustrated below.

With reference to transition risk, the Orderly Transition scenario prepared by the EBA for the 2022 Climate Stress Test was considered, based on the assumptions of the Net Zero 2050 scenario of the Network for Greening the Financial System (NGFS). With respect to the possible alternative scenarios (Disorderly Transition and Hot House World), the selection of the Orderly Transition scenario was the most prudent with reference to the time horizon of the credit exposures to be assessed, as it assumes an immediate and stringent intervention of climate policies, as described in more detail below.

This scenario was incorporated in the PD parameters by assessing its impact on the financial statement items of corporate customers, which are then used as input for financial models developed internally by the Group. These models deliver prospective PD values.

On the basis of the changes in PD obtained, the effects of the ecological transition are then transmitted, with a special mathematical function, also to the LGD parameter. A specific physical risk shock was also applied to the latter parameter, to consider the possible impact on mortgage collateral following a possible write-down of properties based on flood risk, as per the NGFS 2022 Flood scenario.

For further details on the methodology for calculating the adjustments in question and the relative impacts, please refer to the paragraph below "Use of post-model adjustment and management overlays".

For a better understanding of the assumptions underlying the transition scenario considered by the Group with respect to the alternative scenarios, an illustration of the main assumptions of each scenario is provided below.

The Orderly Transition scenario is based on the NGFS Net Zero 2050 scenario, which envisages a maximum increase in global temperature of 1.5 °C, achieved through the immediate and gradually more stringent introduction of policies to reduce carbon dioxide emissions, which are considered zero in 2050. In this type of scenario, the transition risk and the physical risk are limited: in fact, the gradual transition ensures that the necessary costs and investments in innovation are minimised. At the same time, the increase in the maximum global temperature of 1.5 °C reduces the risk of extreme events.

The Disorderly Transition scenario, which is instead based on the NGFS Delayed Transition scenario, assumes a delayed and net introduction of climate policies starting from 2030, in order to limit the increase in global temperature to below 2 °C; carbon dioxide emissions are therefore higher than in the previous scenario to comply with the objectives of the Paris agreement. The scenario therefore entails a higher transition risk, due to the higher costs required by the delayed introduction of climate policies, while the increase in global temperature increases physical risk in terms of greater frequency and importance of extreme events.

Lastly, the Hot House World scenario is calibrated on the NGFS Current Policies scenario, which captures the long-term impact of physical risk on the economic and financial system resulting from the failure to introduce emission reduction measures. Although emissions at European level are gradually decreasing, global emissions continue to grow until 2080 with an increase in global temperature of around 3 °C. This will lead to greater and more significant natural catastrophes, with a considerable increase in insurance and reconstruction costs linked to these events. In this scenario, there is therefore no transition risk, but the transition costs that would have occurred in previous scenarios are more than offset by the strong impact of extreme physical risk in the economy.

With regard to non-performing loans to be assessed analytically, the risks related to climate and the environment are taken into consideration in the estimate of the present value of forecasted future cash flows, on an essentially discretionary basis and together with other pieces of information.

During the second half of 2022, the aforementioned Financial Forecast Studio was also implemented, a modular platform to support the forward-looking assessment of a company by the manager. The instrument works on the platform supplied by the provider Cerved.

The elements characterising this instrument are:

- accurate data sets:
  - At least every six months, Cerved prepares forecasts for approximately 400 sectors, which can be used as a standard basis for the prospective simulation of the financial statement figures of the individual company;
  - the historical financial statements of the last few years are made available;
  - the CeBi reclassification scheme of Cerved's Financial Reporting Office was adopted;

- *assumptions* and business simulations:
  - starting from the standard simulations proposed by the provider, an infinite number of alternative scenarios can be replicated by changing the initial assumptions;
  - more than 20 parameters (financial statement items) are available that can be used as modifiable assumptions of the model;
  - through simple data-entry, start-ups/financial statements of partnerships can also be evaluated;
  - an additional ESG module is included for the accurate estimate of the impacts on credit risk of the variables linked to environmental, social and governance risks;
  - the tool provides a wide range of forecast outputs to support the manager and the decision-maker in the evaluation and granting phase; it also makes it possible to compare multiple scenarios relating to the same company or to different companies (for example, a "best in class" or specific competitor).

The evolutionary directions of the Lending Policies framework that were introduced starting from 2023 and continued in 2024 are shown below:

- ESG:
  - evolution of the transition risk classification methodology based more on emissions;
  - introduction of physical risk;
  - extension to the large corporate segment;
  - management of priority sectors with high emission risk;
  - introduction of specific lending guidelines based on the assessment of ESG factors;
- CRE Commercial Real Estate:
  - KRI (Key Risk Indicator) integration for the assessment of sustainability in the CRE (Commercial Real Estate) sector;
  - alignment of the requirements for the classification of green real estate investments in line with the requirements of the taxonomy;
- Evolution of the current framework:
  - sector-specific lending guidelines (e.g. agriculture as well as RE);
  - definition of a specific framework for Large groups and project finance transactions;
  - extension of the forward-looking financial sustainability assessment using ad hoc instruments.

Models for measuring credit risk for prudential purposes

When measuring the credit risk of portfolios, the Bank uses an econometric model for management purposes, supported by an extensive set of data and risk variables, known as the Portfolio Model.
The model allows for, through the use of Credit-VaR metrics, the definition of the probability distribution of losses in the loan portfolio. This distribution is used to measure the maximum potential loss over a yearly time period and with a specific level of confidence.
More specifically, in order to obtain this distribution, the model's processing engine uses a Monte Carlo simulation approach, which simulates a sufficiently high number of scenarios so as to provide a good empirical approximation of the theoretical distribution of loan portfolio losses.
The calculation of the maximum potential loss, which can be broken down into the classic measures of Expected Credit Loss and Unexpected Loss (Economic Capital), is affected by concentration risk and systematic risk, respectively.
Concentration risk derives from large exposures to single counterparties - name concentration - or types of peer counterparties in terms of industries, whose credit risk depends on one or more systematic factors - industry concentration. On the other hand, systematic risk derives from the impact of unexpected changes in macroeconomic factors on risk parameters (PD and LGD) of the single accounts, using the elasticity estimated using satellite models capable of linking PD and LGD of peer counterparties and accounts and a set of (domestic and international) economic-financial factors.
Lastly, the portfolio model periodically undergoes stress testing to evaluate the credit risk sensitivity of the Group's portfolio to extreme changes in economic and financial factors.
As at 30 June 2024, the expected credit loss, calculated on the Basel III validation perimeter (for which Banco BPM was authorised by the Regulator to use internal rating systems to calculate the capital requirements on credit risks), was 0.49% of the exposure to default, while the overall loss (expected and unexpected loss measured by the C-VaR method in the 99.9th percentile, the most recent figure available with reference to the performing portfolio model perimeter) amounted to 1.42% of the exposure at default.

The internal models for estimating PD, LGD and EAD are subject to an internal validation process by the Risk Function and to a third-tier control by the Audit Function. The outcome of these processes is outlined in special reports submitted to the Corporate Bodies and sent to the European Central Bank/Bank of Italy.

Outcomes of internal validation activities

In order to calculate capital requirements against Credit Risk and only on the scope of the Parent Company, Banco BPM Group adopts internal estimates of PD and of LGD for Corporate and Private Customer portfolios.

The comparison between estimates and empirical data is made separately for PD, LGD and CCF, by means of backtesting conducted by the Internal Validation function.

With reference to the PD models, Banco BPM Group adopts performance measurements to check the accuracy ratio (AR) of the estimates and calibration tests ("classical" binomial tests on a multi-period and single period basis) to compare the default rates (DRs) recorded over an annual time horizon with the estimated PD values.
Regarding the Corporate segment, the latest backtesting showed a good accuracy ratio of models, both in terms of single modules and final integrating ratings, which produced values comparable and at times superior to those obtained during the development phase. With regard to the calibration, satisfactory values were found for all models.
Overall, the model performed well for the Private customer segment. With regard to calibration, the results of the binomial tests were satisfactory.

With regard to the LGD parameter, testing was conducted on both the performing and in default components. Internal Validation did not detect significant problems with the estimates generated for the private and business models. However, aspects of further improvement on the default scope remain to be explored, especially with reference to unlikely to pay exposures.

Testing was conducted in relation to CCFs. Internal Validation did not detect significant problems with the estimates generated for both the retail and corporate models.

In general, the models were fine-tuned, mainly with a view to making the models more compliant with legislative requirements.

Methods for measuring IFRS 9 expected losses for financial reporting purposes

According to IFRS 9, all financial assets not measured at fair value through profit and loss, represented by debt securities and loans, and off-balance sheet exposures (commitments and guarantees given) must be subject to the impairment model based on expected credit losses (ECL – Expected Credit Losses).

Specifically, the IFRS 9 impairment model is based on the concept of forward-looking valuation, i.e. on the concept of Expected Credit Loss, whether calculated at 12 months (Stage 1) or for the entire residual lifetime of the instrument (lifetime loss for Stage 2 and Stage 3). In particular, the model establishes that financial assets should be classified into three separate stages, corresponding to different measurement criteria:

- Stage 1: to be measured on the basis of expected credit loss over a time horizon of one year. Stage 1 includes performing financial assets for which no significant impairment of credit risk has been observed with respect to the date of initial recognition;
- Stage 2: to be measured on the basis of expected credit loss over the entire residual life of the financial asset. Stage 2 includes financial assets that have undergone significant impairment of credit risk with respect to initial recognition;
- Stage 3: to be measured on the basis of an estimate of expected forward-looking loss, based on a 100% probability of default. Stage 3 includes financial assets considered non-performing.

According to the Expected Credit Loss calculation model, losses must be recorded not only with reference to objective evidence of impairment losses that had already occurred at the reporting date, but also on the basis of expectations of future impairment that is not clear yet, which must reflect:

- the likelihood of different scenarios occurring;
- the effect of discounting using the effective interest rate;
- historical experience and current and future valuations.

Detailed information is provided below on the model used by the Group to verify whether there is a significant deterioration of credit risk (known as "Framework Stage Assignment") and to calculate the forward-looking expected credit loss.

Framework stage assignment

In order to allocate exposures to the various stages, Banco BPM Group has classified them as follows:

- performing loans in Stages 1 and 2;
- non-performing loans in Stage 3. The analyses conducted led to the conclusion that the relative scope is aligned to that of non-performing exposures, determined in accordance with the definitions contained in current supervisory provisions[1] (bad loans, unlikely to pay, past due exposures), as they are deemed to be consistent with accounting regulations in terms of objective evidence of impairment.

With regard to credit exposures to Group customers (cash loans and unsecured loans), an illustration is provided below of the quantitative and qualitative criteria defined by the Group in order to classify a performing exposure in Stage 1 or Stage 2.
With reference to quantitative criteria, the model developed by the Group uses as reference the parameter of lifetime probability of default (LPD), measured at the reference date, and the same parameter measured at the origination date. The ratio between said parameters is defined as the "Lifetime PD Ratio" (LPDR). More specifically, the chosen metric is based on the "Forward" PD concept. This approach entails identifying the forward PD curve on the Lifetime PD curve observed at the origination date, with the reference date as a node and the residual duration as holding period.
The development of the model has also led to the identification of specific internal thresholds of variation between the two aforementioned probabilities, which are differentiated by the following drivers:

- risk segment [2](Businesses/Private Customers);
- rating class;
- residual life;
- *ageing* of the position (distance between the origination date and the reporting date).

Thus, the change in credit risk is measured by comparing the parameter defined as a logarithm of the "Lifetime PD Ratio - LPDR" of individual exposures, as defined above, and the specific estimated internal thresholds. Exceeding the above thresholds, with the exception of cases in which the annualised PD observed at the reference date is lower than the threshold of 0.30% (threshold considered to express a low credit risk - Low Credit Risk Exemption), represents a significant increase in credit risk and the consequent transfer of the individual credit line from Stage 1 to Stage 2. That methodology is thus based on a relative approach, as the allocation between Stage 1 and Stage 2 is guided by the change in credit risk since the origination date.
In developing its operating model, after calculating the logarithm of the LPDR for each position included in the estimate sample, the Group selected the optimal threshold for each cluster (given by the intersection of the risk driver methods considered relevant) that would allow it to optimise the model's performance measured using the Matthews correlation coefficient (MCC). The performance aims to describe the ability of the model to correctly anticipate, with a Stage 2 classification, the positions that, within 12 months from the reference date, show signs of risk represented not only by default but also by additional elements that denote a high level of risk (the presence of a number of consecutive days past-due/overdue exceeding the 30-day threshold, the granting of a forbearance measure, the presence of the counterparty within exposures subject to strict monitoring).
With reference to exposures to banks, the methodology developed is also based on the calculation of the LPDR parameter, using the thresholds developed for the Businesses segment.
Following the changes introduced, as illustrated previously, it should be noted that exceeding of the SICR threshold - which determines a Stage 2 classification - is observed on positions that show, with respect to the origination date, a relative increase in PD Lifetime included on average in a range from +100% to +200% depending on the risk segment.

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[1] Definitions contained in the Bank of Italy Circular no. 272 of 30 July 2008 and subsequent updates, on the basis of which the scope of non-performing loans corresponds to that of the Non-Performing Exposures of Implementing Regulation (EU) 680/2014, with which the EBA's ITS was incorporated (EBA/ITS/2013/rev1 of 24/07/2014).
[2]With reference to exposures belonging to the scope of "Structured Finance Operations - SFO" (Income Producing Real Estate, Real Estate Development and Project Financing), the same thresholds developed for the Businesses segment are applied.

In addition to the quantitative criterion illustrated above, the stage allocation model adopted by the Group is also founded on qualitative criteria and backstops. In greater detail, the following entails classification in Stage 2:

- the presence of a number of consecutive days past-due/overdue exceeding the 30-day threshold;
- the granting of forbearance measures. In greater detail, this includes all exposures affected by forbearance measures which have this attribute still active, regardless of whether the current probation period is regular;
- the inclusion of the counterparty in watchlist exposures subject to strict monitoring, in the presence of situations that suggest high risk (e.g. synthetic judgement of the degree of risk of the individual customer above a certain threshold, prejudicial events);
- the classification of the counterparty in the "High" risk band[1], save for the option of override by the competent company functions, which must be suitably justified;
- lack of rating at the origination date, save for the case where the counterparty was assigned a rating on the measurement date that classifies the exposure in the "Low", "Medium-low" or "Medium" risk band.[2]

With regard to the functioning of the model, Banco BPM Group has decided to adopt a symmetrical model of reclassification from Stage 2 to Stage 1: in cases in which the conditions triggering the significant deterioration of credit risk cease to exist on a later valuation date, the financial instrument returns to being measured on the basis of the expected credit loss measured on a time horizon of twelve months. It should also be noted that in the event of a return from Stage 3 to performing exposure status, there is no mandatory transfer of the counterparty's relationships to Stage 2. The classification of performing exposures into stages (Stage 1 or Stage 2) will depend on the automatic application of the stage assignment framework.
In the case of forborne exposures, any return to the calculation of the expected credit loss at one year is made in accordance with the probation period, in line with the time frames set out in the supervisory provisions.

The stage allocation methodology described above is applied to all exposures to customers, excluding debt securities.

Following the stage assignment process and ECL calculation, some Manual Stage Adjustments were carried out:

a) classification in Stage 1 of relationships, not classified as revolving credit, with residual maturity within the year classified in Stage 2 exclusively due to threefold increases. This action involved a total of exposure migrated to Stage 1 of 0.86 billion, without changes in terms of ECL as by definition, since the relationship has a residual maturity of less than one year, the risk metrics calculated over a 1-year or lifetime horizon are equivalent;
b) introduction of a quantitative assessment of the SICR on non-segmented (unratable) positions by exploiting the recovery of additional information (e.g. ECAI rating) in order to address a specific ECB request as part of the OSI-IFRS9 SME inspection. The intervention involved a total exposure migrated to Stage 2 of 0.03 billion, corresponding to a simultaneous ECL increase of 0.28 million;
c) Stage 2 classification of individual positions whose classification deriving from the application of staging allocation methodology (SICR + Backstop) was considered inappropriate by the Credit function. The intervention involved a total exposure migrated to Stage 2 of 0.08 billion, corresponding to a simultaneous ECL increase of 1.03 million.

Regarding debt securities, the Group applies the Low Credit Risk Exemption, i.e. the practical expedient of assuming that credit risk has not increased significantly compared to the initial recognition of the instrument, classifying it at Stage 1. This exemption applies to securities rated as investment grade at the valuation date, in compliance with IFRS 9.
If on the valuation date, the securities have a rating level that is lower than investment grade - and therefore the "Low Credit Risk Exemption" is not applicable - the method developed by the Group is also based on the calculation of the LPDR[3]. More specifically, the SICR threshold values identified for this specific scope were retrieved through a distributive approach and correspond to the 95th percentile of the LPDR distribution observed in the portfolio in question as at June 2024.
Considering the presence of several purchase transactions occurring on different dates for the same fungible security (ISIN), for the purposes of the SICR, the risk at the origin is measured separately for each tranche purchased. It was thus necessary to specify a method for identifying the tranches sold and, as a result, the remaining quantities to

[1]Note that, for loan granting processes, the rating classes envisaged by the internal model are grouped into 5 homogeneous risk bands ("Low", "Medium-low", "Medium", "Medium-high" and "High").
[2] See previous note.
[3] Data from the CreditEdge platform of the Moody's rating agency.

which to assign the credit quality at the date of initial recognition, to be compared with that at the measurement date: that movement methodology is based on the FIFO method (First In - First Out).

The table below shows the percentage breakdown of exposures allocated to Stage 2 on the basis of various classification triggers, which shows that the breakdown of the exposures classified therein is equally influenced by both quantitative criteria based on the change in the probability of default and qualitative criteria, including positions classified in Stage 2 through Manual Adjustment. Exposures classified as Stage 2 solely due to the presence of more than 30 past-due days represent a negligible percentage.

Type[1]	Stage 2	of which: Large Corporate	of which: Mid Corp.Plus	of which: Mid Corporate	of which: Small Businesses	of which: Private Individuals	of which: Banks	of which: other exposures(*)
Quantitative criteria	71.69%	83.05%	60.56%	82.48%	78.91%	32.83%	100.00%	25.65%
Qualitative criteria	17.46%	12.28%	30.79%	8.68%	11.03%	41.78%	0.00%	42.60%
Exposures over 30 days past due	0.09%	0.00%	0.00%	0.01%	0.05%	0.20%	0.00%	4.73%
Manual Adjustment (MA)	0.91%	0.00%	2.80%	0.00%	1.08%	0.06%	0.00%	20.79%
Post Model Adjustment (PMA)	9.85%	4.67%	5.85%	8.83%	8.94%	25.14%	0.00%	6.23%

(*) Non-segmented counterparties or those belonging to the ProFamily portfolio.

Expected Credit Loss - Stage 1 and Stage 2

The model for calculating Expected Credit Loss (ECL) to measure the impairment of performing instruments, differentiated based on the classification of the exposure in Stage 1 or Stage 2, is based on the following formula:

$$ECL = \sum_{t=1}^{T} PD_t * EAD_t * LGD_t * (1+r)^{-t}$$

Where:

PDt	represents the probability of default at each cash flow date. This is the probability of moving from performing status to non-performing status over the course of a year (1-year PD) or over the entire lifetime of the exposure (lifetime PD)
EADt	represents the counterparty's exposure at each cash flow date
LGDt	represents the associated loss by counterparty at each cash flow date. This is the percentage of loss in the event of default on the basis of historical experience over a given observation period, as well as the forward-looking evolution over the entire lifetime of the exposure
r	represents the discount rate
t	represents the number of cash flows
T	represents the total number of cash flows, limited to the following 12 months for accounts in Stage 1, and referring to the entire residual life for those in Stage 2

The models used to estimate said parameters leverage the equivalent ones used for capital requirements for credit risk, making specific adaptations to take account of the different requirements and purposes of the IFRS 9 impairment model and the prudential impairment model.

The definition of said parameters, compared to the regulatory parameters, considered the following objectives:

- removal of the downturn component considered in calculating the regulatory LGD to take account of the adverse economic cycle;
- removal of the MoC (Margin of Conservatism) component considered in the regulatory LGD calculation to take further margins of conservatism into account as requested by the EBA Guidelines;
- adjustment of loss rates to manage the difference between the discount rate used for the regulatory LGD estimate[2] and the Effective Interest Rate (EIR) used to calculate losses at amortised cost;

[1] In the case in which a position is classified as stage 2 due to different types of criteria, its exposure has been allocated to the first cluster according to the order in which the classification criteria were presented.

[2] The discount rate used for regulatory LGD estimates, in compliance with EBA Guidelines (*EBA/GL/2017/16*), corresponds to the 3-month Euribor with a prudential add-on of 5%.

- inclusion of the conditions of the current economic cycle (Point-in-Time risk measures) instead of the measurement of the parameters through the economic cycle (TTC - Through the cycle), which is required for regulatory purposes;
- introduction of forecast information regarding future trends in macroeconomic factors (forward-looking risk) considered potentially capable of influencing the debtor's situation;
- extend risk parameters to a long-term perspective, accounting for the lifetime of the credit exposure to be assessed.

As noted, the definition of default adopted is in line with that used for regulatory purposes.
Please recall that in the course of 2020 and 2021, in response to the health crisis, to mitigate its impact, the Government implemented substantial policies to sustain the economy (e.g. Heal Italy decree, Relaunch decree, Liquidity decree, etc.). In this context, the competent authorities (ECB, EBA, ESMA, BIS) invited the banks to take into consideration the mitigation measures set in place by the public authorities and to limit the impact of the macroeconomic shock when calculating provisioning containing the elements of procyclicality implied in IFRS 9.
To this end, Banco BPM included the government measure in its ECL calculation. The method adopted therefore enabled the share of exposure covered by these guarantees with relation to the total exposure of the transaction to be identified. The LGD associated with the transaction was therefore eliminated on said portion and a "Stato Italia" (Italian State) average coverage assigned.
The provisions are therefore calculated as the sum of the expected credit loss on the share of the exposure not guaranteed by the State, plus an ECL calculated through the application of the "Stato Italia" coverage to the share of the exposure guaranteed by the State.

More detailed information on the way in which the Group has determined the aforementioned IFRS 9 compliant risk parameters, with specific reference to forward-looking factors, is provided below. It should be noted that the PD and LGD metrics obtained as at 30 June 2024 based on "core" model calculations take into account several developments implemented during the first half of the year to take into account the revision of the new A-IRB internal models (NAA2021), validated in December 2023, as well as the removal of the double counting of positions that have returned to performing status. The effects of these developments were in any case already considered as at 31 December 2023, through appropriate adjustments after the application of the "core" models. These adjustments were therefore removed for the purposes of the interim report, as illustrated in the paragraph "Use of post model adjustments and management overlays". The same applies to the transition to production of the slotting criteria method for specialised lending, which took place during the half-year, as illustrated in more detail below in the paragraphs dedicated to estimates of parameters.

In that regard, furthermore, it must be noted that the update of the time series of the parameters and, as a result, their recalibration, is carried out on an annual basis. In particular, in December 2023, in line with the provisions of internal processes, the risk parameters were updated to incorporate in their estimation the effect of updating the time series on the PD, LGD, EAD risk parameters and thresholds to identify the SICR.

Estimating the PD parameter

The PD values are obtained on the basis of regulatory ones, which are anchored to the average level of risk observed in the long term, suitably calibrated to reflect the current conditions of the economic cycle (Point in Time approach). Subsequently, the PD values are adjusted, from a Forward Looking perspective, through the application of the sector satellite models developed by the Group. Said values must be estimated not only with reference to the time horizon of the twelve months following the reporting date, but also in the future years, for the purpose of calculating lifetime provisions. The lifetime PD curves were constructed by multiplying, using a Markov approach, the migration matrices of the rating at 12 months, separately by risk segment (Large Corporate, Mid Corporate, Mid Corporate Plus, Small Business, Private) impacted by the forward-looking macroeconomic scenarios. Each rating class assigned to the counterparties using the AIRB internal models is associated with its related lifetime PD curve.
The main methodological steps used to estimate the lifetime PD parameter are provided below:

- the construction of historical Point in Time (PiT) migration matrices for each risk segment defined by the rating models and on the basis of the average of these matrices and the attainment of the long-term Through The Cycle (TTC) migration matrices for each risk segment;
- the determination of future PiT matrices for the first three years following the reporting date, obtained on the basis of PiT matrices conditioned on the basis of macroeconomic scenarios;

- obtaining cumulative PDs by rating class and scenario, via a matrix product (Markov chain techniques) of the future PiT migration matrices for the first three years, as previously calculated, while from the fourth year onwards so-called smoothed matrices are used, which allow for the gradual smoothing with the TTC migration matrix;
- the generation of the cumulative lifetime PD curve as the average of the cumulative PD curves of each selected macroeconomic scenario weighted by the respective probability of occurrence.

With regard to "Structured Finance transactions - SFT" (Income Producing Real Estate, Real Estate Development and Project Financing), it should be noted that, starting from the interim report as at June 2024, the simulation models were discontinued, with the resulting transition to the slotting criteria methodology, in line with the formal regulatory model change request sent to the ECB. The dedicated slotting criteria method involves the assignment of a category defined in a range from 1 to 4, subsequently transformed, through conversion tables, into rating classes and the relative PD value of the Mid Corporate model (segment with more similar size characteristics) relating to the new A-IRB rating system.
The PD values thus obtained are then conditioned to the economic cycle in a forward-looking perspective through the use of internal PD satellite models. The effects of this evolution were in any case already reflected in the financial statements as at 31 December 2023 through the application of a post-model adjustment which, starting from the discontinuation of the above-mentioned simulation models for the OFS transaction, was not repeated, as illustrated in the subsequent paragraph "Use of post model adjustments and management overlays".

Refer to the paragraph "Inclusion of forward-looking factors", below, for more details on the method of constructing the PD.

<u>Estimating the LGD parameter</u>

LGD values are assumed to be equal to the regulatory recovery rates calculated through the economic cycle (TTC) and suitably adjusted in order to remove some of the prudential elements established by the regulatory models, which are represented by indirect costs, the MoC (Margin of Conservatism) and the component associated with the adverse economic cycle (the downturn component), as well as to reflect the most current recovery rates (PiT), the difference between the discount rate used to estimate the regulatory parameters[1] and the Effective Interest Rate (EIR), and expectations concerning future (forward-looking) trends. In detail, the forward-looking estimate of the parameter takes account of the impact on the economic cycle of the components represented by the probability of non-performance (Psoff) and the Loss Given Non-Performance (LGNP) using specific forward-looking scaling factors to obtain point in time and forward looking LGDs. More specifically, the forward-looking effects are channelled to LGD estimates through the application of specific satellite models for the main components of the LGD model (Psoff and LGNP), which compare the changes in macro factors with the residual estimations of the two above-cited parameters on the historical horizon.

As set forth in the paragraph dedicated to the PD estimation, as regards "Structured Finance Transactions - SFT" (Income Producing Real Estate, Real Estate Development and Project Financing), starting from the interim report as at June 2024, the simulation models were discontinued, with the resulting transition to the slotting criteria methodology, in line with the formal regulatory model change request sent to the ECB. The effects of this evolution were in any case already reflected in the financial statements as at 31 December 2023 through the application of a post-model adjustment which, starting from the discontinuation of the above-mentioned simulation models, was not repeated, as illustrated in the subsequent paragraph "Use of post model adjustments and management overlays".

The slotting criteria method involves the assignment of specific LGD values depending on SFT segment, defined on the basis of specific analyses performed on specific portfolios by adopting the fixed values provided by Supervisory Regulations.
The LGD values thus obtained are then conditioned by the economic cycle in a forward-looking perspective through the use of internal LGD satellite models.

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[1] The discount rate used for regulatory LGD estimates, in compliance with EBA Guidelines (*EBA/GL/2017/16*), corresponds to the 3-month Euribor with a prudential add-on of 5%.

EAD Estimation

For on-balance sheet exposures, the EAD is represented, at each future payment date, by the remaining payable based on the repayment plan, plus any unpaid and/or past due instalments.
For off-balance sheet exposures, represented by guarantees and irrevocable or revocable commitments to disburse funds, the EAD is equal to the nominal value weighted by a specific credit conversion factor (CCF), determined in compliance with the previously validated and appropriately calibrated internal models and using the standardised approach for the remaining exposures.

Inclusion of forward-looking factors

In accordance with IFRS 9, when estimating expected losses it is necessary to take forward-looking information into account, conditioning the risk parameters according to the different macroeconomic scenarios in which it is expected to operate.

With a view to overcoming potential inconsistencies in the results determined by the satellite models ordinarily used before the impact of the Covid-19 emergency, sector satellite models were adopted from 2020 with a view to evaluate the highly diverse consequences of the pandemic on the different sectors of the Italian economy.

To calculate the ECL as at 30 June 2024, the macroeconomic scenarios and the relative probabilities of occurrence were updated, based on the analyses conducted by the Scenario Council[1], in line with the processes already in use in previous years. To this end, the macroeconomic forecasts supplied by the leading provider, made available between March and May 2024, were considered with reference to three different scenarios: "baseline", "adverse" and "favourable". In order to allocate probabilities of occurrence to the above-mentioned scenarios, those implicit in the construction of the same were used as a base of reference, as supplied by the provider. Considering the characteristics of the three scenarios and the uncertainty with respect to the evolution of clashes in the Middle East and developments of the Russia-Ukraine conflict, we decided, on a discretionary basis, to increase the probability of occurrence of the "adverse" scenario from the 25% indicated by the provider to 30%, allocating the latter the 5% probability that the provider attributed to an additional "severe" negative scenario, which the Bank did not consider precisely because it considered it extreme. The probabilities of occurrence of the three macroeconomic scenarios considered are indicated below:

- "Baseline": 50%;
- "Adverse": 30%;
- "Favourable": 20%.

Please note that the model for the governance of the process of updating the macroeconomic scenarios establishes that they must be updated at least every six months (for the closure at year-end and at the first half of each year). The update may be carried out more frequently (quarterly), if the monitoring of the forecasts relating to GDP, with respect to those implied in the scenarios utilised, indicates that a specific threshold[2] has been surpassed.

[1] The Scenario Council consists of a team responsible for defining and updating or confirming the macroeconomic scenarios adopted in the Group's strategic processes in light of external events or specific vulnerabilities of the Bank. It is also responsible for identifying the processes impacted and their potential updating. The team is comprised by the Chief Financial Officer, the Chief Lending Officer and the heads of the Planning and Value Management, Risk and Administration and Budget Functions, with the participation of the Head of the Audit Function as auditor.
[2] Threshold established as a change in GDP of over 0.5%.

The following table shows the annual average values (expressed in terms of annual percentage changes/absolute values for rates of return and the unemployment rate) of the main macroeconomic indicators for the 2024-2027 period for each of the three scenarios considered in the satellite models for the conditioning of the risk parameters to be used to calculate ECL:

Scenario	Macroeconomic indicators	2024	2025	2026	2027
adverse	GDP Italy	0.1	0.4	0.5	0.3
baseline	**GDP Italy**	**0.7**	**0.9**	**0.7**	**0.5**
favourable	GDP Italy	1.1	1.7	1.1	1.0
adverse	GDP EMU	-0.3	0.6	1.0	0.9
baseline	**GDP EMU**	**0.5**	**1.1**	**1.1**	**1.0**
favourable	GDP EMU	0.9	2.0	1.6	1.5
adverse	Unemployment rate	7.26	7.75	8.08	8.14
baseline	**Unemployment rate**	**7.14**	**7.20**	**7.02**	**6.78**
favourable	Unemployment rate	7.06	6.74	6.01	5.23
adverse	Index of residential property prices	0.3	0.2	0.6	1.0
baseline	**Index of residential property prices**	**1.2**	**1.6**	**1.8**	**1.8**
favourable	Index of residential property prices	1.9	3.5	2.2	2.2
adverse	Household consumption	-0.1	0.4	0.2	0.4
baseline	**Household consumption**	**0.4**	**1.0**	**0.8**	**0.7**
favourable	Household consumption	0.7	1.8	1.5	1.3
adverse	Total investments	-2.5	-4.1	-1.0	-1.5
baseline	**Total investments**	**-1.1**	**-1.7**	**0.0**	**-0.3**
favourable	Total investments	-0.1	1.2	2.0	2.0
adverse	Construction investments	-7.6	-10.9	-5.4	-4.6
baseline	**Construction investments**	**-6.2**	**-8.8**	**-4.0**	**-3.5**
favourable	Construction investments	-5.0	-6.3	-1.9	-1.4
adverse	3-month Euribor	3.80	3.00	2.87	2.87
baseline	**3-month Euribor**	**3.74**	**3.01**	**2.63**	**2.60**
favourable	3-month Euribor	3.51	2.91	2.86	2.86
adverse	ECB rate	4.01	2.96	2.90	2.90
baseline	**ECB rate**	**3.95**	**3.03**	**2.65**	**2.65**
favourable	ECB rate	3.76	2.90	2.90	2.90
adverse	Return on Italian 10-year government bonds	3.76	4.25	4.60	4.82
baseline	**Return on Italian 10-year government bonds**	**3.88**	**4.18**	**4.43**	**4.58**
favourable	Return on Italian 10-year government bonds	3.93	4.14	4.47	4.68
adverse	BTP/Bund Spread	1.51	1.90	1.88	1.88
baseline	**BTP/Bund Spread**	**1.38**	**1.41**	**1.44**	**1.44**
favourable	BTP/Bund Spread	1.31	1.12	1.10	1.09
adverse	Italian consumer price index	3.0	2.3	2.1	2.0
baseline	**Italian consumer price index**	**1.8**	**2.1**	**2.0**	**1.9**
favourable	Italian consumer price index	1.2	1.6	1.8	2.0
adverse	Imports	0.5	0.1	0.6	1.4
baseline	**Imports**	**1.3**	**2.4**	**1.7**	**2.2**
favourable	Imports	2.0	4.8	3.7	4.0
adverse	Exports	2.0	1.9	2.7	2.5
baseline	**Exports**	**2.8**	**3.0**	**2.9**	**2.7**
favourable	Exports	3.4	4.4	3.5	3.4
adverse	Public administration expenditure	0.6	0.2	0.1	0.0
baseline	**Public administration expenditure**	**0.7**	**0.3**	**0.2**	**0.0**
favourable	Public administration expenditure	0.7	0.5	0.3	0.0

The scenarios adopted start from an economic situation in the first half of 2024 in which the global economy maintained a dynamic and relatively lively tone. Indeed, despite a slowdown in the first quarter, the US economy continues to maintain considerable resilience, disproving the most sceptical expectations, which saw a significant slowdown in its development, accompanied by a much more recessive tone for the Eurozone.

There was no lack of geopolitical obstacles to economic activity: global supply chains continued to function in a fluctuating manner due to both ongoing conflicts and the fragmentation of international trade; the high level of indebtedness of Western public finances (especially in Japan) at times influenced the bond markets in the face of interest rates, and therefore the cost of refinancing maturing debt, that remained high. For its part, China has carefully managed the structural challenges, notably the real estate market and high unemployment among young people, which afflict it, hindering growth. Signs of greater vitality were seen from the Chinese economy as the half-year continued.
The slowdown in inflation in the main Western economies has generally supported real household incomes; this is also accompanied by the still crucial role of fiscal policy actions and public spending by Western governments, in support of growth and to protect the most vulnerable segments of the population.

In this economic context, according to the "baseline" scenario, growth in the main Western economies will continue to accelerate in the EMU and to slow down slightly in the USA and China. Furthermore, it is assumed that current geopolitical tensions will not worsen and new ones will not arise, maintaining a relatively limited and manageable economic impact. Ongoing disinflation, following the fall in energy prices and the reduction of past drivers of inflation, is expected to proceed, albeit at a now limited pace. This should allow for a gradual relaxation of monetary policies. In fact, the scenario incorporates three 0.25% cuts of ECB rates in 2024, of which the first already carried out in June, two more in 2025 and one in 2026.
The optimistic tone of the scenario is tempered by the prospect of slightly more restrictive budget policies to deal with growing public debt in many Western economies, especially in Italy, with impacts on long-term government bond rates.
The upward revision of actual 2023 Italian GDP figures passed on a legacy of greater acquired growth to 2024. Nonetheless, economic activity is expected to slow compared to 2023 with the end of tax incentives (-6.2% investments in construction in 2024) and the slowdown in household consumption (+0.4%).
More specifically:

- after an increase of 0.5% in 2024, Eurozone growth trends will settle slightly above Italian levels;
- estimated Italian GDP shows a moderate expansion of +0.7% in 2024; similar performance can also be observed for the following three-year period, where growth remains positive, but below 1%;
- after the household consumption growth rate slows in 2024 to +0.4%, increasing in percentage less than GDP, it will begin to accelerate again in subsequent years;
- at the end of the period of high inflation, the price level will remain stable and its trends will be aligned with ECB target levels, with annual growth of around 2% for the entire 2024-2027 period;
- the unemployment rate will remain stable at around 7.2% in the 2024-2025 two-year period, to then improve until it falls below 7% in 2027;
- residential property prices will grow to a lesser extent than inflation, approaching the trend of the latter only starting from 2026;
- the return on Italian government bonds will increase by 30 basis points from 2024 to 2025, and this trend will also continue in the following two years, reaching 4.58% in 2027;
- by virtue of GDP growth and the relaxation of monetary policy, given the new relatively flexible Stability clause, the 10Y BTP-Bund spread will fall from an average 174 bps in 2023 to 138 bps in 2024, remaining around this level throughout the 2024-2027 four-year period.

On the other hand, in the "adverse" scenario, geopolitical tensions, the results of European elections and difficulties in international transport will increase costs, impacting global trade and investments.
More specifically:

- growing geopolitical tensions, together with the restrictive policies of OPEC, which tighten the global oil balance, will cause increases in the prices of crude oil and raw materials, supporting inflation (3.0% in 2024 in Italy);
- Central Banks will therefore slow down the reduction in official rates while restrictive fiscal policies and economic difficulties will hold back European consumption; the decline in short-term interest rates will therefore be more gradual (3M Euribor rate at 3.8% in 2024);
- EMU GDP, after a slight decline in 2024 (-0.3%), will begin to grow again in the following three-year period with a trend higher than the Italian one; in fact, Italy's GDP will grow quite modestly over the forecast horizon (+0.1% in 2024 and +0.4% in 2025);
- household consumption, after a marginal decline in 2024 (-0.1%), will begin to grow again starting from 2025 at a rate substantially similar to the GDP growth rate;

- the trend in private investments in Italy will be very negative in 2024 and 2025 (-2.5% and -4.1%, respectively) due to the heavy decline in investments in construction (-7.6% in 2024 and -10.9% in 2025), which will also continue over the following two years, albeit to a slightly more limited extent (-1.0% in 2026 and -1.5% in 2027);
- in this context, residential property prices will record annual increases lower than the inflation rate, albeit accelerating and rising from +0.3% in 2024 to +1.0% in 2027;
- the unemployment rate will grow steadily throughout the 2024-2027 period;
- the public debt/GDP ratio will deteriorate; the strong requirements for debt refinancing will trigger an increase in ten-year BTP yields and the expansion of the BTP-Bund spread, which will go from around 150 basis points in 2024 to approximately 190 basis points in the following three-year period.

Lastly, the "favourable" scenario assumes a gradual resolution of ongoing conflicts, particularly the Russia-Ukraine conflict, and at least an attenuation of the Israel-Palestine conflict. Election results in Europe and the USA, alongside rising political pressure in Israel, will trigger an increased commitment to achieve at least a truce in both cases. The scenario, among other aspects, expects the following developments:

- the decline in commodity prices will cause inflation to fall below ECB targets as early as 2024; monetary policies will be eased rapidly and fiscal policies will remain neutral;
- in Europe, economic activity will accelerate (Eurozone GDP +0.91% in 2024), driven by the recovery in international trade and improvements in household and business confidence;
- Italian GDP will grow by 1.1% in 2024, with a more promising trend in the subsequent year, reaching 1.7%; in the following two years it will settle at levels of around 1%;
- investments in construction (-5.0% in 2024) will in any case be affected by the discontinuation of subsidy measures and fall considerably until 2025, while in the following two years the contraction will be more limited; therefore, total investments in 2024 will be stagnant, but will start to grow again already starting from the following year also thanks to the implementation of the NRRP;
- the unemployment rate, just above 7% in 2024, will fall to 5.23% in 2027;
- residential property prices, affected by the more brilliant economic context, will grow at a faster rate than inflation throughout the forecast period;
- the public debt/GDP ratio is expected to improve; the return on 10-year Italian government bonds will continue to increase, rising from 3.93% in 2024 to 4.14% in 2025, until reaching 4.68% in 2027;
- the BTP-Bund spread will contract starting from 2024, settling at around 110 basis points for the entire following three-year period.

Use of post model adjustments and management overlays

In addition to the amendments illustrated above, when the consolidated condensed interim financial statements as at 30 June 2024 were prepared, it was deemed appropriate to proceed, as was done in previous periods, with the application of additional top-down corrections ("post-model adjustments/management overlays").

These management overlays, which in fact significantly reduce the positive economic impacts that would otherwise have been recorded by applying the models in use, are mainly justified by the fact that the aforementioned models may not capture all the phenomena considered relevant for the purpose of determining the expected losses on performing credit exposures to customers (cash loans and unsecured loans).
In greater detail, for the above-mentioned exposures, the application of the overlays in question entailed the recognition of higher value adjustments for a total of around +130 million, compared to the expected credit losses quantified on the basis of the models in use, which amount to around 330 million.
The quantification of these amounts was determined by conducting specific analyses, in a laboratory environment, based on the following interventions:

1) removal of the potential distorting effects on the risk parameters deriving from the Covid-19 pandemic and the consequent government measures to support household and business liquidity[1], which in 2020 and 2021 led to a break in the historical relationship between economic conditions and levels of risk of borrowers:
   - in 2020, against a marked reduction in Italy's GDP, default rates continued to decline, benefiting from government support measures;

[1] The decision had been based on the EBA guidelines published at the end of June through which banks are asked to remove the distorting effects on risk parameters deriving from the pandemic and the ensuing government measures to support household and business liquidity.

- in 2021, given the substantial rebound in economic conditions in our country, default rates showed a further but slight reduction.

To remove the distorting effects deriving from the pandemic and the consequent government support measures from the PD curves, in line with previous adjustments, it was deemed appropriate to eliminate the data relating to the defaults observed in 2020 and 2021 (so-called "Covid year removal") from the historical series. The sterilisation of the Covid years contributed to increasing the level of risk with an impact in terms of ECL of +40.65 million, against an increase in Stage 2 exposures of +0.53 billion. The increase in the impact compared to what was recorded as at 31 December 2023 is mainly explained by the update of the macroeconomic scenarios, which are worse than those forecast previously;

2) assessment of the possible ESG effects deriving from the inclusion of physical and transition risk on the PD and LGD parameters, in compliance with the ESG operating plans communicated by the Group to the Regulator as part of the Targeted Review on Climate-related and Environmental Risks (known as the "Inclusion of ESG effects"), and the adoption of the climate management rating that consider ESG KPIs, for the integration of climate risks (physical and transition risk) within the rating models to be used for management purposes, obtaining an impact in terms of higher ECL of +21.62 million against an increase in Stage 2 exposures of +0.10 billion. The impact in terms of ECL is up compared to the impact as at 31 December 2023 (which was 20.3 million). The main explanation for this change is the introduction of new climate management ratings, which cause notching changes in the final rating. In greater detail, for transition risk, the Orderly Transition scenario prepared by the EBA for the 2022 Climate Stress Test was considered, based on the assumptions of the Net Zero 2050 scenario of the Network for Greening the Financial System (NGFS); for physical risk, the impact on mortgage collateral was assessed following a possible write-down of properties based on flood risk, as per the NGFS Flood 2022 scenario. Specifically, real estate depreciation was measured through changes in residential and commercial property price indices inferred from the above-mentioned scenario, assuming a proportional impact on the recovery rates underlying the LGD calculation. For further details on the scenarios used and how they are incorporated for the purposes of calculating the PD and LGD risk parameters, please refer to the previous paragraph "Information on the inclusion of ESG factors in credit processes";
3) lastly, again following the ECB OSI-IFRS 9 inspection, the impacts deriving from the application of the behavioural maturity instead of the contractual maturity, on the technical forms of revolving credit (known as "Behavioural Maturity Application"), were applied, obtaining an impact in terms of higher ECL of +47.79 million against an increase in Stage 2 exposures of +0.31 billion. The increase in the impact compared to what was recorded as at 31 December 2023 is mainly explained by the update of the macroeconomic scenarios, which are worse than those forecast previously. Another reason for the increase in impacts is that compared to the previous quantification, the increase in ECL deriving from the possible transition to Stage 2 deriving from a recalculation of the SICR due to the new maturity was also considered.

With respect to the approach taken during the preparation of the 2023 financial statements, following the application of the post-model adjustments illustrated above, the following additional PMAs were introduced:

1) collective approach to the Stage 2 classification of positions affected by an emerging risk linked to the tensions recorded in the Suez Canal following attacks by Yemeni rebels (the "Houthis") on merchant vessels that have started to take alternative routes, docking in more convenient foreign ports and, therefore, penalising activities at Italian ports. For prudence, all positions belonging to Ateco codes referring to port activities were directly classified in Stage 2, through collective assessment, and were as a result assigned prudential Stage 2 coverage, with an impact in terms of higher ECL of +13.67 million against an increase in the exposure classified in Stage 2 equal to +0.23 billion;
2) application of a correction to certain macroeconomic variables underlying the PD satellite model only to the "Consumer Households" segment, following the in-depth analyses performed on impacts deriving from the updating of macroeconomic scenarios, obtaining an impact in terms of higher ECL of +5.92 million against an increase in Stage 2 exposure of +0.05 billion.

With respect to what was done during the preparation of the 2023 financial statements, the following PMAs were discontinued as they were directly integrated into IFRS 9 models:

1) assessment of the impact of the introduction of the new system of A-IRB NAA21 models;
2) transition to the slotting criteria method with reference to the valuation of receivables attributable to specialised loans (Income Producing Real Estate, Real Estate Development and Project Financing);

3) removal from the ECL calculation of the double counting of positions returned to performing status in the estimate of risk parameters (PD and LGD).

This is without prejudice to the transitory nature of the post-model adjustments linked to the adoption in IFRS 9 of fine-tuning to the framework modelling, to the progressive rejuvenation of the estimated time series with the gradual exclusion of the data impacted by Covid-19, in addition to the consideration that the results deriving from the models to calculate expected credit losses are influenced by macroeconomic scenarios largely dependent on phenomena not fully consolidated and in any case still subject to extreme variability and uncertainty.

Sensitivity analysis of expected credit losses

In accordance with the provisions of paragraph 125 of IAS 1, the Notes must provide information on the key factors of uncertainty that characterise financial statement estimates. Paragraph 129 envisages that this disclosure must be provided in a manner that helps users of financial statements to understand the judgements that management makes about the future and the relative impacts. The examples mentioned to pursue this objective include sensitivity analyses, through which the reader is able to appreciate the impacts on financial statement estimates of alternative calculation models, reasonably foreseeable changes in inputs and assumptions underlying said estimates.
The adjusting provisions of performing credit exposures (ECL) are an example of financial statements values whose estimation process is characterised by the presence of substantial factors of uncertainty.
As described in "Part A - Accounting policies", the inclusion of forward-looking factors for the measurement of expected losses is a particularly complex exercise, insofar as it requires macroeconomic forecasts to be made, scenarios and relative probabilities of occurrence to be selected, as well as defining a model able to represent the relationship between the cited macroeconomic factors and the default rates of the exposures measured.
For this reason, to be able to appreciate the impacts on expected losses resulting from the selection of different macroeconomic scenarios and in compliance with ESMA recommendations, most recently set forth in the document of 13 May 2022, specific sensitivity analyses are provided below in terms of ECL as well as stage allocation. These analyses were performed by attributing 100% weighting to each individual macroeconomic scenario ("baseline", "adverse", "favourable") with respect to the multi-scenario approach adopted for the preparation of these financial statements which, as described above, consider three different alternative scenarios. Alongside the "baseline" scenario, retained the most likely - 50% is the relative probability of occurrence - an "adverse" scenario was considered, which was attributed a 30% probability of occurrence, and a "favourable" scenario with a 20% probability of occurrence.

The selection of a multi-factor sensitivity, obtained by varying more than one parameter simultaneously and implicit in the decision to consider alternative macroeconomic scenarios, is justified by the fact that there are numerous interrelations between the different macroeconomic factors so as to render a sensitivity analysis based on a single factor less representative (by way of example, a change in GDP would effectively be related to changes in many other macroeconomic variables).

The reference basis for the sensitivity analyses is represented by the ECL provision, before the application of management overlays and determined by the models in use, which amounts to approximately 330 million, referring to credit exposures to the Group's customers (cash loans and unsecured loans). However, it is believed that these adjustments have the same sensitivity to changes in the scenario and, for this reason, the results shown below can be extended to the total of the ECL including post model adjustment/management overlays.

In light of what has been described, the main results of the sensitivity analyses are summarised below:

- assignment of a 100% probability of occurrence to the adverse scenario: in this case, the ECL would increase by +90.9 million with respect to that calculated by adopting the multi-scenario approach (around +27.6% in percentage terms), against an increase in the percentage of exposures classified in Stage 2 of +2.30%;
- assignment of a 100% probability of occurrence to the baseline scenario: in this case, the ECL amount would decrease by -13.5 million with respect to the amount of ECLs calculated by adopting the multi-scenario approach (around -4.1% in percentage terms), against a decrease in the percentage of exposures classified in Stage 2 of -0.55%;
- assignment of a 100% probability of occurrence to the favourable scenario: in this case, the ECL amount would decrease by -70.8 million with respect to the amount of ECLs calculated by adopting the multi-

scenario approach (around -21.5% in percentage terms), against a decrease in the percentage of exposures classified in Stage 2 of -1.98%.

Expected Credit Loss - Stage 3

With regard to the models used to determine the expected losses on exposures classified under Stage 3, i.e. non-performing exposures, reference should be made to the section "Methods for determining impairment losses on IFRS 9 Financial Instruments" in Part "A.2 - Key financial statement items" in the consolidated financial statements as at 31 December 2023. As illustrated in detail in the cited paragraph, the quantification of the expected losses of the aforementioned exposures, in addition to the recovery expected through ordinary operations (internal workout), considered the flows retained recoverable from sales scenarios, in line with the disposal objectives established on each occasion by the Board of Directors.

As stated in the paragraph "Significant accounting policies and uncertainties regarding the use of estimates in the preparation of consolidated condensed interim financial statements", contained in "Part A – Accounting policies", the determination of the expected losses on non-performing loans entails significant judgements, with specific reference to the estimate of flows deemed recoverable and the related timing of recovery.

In greater detail, the expected losses on non-performing loans were determined analytically, based on the recovery forecasts formulated by the manager or resulting from the application of the "lump-sum" calculation method, discounted based on the original effective interest rates and the relating timing of recovery.

Considering that the recovery forecasts use the debtor's specific situation as reference, it is deemed impossible to prove any reasonable sensitivity analysis of the expected credit losses.

Credit risk mitigation techniques

The Group has always kept a watchful eye on the acquisition of loan collaterals and securities, i.e. the use of applications and techniques that mitigate credit risk. When deemed necessary, the typical bank guarantees are acquired, namely mortgages on properties, collaterals on securities in addition to personal guarantees issued by the guarantors.
In general, the decision on the acquisition of a guarantee is based on the customer's creditworthiness and on the characteristics of the transaction. Following this analysis, it may be deemed appropriate to obtain additional guarantees to mitigate credit risk, considering the estimated recoverable value offered by the collateral.
The system for the recording of collateral property used to guarantee lending transactions enables an automatic periodic assessment of the property's value and identifies which properties require updated appraisals, in line with the criteria established by current legislation.
The value of the financial collaterals is constantly and automatically monitored, enabling a comparison between the present value of the collateral and the initial one, and to allow the manager to act promptly in the event that the collateral incurs a significant impairment loss.
As regards collateral represented by a pledge on securities, an automatic warning system is in place, which is triggered when impairment goes beyond a certain threshold value, highlighting the critical issue to the customer relationship manager so that prompt action may be taken.
With regard to derivative transactions with market counterparties, we favour entities with which we have entered into agreements requiring the provision of collateral, especially ISDA - Credit Support Annex, to obtain a significant credit risk mitigation.

Counterparty Risk

With regard to counterparty risk, defined as the risk that the counterparty in a transaction defaults before the final settlement of the cash flows of such transaction (EU Regulation no. 575/2013), the Group uses, both for supervisory reporting purposes and for internal management purposes, standardised methods to calculate exposures on the entire reference scope relating to derivatives and securities financing transactions (repurchase agreements and securities lending).

As regards derivative transactions, exposure to counterparty risk is calculated on the basis of the SA-CCR approach (Standardised Approach for Counterparty Credit Risk) (Ref. EU Regulation 2019/876), which makes it possible to better reflect the risks associated with derivative transactions.
Starting from March 2023, the internal method (Shortcut Method), previously used for management purposes to estimate risk exposures in OTC derivatives subject to Collateral Agreements (CSA), was prudentially replaced by the standardised approach (SA-CCR) also adopted in the Supervisory reporting area, which entered into force in June 2021 and applied to the entire scope of derivative transactions.
The above cited internal method continues to be implemented in the Parent Company for transactions in OTC collateralised derivatives, together with a daily monitoring and reporting system.
With regard to the SFT (Securities Financing Transactions) segment, the exposure is calculated in accordance with the provisions of articles 223-224 of Regulation (EU) no. 575/2013 for the Line-by-Line Approach also adopted for prudential supervision purposes.

Membership of Clearing Houses for transactions in OTC Derivatives and Credit Derivatives has enabled the mitigation of risks.
In accordance with the Basel III Framework, additional capital requirements regarding the following are to be calculated:

- own funds for the CVA Risk through the adoption of the Standardised Approach, as established by Regulation (EU) no. 575/2013 for banks that are not authorised to use the Internal Model Method (IMM) for counterparty risk or the IMM for Incremental Risk Charge (IRC);
- exposures relating to operations with Qualifying Central Counterparties (QCCP) by adopting the methods envisaged by arts. 306-308 of Regulation (EU) no. 575/2013.

Total counterparty risk is determined by applying the credit parameters (PD, LGD, weightings) established (AIRB or Standard internal model) to the exposure measures defined above.

Compliance with the operating limit, determined in accordance with the RAF limit set by the Board of Directors, is verified on a monthly basis on the entire scope.

With regard to fair value measurement for the purposes of the accounting valuation of financial instruments, the Parent Company also estimates fair value adjustments (Valuation Adjustments) in order to reflect counterparty risk on OTC derivative exposures.
Such adjustments are made with reference to both credit exposures (CVA - Credit Valuation Adjustment) and debt exposures (DVA - Debit Valuation Adjustment), to take into account the probability of bankruptcy of the counterparty and the Reporting Bank, respectively. In order to determine the exposure, an advanced simulation approach (Monte Carlo) is adopted for the quantification of the CVA and DVA, in line with market best practices.

The Group has met the obligation envisaged by European Legislation (EU Delegated Regulation 2016/2251), by exchanging, based on the relative contracts (CTA - Collateral Transfer Agreement), the initial margins of OTC derivatives not cleared by a central counterparty, which provide additional protection in the event that one of the two counterparties is not able to meet its commitments over the life of the contract.
Banco BPM Group uses the SIMM (Standard Initial Margin Model) method, whose calculation is mostly risk-sensitive, and is based on aggregate sensitivities by risk and product category.

Financial risks

Trading book

The organisational model adopted by Banco BPM Group for the trading books exposed to interest rate risk and price risk requires the centralisation in the Parent Company's Finance Department of the management of Treasury positions and the proprietary portfolio.

With reference to the internal model for the calculation of capital absorption against market risk, it should be noted that, starting from the 31 December 2020 reporting date, Banco BPM Group has used the extended model to calculate the Market Risk capital requirement. Said requirement is therefore calculated on the basis of the VaR, Stressed VaR – including the specific risk of debt securities – and of the IRC.

Following the finalisation of the spin-off of the Global Markets business unit of Banca Akros to Banco BPM, effective for legal purposes as of 1 January 2024, the new operating model centralised capital markets activities that involve the assumption of market risk in the Parent Company.

Parent Company's Portfolio

The Parent Company's trading book is held as part of its Investment Banking activities.

The Parent Company holds a trading book, the main interest rate risk exposures of which concern transactions on both money markets and the associated hedging derivatives, as well as those on the markets for OTC derivatives and structured products and listed derivatives.
Transactions are connected to both plain vanilla and structured instruments and listed and unlisted derivatives, including trades on the secondary market of structured products issued by the Group. The destructuring of complex transactions based on the underlying enables the centralised management of the interest rate, exchange rate and price risks within the specific offices of the Bank's Finance Department, which use sophisticated position keeping systems.
Trading in interest rate derivatives mainly consists of optimising the flows generated by the need to hedge interest rate risk by institutional customers (for example, Banks, Funds and Insurance companies), and corporate customers of the Bank, taking on the risk as its own and managing it using dynamic hedging strategies. The Parent Company operates as a market maker on OTC derivatives, mainly on the Euro interest rate curves. The process of rebalancing risks on an ongoing basis entails, also based on market liquidity, the use of trading in regulated futures and the related options on short and medium/long-term interest rates.
Trading in bonds issued by financial companies or corporates, traded on the secondary market (Eurobonds) derives from the need to meet customer requests, mainly from institutional customers. On the secondary market, the Bank operates as a market maker on bonds from corporate, financial and supranational issuers, primarily denominated in Euro, through trading on multilateral trading facilities or OTC.
The main exposures to equity risk are related to trading on cash markets and associated listed or plain vanilla derivatives on the derivatives and OTC structured products market and the listed derivatives market.
Specifically, the scope includes portfolios of equities and related listed derivatives, held for trading purposes, for market making transactions on individual stock futures and options and for activities related to specialist services (continuous exposure of proposals to buy/sell), as well as transactions in structured instruments and listed derivatives. The destructuring of complex operations based on the underlying enables the centralised management of the interest rate, exchange rate and price risks within the specific offices, which use a sophisticated position keeping system specialised in interest rate and credit spread, exchange rate and price risks. The system is integrated with pricing models and risk measurement (Greeks) developed in-house by the Financial Engineering function and validated by the Parent Company's Risk Function.

The above-mentioned risk exposures are monitored daily to ensure that the operating limits, for the entire portfolio and for the individual underlying assets, established in accordance with the RAF limits set by the Board of Directors are complied with.

Interest-rate risk and price risk management processes and measurement methods

The task of controlling the financial risk management, with a view to identifying the different types of risk, defining the methods to measure the same, to controlling limits at strategic level and verifying the consistency between the operations of the same and the risk/return targets assigned, is centralised in the Parent Company under the responsibility of the Risk Function.
Financial risks are monitored on a daily basis, both through the use of deterministic indicators (sensitivity to market risk factors and indicators referred to the issuer) and probabilistic indicators (Value at Risk - VaR). The VaR, which indicates the maximum potential loss associated with market movements in unexceptional conditions, over a certain time horizon and with a certain confidence interval, represents a synthetic risk measurement.
The approach used to calculate the VaR is based on historical simulation. The values calculated are provided with a confidence interval of 99% and a time horizon of one day. The correlations used are those implicit in the historical scenarios of risk factors applied to estimate the empirical distribution of values in the trading book.
In addition to the Regulatory VaR calculated under current conditions, a Regulatory VaR under stressed conditions (Stressed VaR) is calculated, which adopts the period between August 2008 and August 2009 as the most severe scenario. The period of stress is monitored with a frequency and a method defined by internal regulations, which

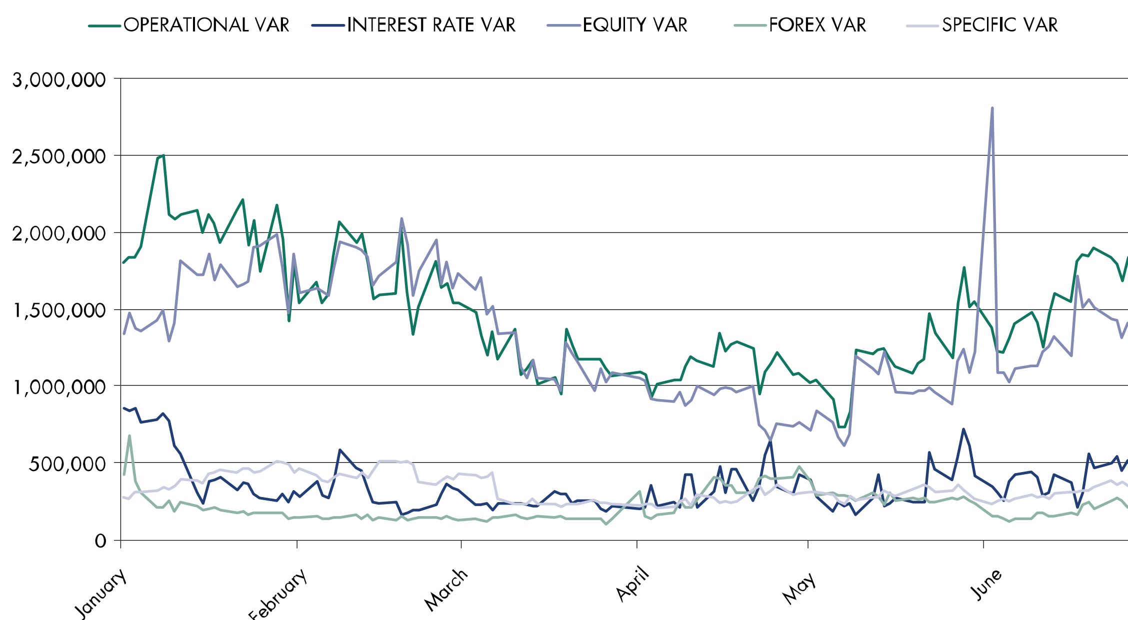
enable it to be promptly identified when changes in the composition of the portfolio occur, at the same time guaranteeing a certain degree of stability.
As envisaged by prudential requirements, that model is used to calculate the capital requirement for market risk, as well as for operational purposes.
The operational Value at Risk (VaR) measurement considers the interest rate risk, equity risk, trading and banking book exchange rate risk and credit spread risk, as well as the benefit of correlation between the risks. Correlation risk and dividend risk are also considered, measured through stress testing techniques, with the benefit of diversification with respect to the first risk group cited.
The capital requirement for supervisory purposes is measured with an internal validated model, for equity risk, trading and banking book exchange rate risk, general interest rate risk and specific credit risk, while the commodity risk factor is measured with the standard method.

Regulatory trading book: internal models and other sensitivity analysis methods

A table containing the operational VaR figures is shown below for the first half of 2024, along with a performance graph, referring to the regulatory trading book of Banco BPM.

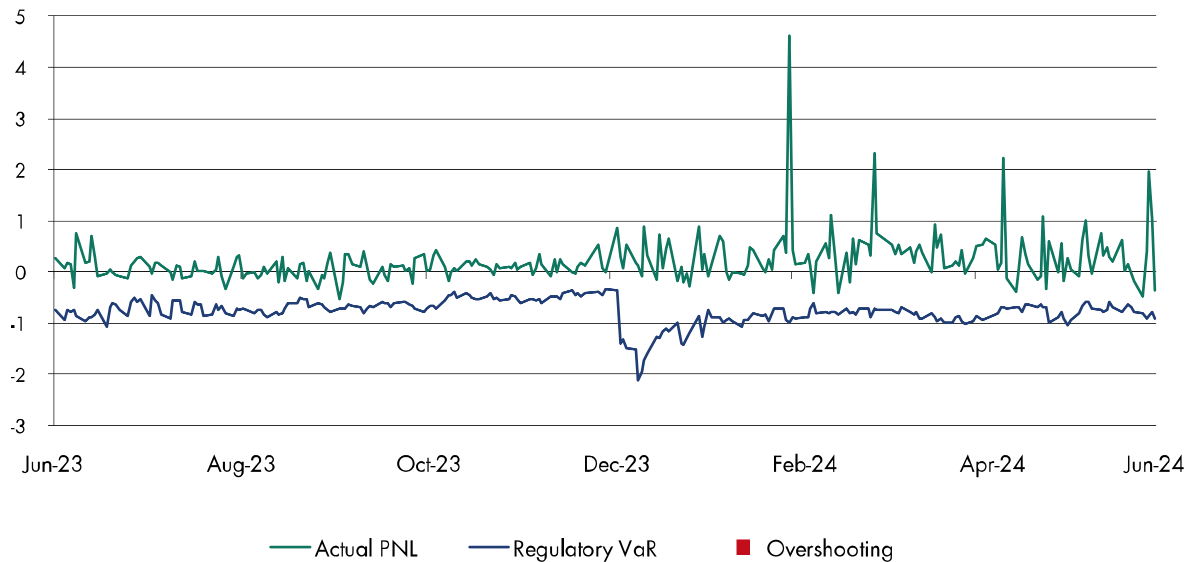
Regulatory trading book *(in millions of euro)*	**1st half 2024**			
	28 June	**average**	**maximum**	**minimum**
Interest Rate Risk	0.442	0.360	0.855	0.163
Trading and banking book exchange rate risk	0.246	0.219	0.681	0.101
Equity Risk	1.354	1.318	2.813	0.614
Dividend and Correlation Risk	0.890	0.571	1.169	0.050
Specific Debt Securities Risk	0.358	0.334	0.515	0.202
Total uncorrelated	3.290			
Diversification effect	-1.449			
Combined risk (*)	1.841	1.479	2.498	0.735

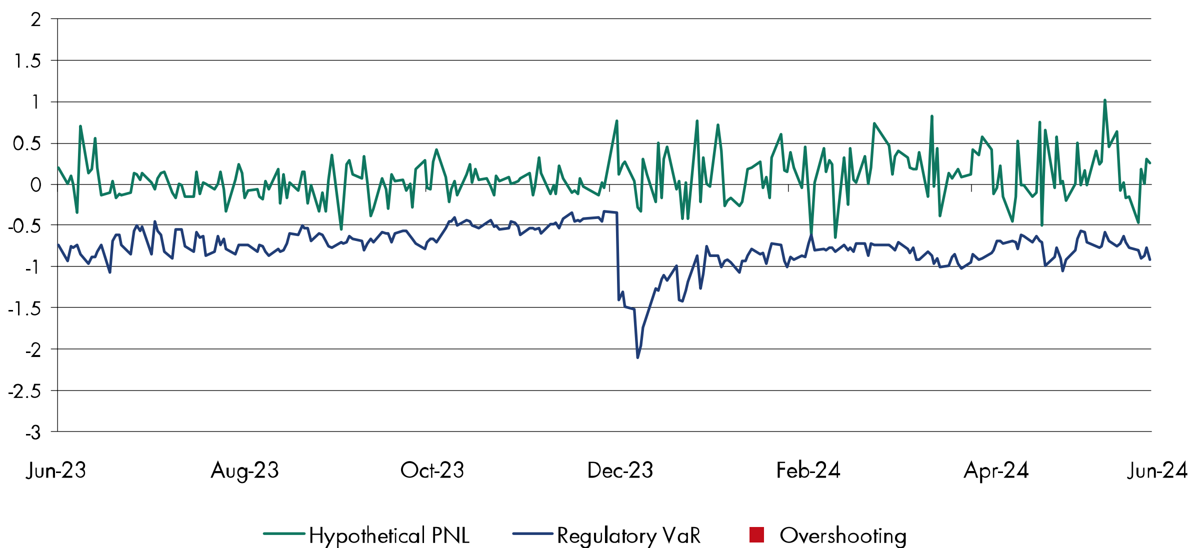
(*) Overall operational VaR.



The prevailing risk component in the first half of 2024 is that relating to equity risk (levels and volatility), followed in order of importance by interest rate risk. The specific risk component on debt securities is low and decreasing in the second part of the half-year period, in line with a low exposure to the bond segment.

Consistent with the validation of the internal model for the calculation of the capital requirement relating to market risks, backtesting is conducted on the supervisory trading book on a daily basis, with a view to verifying the solidity of the VaR model adopted. The graphs below show the backtesting relating to the VaR method, calculated on the generic and specific risk components of debt securities and equity securities, interest rate risk and trading and banking book exchange rate risk.
For backtesting purposes, as envisaged by supervisory regulations in force, we used the equally-weighted VaR measurement instead of applying a decay factor, which is used in operational approaches.





In the last 250 observations, Banco BPM did not record any actual or hypothetical backtesting overruns.

FRTB (Fundamental Review of the Trading Book)

In 2020, Banco BPM Group launched a project on the Fundamental Review of the Trading Book ("FRTB"), with the assistance of an external consulting company. Activities continued in 2021 and 2022 with the aim, first and foremost, of estimating the impact of the new methodologies, as well as on capital absorption measures, also on the organisational and risk management structures of the group. The project subsequently saw the implementation of the calculations of the new measures following the directives that have emerged over time from the regulations and from the Regulatory Technical Standards and Implementing Technical Standards (RTS and ITS).

On 18 June 2024, the European Commission announced that the date of application of the new methodologies will be postponed by one year, starting on 1 January 2026.
As of September 2021, the preliminary figure of the requirement calculated according to the new Standard method is sent to the Regulator in a specific report.

Outcomes of internal validation activities

Banco BPM Group adopts internal models to quantify capital requirements for Market Risk, on which the Internal Validation function conducts qualitative and quantitative analyses to assess their soundness and the accuracy of the estimates for all significant risk components. Furthermore, it expresses an opinion on the regular functioning, on the predictive capacity, on the performance of internal risk measurement methods and on the adequacy of operating processes to ensure, on a continuous basis, the compliance of internal methods with company needs and the evolution of the reference market.
With reference to backtesting, the data produced to support overruns is analysed, as well as specific statistical tests (Proportion of Failures test, Time Until First Failure test, Christoffersen Interval Forecast test, Mixed Kupiec test and Conditional Coverage test) that are conducted in regard to different portfolio hierarchical levels and time horizons for Banca Akros (until December 2023) and the Parent Company. The results of the analysis showed that the model has a good ability to predict the number of backtesting overruns, also taking into account market trends.
Additionally, the adequacy of the scaling method used to quantify the capital requirement, as required by regulations, was reviewed.
To verify the severity of the stressed period used in the Stressed VaR risk measurement, appropriate analysis is carried out to assess any alternative periods that are more conservative than the one currently used to quantify the risk. The analyses showed the adequacy of the stressed period used in the quantification of risk.
Lastly, the Internal Validation function validates sample pricing models and performs benchmark models in order to evaluate the robustness of those in production.
On a periodic basis Internal Validation also verifies the robustness of the non-modelled risk framework (RNIME), as required by supervisory regulations.
As regards MiFiD 2 regulations, the Internal Validation Function coordinated the working group created specifically to produce the Annual Validation Report on the Trading Algorithm to be sent to CONSOB (after the assessment of the Audit and Compliance functions), with an overall result of the self-assessment process considered adequate.

Banking book

The interest rate risk relating to the banking book is mainly associated with the core activity performed by the bank acting as an intermediary in the process of transformation of maturities. In particular, the issue of fixed-rate bonds, the granting of fixed-rate commercial and mortgage loans, and funding from demand current accounts represent a fair value interest rate risk, while floating-rate financial assets and liabilities represent a cash flow interest rate risk.
The Asset & Liability Management unit of the Parent Company's Finance Function is responsible for managing interest rate risk and operates in compliance with the limits for exposure to interest rate risk defined by the RAF or the framework of operating limits and the indications of the Finance Committee.
The Parent Company's Risk Function is in charge of monitoring and controlling the interest rate risk of the banking book, also for the financial subsidiaries. This activity is performed on a monthly basis to verify that the limits in terms of changes in net interest income or the economic value of the banking book are complied with.
During the first half of 2024, the usual periodic activities were carried out to maintain and update internal models.
It should also be noted that the Supervisory reporting required by the new EBA guidelines of 2022 was introduced: CSRBB and NII+FV Changes in the area of STE, SOT EV and SOT NII as part of the ad hoc collection of such data, launched starting from 31 December 2023.

As part of the monitoring of interest rate risk, the risk measures used internally and as regards the RAF limit are:

- the change in expected net interest income over a twelve-month time horizon, in accordance with both a static and a dynamic balance sheet perspective, in the Costant Balance Sheet - CBS scenario, following a sudden parallel shock of the spot rate curves of +/- 100 bps for static monitoring and +/- 200 bps for dynamic monitoring, equating the measure to the static SOT NII (income perspective);
- the change in economic value following a parallel shock of the spot rate curves of +/-200 bps in the Balance Sheet Run-Off scenario in relation to Tier 1 (capital perspective);
- the value at risk of the banking book through the VaR (Value at Risk) methodology over a 12-month time horizon and with a confidence interval of 99.9% monitored as a RAF early warning indicator (capital perspective).

With regard to economic value analyses, the Banco BPM Group increased the frequency of application of stress tests on the relevant currencies from quarterly to monthly, reporting the results to the Finance Committee, in any case also following normal operating practice, as well as internal regulations, to carry out the same stress tests by applying sudden shocks, parallel or non-parallel, on the rate curves to all currencies in which banking book items are denominated.
Additionally, during the ICAAP exercise, the impact of extreme yet plausible changes in risk factors on VaR is assessed from a capital adequacy perspective.

The table below shows exposure to interest rate risk at the end of Q2 2024 in accordance with operational risk measures.

Risk ratios (%)	**2024**				**2023**	
	30 June	**average**	**maximum**	**minimum**	**31 December**	**Average**
For shift + 100 bps						
Financial margin at risk/Financial margin	4.2%	6.0%	6.7%	4.2%	6.0%	4.6%
For shift - 100 bps						
Financial margin at risk/Financial margin	-5.3%	-6.7%	-5.3%	-7.4%	-6.8%	-6.3%
For shift + 100 bps						
Economic value at risk/Tier 1 Capital	-5.9%	-4.5%	-2.8%	-5.9%	-3.1%	-3.9%
For shift - 100 bps						
Economic value at risk/Tier 1 Capital	1.4%	0.2%	1.4%	-1.6%	-1.0%	-1.2%

With reference to the banking book, the Group also assesses the exposure to default and migration risk of the rating classes of the debt securities classified as HTCS and HTC using a method which involves calculating the VaR spread and the Incremental Default Risk (IDR), to take into consideration the Default component of the HTCS portfolio and the Incremental Risk Charge to capture both the Default component and the Rating Migration component of the HTC portfolio.

Outcomes of internal validation activities

Banco BPM Group adopts behavioural models in order to capture idiosyncratic elements of customer segments and produce rate risk estimates that are more appropriate to the characteristics of the banking book. In this context, Internal Validation carries out reperforming, benchmarking and backtesting analyses in order to verify the robustness of rate risk estimates. The latest analyses carried out in 2024 did not highlight any critical issues or the need for particular improvements.

Operational Risk

Type of risk

Operational risk is defined as the risk of losses suffered as a result of inadequacy or malfunction of procedures, human resources and internal systems, or of external events. Losses resulting from fraud, human error, interruption of

operations, non-availability of systems, contractual breaches and natural disasters are included in this type of risk. Operational risk also encompasses legal risk, while strategic and reputational risks are not included.

Risk sources

The main sources of operational risk are: the low reliability of operational processes - in terms of effectiveness/efficiency - internal and external frauds, operational mistakes, the qualitative level of physical and logical security, inadequate IT structure compared to the size of operations, the growing recourse to automation, the outsourcing of corporate functions, a limited number of suppliers, changes in strategies, incorrect personnel management and training policies and finally social and environmental impacts.

Risk management model and organisational structure

Banco BPM Group fully adopts the Traditional Standardised Approach to calculate capital requirements for all companies that make up the Supervised Group, while with regard to the other qualitative-quantitative elements envisaged by Supervisory Regulations, as requested by the ECB, it meets all of the requirements of the CRR (Regulation (EU) no. 575/2013) for the TSA, as well as those envisaged by the above-mentioned AMA in Articles 321 (points b-e) and 322 (points b-f).

Also in compliance with the relevant regulations, the Group adopted an operational risk management model that illustrates the management methods and the people involved in risk identification, measurement, monitoring, mitigation and reporting. In particular, the model refers to centralised oversight functions (governance and control functions) and decentralised oversight functions (coordinators and ORM contacts, which are specifically involved in the key processes of collecting operating loss data, continuously assessing the operating scenario and forecasting exposure to risk). This model is governed by a specific Group Regulation approved by the Corporate Bodies.
Banco BPM Group adopts a reporting model, consisting of a management IT system for the Corporate Bodies and Top Management (significant losses and related recoveries, overall assessment of the risk profile, RAF indicator profile, capital absorption and risk management policies implemented and/or planned) and an operational reporting system, for the purposes of an adequate risk management in the relevant areas.
In line with the mission of Banco BPM Group, the main risk impacts regard the "Commercial practices" category, followed by "Processes", which together represent the predominant portion of total risk and which, for the most part, arise in the Group's commercial networks. With reference to the category of "External Fraud", given the trend of increasingly sophisticated techniques (e.g. identity theft, cyber risk phenomena, etc.), the Group is constantly reinforcing physical and logical security, therefore containing these phenomena both in terms of frequency and the average impact on loss events of this kind. The Group takes the appropriate mitigating measures (e.g. training, implementation of application processes/procedures) as protection against the main risk factors that arise.

Liquidity Risks

General aspects, management procedures and measurement methods of liquidity risk

Liquidity risk means the risk that the Group is not able to meet its payment commitments, which are certain or envisaged with reasonable certainty. Two types of liquidity risk are normally identified:

- Liquidity and Funding Risk, i.e. the risk that the Group may not be able, in the short-term (liquidity) and/or in the long term (funding), to efficiently meet its payment commitments and obligations;
- Market Liquidity Risk, i.e. the risk that the Group may not be able to liquidate an asset without incurring capital losses due to the limited depth of the reference market and/or as a result of the timing with which it is necessary to carry out the transaction.

In Banco BPM Group, liquidity and funding risk is governed by the "Liquidity, funding risk and ILAAP regulation", which establishes: the roles and responsibilities of the corporate bodies and the corporate functions, the metrics used for risk measurement, the guidelines for conducting stress tests, the Liquidity Contingency Plan and the overall reporting framework related to the Group's liquidity and funding risk.
Liquidity risk is managed and monitored as part of the Internal Liquidity Adequacy Assessment Process (ILAAP), which is the process the Group uses to identify, measure, monitor, mitigate and report its liquidity risk profile. As part of this process, the Group makes an annual self-assessment regarding the adequacy of the overall liquidity risk

management and measurement framework, which also covers governance, methodologies, information systems, measurement tools and reporting. The results of the risk profile adequacy assessment and the overall self-assessment are reported to the Corporate Bodies and submitted for the attention of the Supervisory Authority.
Liquidity governance is centralised within the Parent Company. Liquidity risk monitoring and control is conducted on a daily (short-term liquidity) and a monthly basis (structural liquidity); its objective is to monitor the evolution of the risk profile by verifying its adequacy with respect to the Risk Appetite Framework and the operational limits envisaged. Stress tests are conducted on a monthly basis, in order to test the Group's ability to withstand unfavourable scenarios and the estimates of the liquidity that can be generated with the countermeasures (so-called action plan, an integral part of the Liquidity Contingency Plan) that can be activated when a stress scenario occurs, are updated.
More specifically, the Group uses a monitoring system that includes short-term liquidity indicators (with a time horizon from intraday to twelve months) and long-term ones (beyond twelve months). To this end, both regulatory metrics (LCR, NSFR, ALMM) and metrics processed internally, which include the use of estimation models of behavioural and/or optional parameters, are adopted.
In the first half of 2024, the liquidity and funding profile of the Banco BPM Group was found to be adequate, complying with both internal and regulatory risk limits. The monitoring of all ordinary activities related to the measurement, monitoring and reporting of the Group's exposure to liquidity and funding risks was maintained, including Supervisory Reporting and periodic dialogue with the JST. During the second quarter of 2024, the Group was subject to an inspection - included in the annual Supervisory Evaluation Plan - on "Liquidity and Funding risk" (on-site inspection OSI-2024-ITBPM-0241688). This inspection was divided into macro areas such as: Funding Plan, Liquidity Contingency Plan, Regulatory Reporting (LCR/NSFR/ALMM) and Liquidity Stress Testing. Based on the preliminary evidence shared, the inspection outcome was substantially positive. Once the Final Report is received from the ECB, the Group will plan the resolution of the findings that emerge.

Outcomes of internal validation activities

The Internal Validation Function conducts qualitative and quantitative analyses to assess the soundness and accuracy of liquidity risk estimates. Furthermore, as regards ILAAP, the Function expresses an opinion on the regular functioning, on the predictive capacity, on the performance and on the prudence of the internal methodologies for measuring liquidity and funding risks. The latest analyses carried out in 2024 did not highlight any particular aspects of improvement.

Covered bond transactions and securitisations

Covered bonds

Significant events during the period

As part of the BP Residential CB Programme ("BP CB1"), at the maturity of 31 March 2024, the Seventh Series of CBs was fully redeemed by Banco BPM for a nominal value of 1 billion.

With a view to streamlining the CB Programmes of the Banco BPM Group, in June 2024, with the signing of the respective contracts, in order to proceed with the early closure ("Unwinding") of the "BP CB1" Programme, the following was carried out: (i) the direct transfer to the BPM CB1 Programme of the entire portfolio of assets transferred from time to time by Banco BPM to the BP CB1 Programme, by signing a "Contract for transfer between Guarantors" (excluding bad loans and other non-eligible exposures previously repurchased by Banco BPM), and the relative subordinated loan used by the Company BP Covered Bond S.r.l. for the purchase of the individual asset portfolios and (ii) the transfer from the BP CB1 Programme to the BPM CB1 Programme of the existing retained Covered Bond Series 12, renamed Series 14, for a nominal value of 1 billion, via the replacement of the Guarantor from the SPE BP Covered Bond S.r.l. to the SPE BPM Covered Bond S.r.l.

With regard to the transfer of the liability of BP Covered Bond S.r.l. represented by the use of the subordinated loan granted by Banco BPM, in June 2024 the latter, in order to provide the Guarantor BPM Covered Bond S.r.l. with the liquidity required to pay the loan portfolio purchase price, granted a new subordinated loan to the Guarantor BPM Covered Bond S.r.l., which used that loan to pay BP Covered Bond S.r.l. the sale price of the assets subject to the transfer and, ultimately, BP Covered Bond S.r.l. used the amount collected, in addition to available liquidity, to

discharge the existing subordinated loan disbursed by Banco BPM (payment and offsetting delegation set forth in the contract).

On 26 June 2024, an extraordinary Guarantor Payment Date was carried out on which the SPE BP Covered Bond S.r.l. made the final payments of any amount due to creditors, the full repayment of the remaining principal on the subordinated loan and the partial payment of basic interest on the subordinated loan accrued during the period.

As part of the BPM Covered Bond Programme ("BPM CB1"), on 28 February 2024, Banco BPM issued the retained "Thirteenth Series" (Premium) of CB for a nominal value of 900 million, listed on the Luxembourg Stock Exchange, fully subscribed by Banco BPM, floating rate coupon equal to the 3-month Euribor plus a spread of 75 bps per year, maturity on 28 February 2028, and the subordinated loan was converted from Term Loan B to Term Loan A for the same amount.

As part of the BPM Covered Bond 2 Programme ("BPM CB2"), Banco BPM issued (i) on 24 January 2024, the "Tenth Series" (Premium) of CB for a nominal value of 750 million euro, listed on the Luxembourg Stock Exchange, placed with institutional investors, fixed rate coupon of 3.375% per annum, maturity on 24 January 2030 and (ii) on 28 May 2024, the "Eleventh Series" (Premium) of CB for a nominal value of 500 million euro, listed on the Luxembourg Stock Exchange, placed with institutional investors, fixed rate coupon of 3.25% per annum, maturity on 28 May 2031. During both issues, the Term Loan subordinated loan was converted to the Converted Loan for the same amount.

In June 2024, as part of all three Covered Bond Issue Programmes of the Group, Banco BPM repurchased "en bloc" (i) the positions that as at 31 May 2024 were classified as bad loans, (ii) a portion of loans previously transferred to the SPEs and no longer classifiable as "eligible", as they had mortgage collateral that was expiring by 30 June 2024 and (iii) some positions classified as unlikely to pay. In June 2024, Banco BPM settled the consideration for the repurchase of bad loans and mortgages in favour of the SPEs.

As part of the Group's CB programmes, on the Guarantor Payment Dates during the period, the subordinated loan granted by Banco BPM to the SPE BPM Covered Bond S.r.l. was repaid for a total of 350 million and the one granted to the SPE BPM Covered Bond 2 S.r.l. was repaid for a total of 380 million.

Traditional securitisations acting as originator

Significant events during the period

With regard to securitisation transactions, as part of a third restructuring of the "BPL Mortgages 5" transaction, with the signing of the relative contracts on 20 June 2024, (i) the sale by Banco BPM of an additional portfolio of loans deriving from land and residential mortgages for a total residual debt (excluding accruals) of 1.8 billion euro was carried out and (ii) the SPE sold to Banco BPM, among others, the "non-performing" loans and those loans not consistent with European regulations on simple, transparent and standardised securitisations (STS), previously transferred as part of the securitisation transaction, for a total residual debt of 449.5 million. To finance the purchase of the third subsequent portfolio, the SPE will issue additional asset-backed securities in the third quarter of 2024.

With regard to the "BPL Mortgages 8" securitisation, on 26 April 2024, the rating agency DBRS increased the rating of the A Senior Securities from "A high" to "AA low".

Following the completion of the closure of the "BP Mortgages 2007-2" securitisation transaction, by signing the Termination Agreement on 27 March 2024, the Shareholders' Meeting of 24 April 2024 approved the early winding up of the SPE and placement in liquidation effective for legal purposes as of 1 May 2024.

With regard to the Red Sea SPV (Exodus project) transaction, the relative contracts were signed between the end of June and the beginning of July 2024 for the implementation of ReOCo, an ancillary special purpose entity expressly established pursuant to the Italian law on securitisations with the primary purpose of acquiring, managing, reselling and enhancing real estate assets. The ReOCo structure implemented was financed through (i) a loan for up to 3 million provided by Prelios Credit Servicing S.p.A. and (ii) a revolving credit line of 50 million. The structure establishes a maximum time to resell the assets of 36 months and that ReoCo will stop acquiring assets six years after its introduction.

The Moody's rating agency, as announced to the market on 11 July 2024, does not believe that the implementation of the ReoCo may lead to a review for a possible downgrade or the revocation of the current rating of the Class A securities issued by Red Sea SPV.

Significant events after the end of the interim period

On 16 July 2024, the "Termination Agreement" was signed, whereby the early closure of the BP CB Residential Programme ("BP CB1") was finalised and the contracts signed and the existing relationships in the context of the programme were closed.

On the occasion of the Guarantor Payment Date in July 2024, the SPE BPM Covered Bond S.r.l. repaid the subordinated loan to Banco BPM for 175 million.

As part of the BPM Covered Bond Programme ("BPM CB1"), on 26 July 2024, Banco BPM issued the retained "Fifteenth Series" (Premium) of CB for a nominal value of 1,000 million, listed on the Luxembourg Stock Exchange, fully subscribed by Banco BPM, floating rate coupon equal to the 3-month Euribor plus a spread of 60 bps per year, maturity on 26 July 2028, and the subordinated loan was converted from Term Loan B to Term Loan A for the same amount.

Synthetic securitisations acting as originator

Significant events during the period

No significant events to report.

Significant events after the end of the interim period

Synthetic securitisation Large 2024 - Project Aretha

In the beginning of August, Banco BPM concluded a synthetic securitisation transaction with the involvement of six market investors.
The securitised portfolio consists of approximately 3.5 billion in performing loans granted to more than 200 Corporate companies.
The structure of the transaction envisages, net of retention, the risk of which remains with the Bank in order to meet the requirement of maintaining a net economic interest of at least 5% (retention rule), the subdivision of the portfolio into two tranches with an increasing level of risk, with the junior risk hedged by the investors.

Investments in traditional securitisations acting as sponsor

The Group is active in the market of financing the receivables of its corporate customers through the securitisation of trade receivables in which the Group acts as sponsor, pursuant to Article 6, paragraph 3(a) of Regulation (EU) no. 2017/2402, and/or as senior investor.

Significant events after the end of the interim period

Securitisation in the steel sector

In July, a securitisation was concluded concerning performing trade receivables for a maximum revolving amount of approximately 50 million, originated by Group customers, deriving from the production and marketing of iron, steel and ferro-alloys to Corporate and SME customers.
The Group acts as senior noteholder and account bank.
The revolving purchase by the SPE was financed with the issue of unrated Senior class ABS securities, fully subscribed by Banco BPM for a total value of approximately 41.1 million.
The securitisation, launched in July 2024, is currently in the revolving phase and the use at the subscription date was equal to 15.4 million.

Significant events during the period

No significant events to be reported for the other four transactions outstanding as at 30 June 2024.

Investments in traditional securitisations

The Group also holds ABS securities relating to nine loan securitisation transactions structured between 2021 and 2023, for which Banca Akros acted as Arranger. These were joined by three new senior funding transactions in the first half of 2024.

New transactions during the period

Securitisation in the medium/long-term rental sector

The transaction relates to "dedicated assets" consisting of receivables deriving from medium/long-term rental payments, the relative contracts and underlying vehicles, originated by a leading Italian institution, equal to 561 million. The purchase price was financed with the issue of two tranches of securities: a senior class and a junior class.
Banco BPM purchased a portion of the Senior Notes for a total value of 196 million. The transaction includes an 18-month revolving period during which the ABS securities are not amortised and the income from the portfolio is used to replenish the dedicated assets on a monthly basis. Banco BPM's investment as at 30 June 2024 amounted to 196 million.

Real Estate SPV Project 2307 SPV S.r.l. - Real Estate securitisation (pursuant to art. 7.2 of Law 130/99)

The transaction relates to the purchase of a property located in the centre of Milan and the financing of capex, consisting of renovating the facades and common areas, through a senior mortgage loan backed by a first-degree mortgage on the property for a total of 10 million and the issue of asset backed partly paid junior notes for 11 million.
The objective pursued by the transaction is to provide the sponsors with a senior loan for the purchase by SPV 7.2 of the property and for the capex set forth in the business plan. The sponsors, therefore, retain the main risks and benefits relating to the transaction through the subscription of the entire Junior Class.

Alba 14 Spv S.r.l.

The transaction concerns a portfolio of performing loans granted to SMEs originated by Alba Leasing S.p.A., a company specialised in lease loans, 39.19% owned by Banco BPM S.p.A., and deriving from real estate, operating and registered movable asset lease contracts.
The purchase price was financed with the issue of three tranches of securities with a different degree of subordination in the absorption of any portfolio losses, with ratings assigned by Moody's and DBRS, excluding the junior class.
Banco BPM subscribed a portion of the senior class for a total value of 60 million. The transaction is static in nature (i.e. there is no ramp-up period), so Banco BPM's investment as at 30 June 2024 amounted to 60 million.

Significant events during the period

No significant events to be reported for the other nine transactions outstanding as at 30 June 2024.

Multi-originator sales of loans to mutual investment funds

During the first half of the year and in previous years, the Banco BPM Group concluded several sales of multi-originator credit exposures, primarily non-performing, to mutual investment funds in exchange for units of those funds.

As at 30 June 2024, the value of mutual investment funds in the financial statements deriving from the transactions in question totalled 390.5 million (313.7 million as at 31 December 2023), fully referring to the Parent Company.

The change in the first half, a positive 76.8 million, is attributable to the net balance between new subscriptions (81.2 million), to distributions received by the SGRs (-8.6 million), as well as valuation effects, which overall were a positive 4.2 million.

The following table summarise some detailed information relating to the transactions outstanding as at 30 June 2024, indicating the respective book value.

Fund name	Book value as at 30/06/2024(*)	Asset Management Company	First closing date/subsequent contributions	Fund investment policy
IDeA Corporate Credit Recovery I	116	Dea Capital Alternative Funds SGR	23 June 2016 27 June 2017 4 July 2019	Past due loans, unlikely to pay or corresponding or similar categories of loans and/or loans subject to restructuring disbursed to target companies, participating financial instruments or shares issued by the above and, possibly, short-term loans deriving from self-liquidating credit lines granted to said target companies
IDeA Corporate Credit Recovery II	26,090	Dea Capital Alternative Funds SGR	28 December 2017 18 February 2019 4 April 2023	Past due loans, unlikely to pay or corresponding or similar categories of loans and/or loans subject to restructuring disbursed to target companies, from participating financial instruments or shares issued by the above and, possibly, short-term loans deriving from self-liquidating credit lines granted to said target companies
IDeA Corporate Credit Recovery II – USD Shipping segment	7,662	Dea Capital Alternative Funds SGR	21 December 2018	Past due loans, unlikely to pay or corresponding or similar categories of loans and/or loans subject to restructuring disbursed to target companies operating in the field of shipping and maritime transport, without specific sector restrictions, from participating financial instruments or shares issued by the above and, possibly, short-term loans deriving from self-liquidating credit lines granted to said target companies
Clessidra Restructuring Fund	19,893	Clessidra SGR	25 September 2019	Past due loans, unlikely to pay, forborne performing and non-performing loans, performing high risk loans disbursed to target companies, from participating financial instruments/shares/convertible bonds issued by said companies, loans disbursed in the form of debtor in possession financing transactions to support the target companies in restructuring the debt disbursed
Back2bonis	60,756	Prelios SGR	23 December 2019 20 December 2021	Untranched asset backed securities issued as part of securitisation transactions carried out pursuant to Law 130/99, whose underlying is represented by receivables mainly classifiable as "unlikely to pay" loans, not due from consumer debtors, as well as loans disbursed to those debtors as part of debt restructuring transactions, recovery and/or turnaround and/or similar operations or as part of repossessions and similar actions on collateral
iCCT Fund	36,034	Illimity SGR	3 October 2022 26 June 2024	Unlikely to Pay loans disbursed to "Corporate Large & Medium Size" customers deriving from loans granted to companies in financial distress. The purpose of the transaction is to ensure a more proactive and effective management of secured loans, through i) the disbursement of new loans where deemed necessary to develop the business and/or rebalance the corporate debt, ii) the possibility of intervening directly in the equity of the target companies, changing their governance and guiding restructuring processes, and iii) a better and more effective restructuring of the company, exploiting the specific skills of the Group of the assignee SGR.
Efesto Fund	37,448	FinInt SGR	6 July 2022 16 November 2022 26 June 2024	Unlikely to Pay and non-performing loans disbursed to "Corporate Large & Medium Size" customers deriving from loans granted to companies in financial distress. The purpose of the transaction is to ensure a more proactive and effective management of secured loans, through i) turn-around activities and extraordinary distressed M&A transactions, disbursement of new finance and private equity-style management, ii) settlement activities out-of-court and in the structuring of composition procedures.
UTP Italia Fund	29,415	Sagitta SGR	11 November 2022	Unlikely to Pay and, to a lesser extent, non-performing loans disbursed to "Small-Medium" customers deriving from loans granted to retail entities and SMEs in financial distress. The aim of the transaction is to ensure a more proactive and effective management of secured loans, through i) the disbursement of new loans where deemed necessary to develop the business and/or rebalance the counterparty's indebtedness, ii) a better and more effective restructuring of the borrower, taking advantage of the specific skills of the Group of the assignee SGR and iii) proactive management of the loan portfolio according to the principles of ethical management of exposures inspired by the ESG framework.
Lendlease Msg Heartbeat (**)	49,500	Lendlease Italy Sgr	30 June 2023	Unlikely to Pay loans disbursed to the Risanamento group. The purpose of the transaction is to unblock the implementation of the real estate project in the Santa Giulia area owned by Risanamento. The MSG project promoted by Risanamento is one of the main urban redevelopment initiatives and involves the development of buildings for different uses, with the involvement of the Lendlease Group (LL).
Eleuteria Fund	13,322	Prelios SGR	18 November 2023 19 January 2024	Unlikely to Pay loans disbursed to "Small-Medium" customers deriving from loans granted to retail entities and SMEs in financial distress. The aim of the transaction is to ensure a more proactive and effective management of secured loans, through i) the disbursement of new loans where deemed necessary to develop the business and/or rebalance the counterparty's indebtedness, ii) a better and more effective restructuring of the borrower, taking advantage of the specific skills of the Group of the assignee SGR and iii) remediation of the economic conditions, thanks to support in the turnaround of the company.

Fund name	Book value as at 30/06/2024(*)	Asset Management Company	First closing date/subsequent contributions	Fund investment policy
Retail & Leisure Fund	51,778	IQ EQ	15 April 2024	Unlikely to Pay loans disbursed to "Corporate Large & Medium Size" customers deriving from loans granted for the development and marketing of large Retail or Leisure spaces. The purpose of the transaction is to ensure a more proactive and effective management of secured loans, also through advisors specialised in the sector, through i) the disbursement of new loans where deemed necessary to develop the business and/or rebalance the corporate debt, ii) the possibility of intervening directly in the equity of the target companies, changing their governance and guiding restructuring processes, and iii) a better and more effective restructuring of the company, exploiting the specific skills of the exclusive advisor Pillarstone.
City Regeneration Fund - Class B (**)	45,600	Redo SGR Società benefit	10 November 2023	This is an alternative closed-end real estate investment fund reserved to qualified investors, with the aim of making sustainable investments pursuant to Art. 9 of Regulation (EU) 2019/2088 (so-called "Fund pursuant to Art. 9 SFDR"), in real estate initiatives aimed at urban regeneration and which have a social impact. The management is entrusted to Redo SGR Società benefit (benefit corporation), a leading company in affordable housing and in urban regeneration with a social impact.
City Regeneration Fund - Class C (**)	12,847	Redo SGR Società benefit	11 June 2024	This is an alternative closed-end real estate investment fund reserved to qualified investors, with the aim of making sustainable investments pursuant to Art. 9 of Regulation (EU) 2019/2088 (so-called "Fund pursuant to Art. 9 SFDR"), in real estate initiatives aimed at urban regeneration and which have a social impact. The management is entrusted to Redo SGR Società benefit (benefit corporation), a leading company in affordable housing and in urban regeneration with a social impact.

(*) Assets included in the financial statement item "20 c. Financial assets at fair value through profit and loss - other financial assets mandatorily measured at fair value".
(**) Real estate funds based on the real estate development underlying the completion of the transaction

New transactions during the period

As previously described, the initial recognition value of the subscriptions made during the first half of the year was 81.2 million, referring for 64.3 million to new funds and the remaining 16.9 million to additional shares received for contributions made in funds already held.

More detailed information is provided below on the new funds subscribed during the half-year.

<u>Retail & Leisure Fund (Project RL - IQ EQ Fund Management)</u>

The Retail & Leisure Fund is a closed-end investment fund managed by IQ EQ dedicated to the operational and financial relaunch of target real estate companies aimed at creating value and maximising recovery through an industrial approach and the injection of new funds to support the action plans identified. Through the proactive management of positions, the multi-originator platform indeed aims to prevent counterparty deterioration, also by implementing bilateral agreements or specific and effective restructuring plans, aimed at maximising the expected recoveries and reducing collection times. The fund relies on the exclusive consulting of Pillarstone, which has a solid track record in turnaround processes and the management of companies in financial distress as well as specialised consulting in the sectors to which the target real estate companies belong.

As part of this transaction, in April 2024 Banco BPM contributed mortgage credit exposures to real estate companies to the fund for a total gross value of 75.3 million, in exchange for 71.1 million units of the fund, corresponding to a shareholding of 31.7%.
These shares were initially recognised for an estimated fair value of 51.5 million, substantially in line with the value as at 30 June 2024 (51.8 million).

<u>City Regeneration Class C Fund (Redo SGR)</u>

Following the transaction already completed in 2023 with Redo SGR - in relation to the urban regeneration project of the former "ex Falk" industrial areas, following which Banco BPM had received units of the City-Regeneration Class B Fund - on 11 June 2024, Banco BPM contributed to the fund in question, managed by the same asset management company, the performing exposure to the company EuroMilano Fund, for a gross value of 13 million. In particular, this is a real estate development company that carries out activities focusing on urban and environmental regeneration and offers planning and recovery services for urban areas, with the aim of enhancing

existing areas and ensuring the construction of functional and eco-sustainable buildings. The latter contribution is part of a broader system transaction, with the aim of accelerating the planned real estate development in the Cascina Merlata and Viale Certosa areas in Milan.
As at 30 June 2024, the total fair value of the fund was 12.8 million, in line with the initial recognition value as this was a transaction completed in June.

Risks to insurance companies

The main risks to which the Group's Italian insurance companies are exposed are discussed below.

Insurance risks

LIFE BUSINESS

The main risk factors of the life insurance portfolio (Banco BPM Vita and Vera Vita) are linked to underwriting risks, which can be classified into:

- biometric risks, i.e. risks linked to the uncertainty of the assumptions considered in the measurement of insurance liabilities, such as mortality and longevity rates;
- operational risks, i.e. risks deriving from the uncertainty of the amount of expenses and the exercise of contractual options by policyholders.

More specifically, life underwriting risks are divided into the following types of sub-risk:

- Mortality risk: risk of losses or of an unfavourable change in the value of insurance liabilities, deriving from an increase in mortality rates;
- Longevity risk: risk of losses or unfavourable changes in the value of insurance liabilities, deriving from a decrease in mortality rates;
- Lapse risk: risk of loss or unfavourable change in the value of insurance liabilities, due to a change in the exercise rates of lapse options (surrender, reduction, suspension of the policy) by policyholders;
- Expense risk: risk of loss or unfavourable change in the value of insurance liabilities, due to a change in the expenses incurred for the management of insurance contracts;
- Catastrophe risk: risk of loss or unfavourable change in the value of insurance liabilities, deriving from changes in claims due to extreme and exceptional events.

With regard to the calculation of the solvency capital requirement, the risks at Company level are quantified on the basis of the standard formula, according to the methodology defined by the reference regulations. More specifically, the capital requirement for life underwriting risk is calculated by aggregating, using the correlation coefficients, the Solvency Capital Requirements (SCR) determined for each risk sub-module described above (mortality, longevity, surrender, expense and catastrophe).
Life underwriting risks are monitored through the calculation and subsequent control of specific risk indicators defined in the Risk Appetite Framework (RAF). In particular, the exposure to life underwriting risks is mainly linked to the trend of surrender risk, which is also monitored through the quarterly calculation of a specific indicator, namely the surrender frequency.

Financial risks - insurance business

LIFE BUSINESS

When conducting its life business, the Companies (Banco BPM Vita and Vera Vita) are required to invest the premiums collected in a variety of financial assets, mostly long-term, with the main objective of guaranteeing the return expected by policyholders, honouring its future commitments.
The main risks to which the Companies are exposed, therefore, derive from market risks, which may result in losses or unfavourable changes in the financial situation due to fluctuations in the market value of the assets in the financial statements.

More specifically, the market risks of the life business are divided into the following types of sub-risk:

- Interest rate risk: risk of loss or unfavourable changes in the market value of bonds, deriving from changes in the term structure of interest rates or in the level of volatility of the same;
- Equity risk: risk of loss or unfavourable changes in the market value of shares, due to changes in the level or volatility of share prices;
- Real estate risk: risk of loss or unfavourable changes in the market value of real estate, deriving from changes in the level or volatility of real estate market prices;
- Exchange rate risk: risk of loss or unfavourable changes in the market value of securities in foreign currency, deriving from changes in the level or volatility of exchange rates;
- Spread risk: risk of loss or unfavourable changes in the market value of assets, due to changes in credit spreads with respect to the term structure of the risk-free rate;
- Concentration risk: risk of losses due to an insufficient diversification of the counterparties to which the Company is exposed.

With regard to market risks, the Companies do not use any specific mitigation techniques, but rather monitor these risk factors through the calculation and subsequent control of risk indicators defined in the Risk Appetite Framework (RAF).

In particular, given the composition of the asset portfolio, the Company Banco BPM Vita is particularly exposed to the concentration risk of Italian government bonds. This risk is monitored by calculating a specific indicator.

For Vera Vita, as part of the 2024 RAF, the risk indicators of Banco BPM Vita were introduced, also taking into account the different composition of the portfolio, which for Vera Vita shows a lower exposure to government securities.

Other risks - insurance business

Liquidity risk

Liquidity risk is the risk deriving from the inability to efficiently meet expected and unexpected cash commitments, or to be able to meet them only through access to the credit market at adverse conditions or by liquidating financial assets at a considerable discount.

The objective at Company level is to ensure adequate and sufficient levels of capital and liquidity to guarantee all commitments that the insurance companies are responsible for. To achieve this, the exposure to liquidity risk is calculated using a specific indicator, called the Liquidity Ratio, which compares the available resources and the resources needed over a medium/short-term time horizon, monitoring their performance and compliance with specific thresholds defined as part of the Risk Appetite Framework (RAF).

Operational Risk

Operational risk is the risk of losses deriving from inefficiencies of people, processes and systems, including those used for online sales, or from external events, such as fraud or the activity of external suppliers. In general, operational risks may also have effects on reputational aspects, therefore the management of operational risks is also considered to potentially impact the mitigation of reputational risks.

Operational risk management at Company level is carried out through the identification and qualitative and, if possible, quantitative assessment, on an annual basis, of the various categories of operational risks (e.g. shortcomings linked to outsourcing of activities, violations of the security of IT systems by third parties, insufficiency of internal or external human resources, non-fulfilment of regulatory obligations, errors or omissions in accounting or financial transactions, violation of the obligation of data quality, theft, fraud and improper use of assets by third parties).
Depending on the frequency and impact of the event, the various operational risk factors identified are quantified on the basis of a standardised scale of values, envisaging the implementation of appropriate risk mitigation activities where necessary.

PART G – BUSINESS COMBINATIONS REGARDING COMPANIES OR DIVISIONS

Transactions carried out during the period

During the half-year, no business combinations occurred involving companies external to the Group.

Business combinations between companies in the Group (business combination between entities under common control)

In June, the deed of merger by incorporation of Terme Ioniche Società Agricola S.r.l. into Terme Ioniche S.r.l., both controlled by Banco BPM, was signed. This transaction, completed on 30 June and effective for accounting and tax purposes as of 1 January 2024, took place in simplified form without an exchange ratio or cash adjustment.

In addition, effective as of 1 January 2024, the simplified partial spin-off was completed, in which the Parent Company Banco BPM was assigned the business unit consisting of the set of assets and resources organised for the performance of the "Proprietary Finance" activities of Banca Akros. The spun-off business unit includes the relative financial assets and liabilities, the 20% interest in Vorvel SIM, relationships with custodian banks, brokers and counterparties, in addition to the employment relationship with 60 employees.

These transactions took place according to the simplified form established for wholly-owned companies; although they do not fall under the scope of IFRS 3 on the basis of the Provisions of Circular 262/2005 of the Bank of Italy, they are conventionally reported in this section.
In the absence of a relevant accounting standard, transactions "under common control" are recognised using the principle of continuity in accounting values. Specifically, the values used are those found in the consolidated financial statements as of the transfer date. As a result, these transactions did not have any impact on the balance sheet or the income statement of Banco BPM Group.

Business combinations after the reporting period

No business combination transactions were carried out outside the Group after the end of the half-year.

Business combinations between companies in the Group (business combination between entities under common control)

No business combination transactions between companies in the Group were completed after the end of the half-year.

With regard to the binding agreement signed on 14 July 2023 between Banco BPM, BCC Iccrea Group and FSI, aimed at establishing a strategic partnership for the development of a new business in the digital payments segment, please note that it is expected to be finalised by 30 September 2024, as described in the "Significant events during the period" in the Interim Report on Operations. This agreement, which calls for the contribution to the joint venture BCC Pay S.p.A. (which on 1 May changed its name to Numia S.p.A.) of the e-money activities of Banco BPM and the interests in associates and joint ventures in Tecmarket Servizi, entailed, in order to prepare the balance sheet as at 30 June 2024, the reclassification of the associated assets and liabilities subject to the transfer to the specific balance sheet items "Non-current assets and disposal groups held for sale" and "Liabilities associated with assets classified as held for sale", in keeping with the provisions of IFRS 5.

Retrospective adjustments

It was not necessary to recognise any retrospective adjustments.

PART H – TRANSACTIONS WITH RELATED PARTIES

In accordance with the requirements established by accounting standard IAS 24, the paragraphs below illustrate the criteria applied by Banco BPM Group to identify related parties, expressed in specific company regulations:

a) companies subject to significant influence and joint control: namely the entities in which the Parent Company Banco BPM or the Subsidiary entities exercise significant influence pursuant to IAS 28 or joint control pursuant to IFRS 11. In particular, these are the "Investments in companies subject to joint control and subject to significant influence" indicated under Part B - "Interests in associates and joint ventures - Item 70" of these Explanatory Notes;
b) executives with strategic responsibilities: the members of the Board of Directors, the acting members of the Board of Statutory Auditors, the General Manager and the Co-General Managers of the Parent Company and the Group companies are classified as such, as well as the senior operational and executive managers of Banco BPM, identified by a dedicated board resolution, the Financial Reporting Manager, the Head of the Compliance function, the Head of the Internal Audit function of Banco BPM, any additional structure heads identified by the Board of Directors of Banco BPM and any extraordinary liquidators;
c) close family members of executives with strategic responsibilities: only family members that are able to influence (or be influenced by) the party concerned in the relationship between the latter and Banco BPM or Group companies. The following are presumed to be as such, unless otherwise declared in writing by the executive, under the latter's own responsibility and containing adequate and analytical justification of the reasons that exclude any possible influence: spouses, common law spouses (including cohabitants whose status is not indicated in the family status certificate), offspring of the party, of the spouse or common law spouse, individuals dependent on the party, the spouse or common law spouse. Any other individual, which the party believes may influence them (or be influenced by them) in their dealings with Banco BPM or the other Group companies, is also a related party;
d) equity interests attributable to executives with strategic responsibilities and their close relatives: the following entities are considered to be related parties, those in which executives with strategic responsibilities or their close relatives have control pursuant to Art. 2359, paragraph 1 of the Italian Civil Code, or joint control or exercise significant influence which is presumed when they hold, directly or indirectly, at least 20% of the voting rights which can be exercised during ordinary shareholders' meetings, or 10% if the company has shares listed on organised markets;
e) Group pension funds: the Pension Funds for employees of the Group and of any other related entity;
f) holders of a significant interest: shareholders and the relative corporate groups (legal entities which are parent companies, subsidiaries or subject to joint control) which control the Parent Company, even jointly, or which exercise significant influence over Banco BPM, are considered related parties. As a minimum, a situation of significant influence is deemed to exist when the shareholder holds an interest with voting rights exceeding 10% of the share capital of Banco BPM. Parties not belonging to the Group who hold an interest in other Group companies greater than 20% of the voting rights that may be exercised in the ordinary shareholders' meeting, or 10% if the company has shares listed in organised markets, are also considered to be related parties;
g) parties who themselves are in a position to appoint members of the Board of Directors by virtue of the articles of association or shareholders' agreements.

Financial and commercial transactions between subsidiaries and companies subject to significant influence and joint control.

Financial and commercial transactions with related parties fall within the sphere of ordinary operations and have been conducted as arm's length transactions.

The tables below indicate the balance sheet and income statement transactions as at 30 June 2024 with the companies subject to significant influence, joint ventures, management with strategic responsibilities (which include audit bodies) and other related parties.

(thousands of euro)	Entities exercising significant influence (1)	Associated companies	Joint ventures	Executives with strategic responsibilities	Other related parties	Total	% of consolidated total
Financial assets held for trading	-	5,287	-	-	2	5,289	0.10%
Financial assets measured at fair value through other comprehensive income	-	9,177	-	-	-	9,177	0.04%
Loans to customers	-	2,712,192	-	9,143	66,472	2,787,807	2.77%
Other asset items	-	9,492	-	11	-	9,503	0.06%
Due to customers	-	196,473	-	10,145	50,142	256,760	0.25%
Debt securities in issue	-	3,584	-	-	-	3,584	0.02%
Financial liabilities held for trading	-	-	-	-	289	289	0.00%
Financial liabilities designated at fair value	-	-	-	969	2,145	3,114	0.04%
Other liability items	-	38,999	-	114	171	39,284	0.24%
Guarantees given and commitments	-	410,644	-	2,683	119,829	533,156	0.78%

(1) Authorised parties who possess a shareholding greater than 10% of the share capital.

(thousands of euro)	Entities exercising significant influence (1)	Associated companies	Joint ventures	Executives with strategic responsibilities	Other related parties	Total	% of consolidated total
Net interest income	-	63,347		82	1,892	65,321	3.52%
Net fee and commission income	-	259,045	-	8	94	259,147	27.02%
Administrative expenses/recoveries of expenses	-	(3,516)	-	(7,516)	(187)	(11,219)	0.77%
Other costs/revenues	-	(236)	-	-	(262)	(498)	0.07%

(1) Authorised parties who possess a shareholding greater than 10% of the share capital.

Other related party transactions

The table below discloses other transactions (supplies of goods and services and transactions on real estate) entered into with the related parties shown in the above table under "executives with strategic responsibilities" and "other related parties".

	Purchases and sales of goods and services	Rental income	Rental expense
a) Directors	-	-	-
b) Executives with strategic responsibilities	-	-	-
c) Close family members of the parties in letters a) and b)	-	-	-
d) Subsidiary, associated company or subject to significant influence by the parties in letters a) and b)	154	67	575

Other information

In regard to paragraph 8 of art. 5 "Disclosures to the public on related party transactions" of the CONSOB Regulation containing provisions for related party transactions (adopted by CONSOB with resolution no. 17221 of 12 March 2010 as amended), the following paragraphs illustrate the most important transactions conducted during the first half of 2024, as well as those that are less important yet particularly significant.

Initiatives as part of the Group's Covered Bond ("CB") issue programmes: renewal of the expiry of annual ceilings for the periodic repurchase of assets sold

At its meeting held on 7 November 2023, the Board of Directors approved the renewal, for the January - December 2024 period, of the annual ceilings for the periodic repurchase, for up to a maximum of 100 million for each of the outstanding Covered Bonds programmes and on the basis of the criteria established therein, of assets sold to the SPEs BP Covered Bond S.r.l., BPM Covered Bond S.r.l. and BPM Covered Bond 2 S.r.l. as well as the signature of the Repurchase Documents relating to each programme.

Please note that for the period January - June 2024, the annual ceilings for the periodic repurchases of assets sold were used for 24 million, 22 million and 16 million, respectively.

Issue by Banco BPM S.p.A. of investment certificates to be placed with third-party networks: (i) allocation of a maximum ceiling; (ii) promotion and marketing activities by Banca Akros

The Board of Directors, at its meeting on 19 December 2023, resolved to approve the allocation of a maximum total ceiling of up to 600 million, to be used for the issue of certificates and bonds to be placed with third-party networks outside the Group, for the 1 January 2024 - 31 December 2024 period, recognising a flow of commissions to Banca Akros, for the same time interval - as a framework resolution pursuant to the rules on conflicts of interest - of a total amount of up to 6 million, in relation to the promotion and marketing activities and to approve the resulting update of the outstanding framework service agreement between Banco BPM and Banca Akros, approved by resolution of 7 May 2020 and signed on 11 June 2020 as amended; please note that for the January - June 2024 period, approximately 0.3 million of the ceiling had been used.

Outsourcing of Parent Company business activities to Banca Akros

The Board of Directors, at its meeting held on 19 December 2023, resolved to (i) approve the outsourcing to Banca Akros of activities relating to "Corporate" and "Financial Institutions" securitisations, recognising the considerations specified in the narrative part to the subsidiary and ratifying its actions for the activities already started by Banca Akros during the current year; (ii) authorise, pursuant to the rules on conflicts of interest, the allocation of a ceiling of 1.5 million as a framework resolution for the year 2024 - and precisely for the 1 January - 31 December 2024 period - to be paid to the Bank Akros by way of consideration for the performance of outsourced activities. It should be noted that for the January - June 2024 period, the ceiling was used for approximately 0.6 million.
At its meeting on 11 June 2024, the Board of Directors of Banco BPM approved, following the partial demerger of Banca Akros in favour of Banco BPM, completed effective as of 1 January 2024, the outsourcing to Banca Akros of the Brokerage-Research, Cross Asset Productions & Solutions, Securitisation & Structured Solutions, Investment products, Hedging, Securitisation and Sales network assistance activities for operations in securities for a total estimated consideration of 37.6 million. As at 30 June 2024, fees accrued amounted to 13.1 million.

Renewal of the framework resolution for fee and commission flows relating to the performance of trading on own behalf, order execution on behalf of customers, receipt and transmission of orders between Banco BPM, Banca Aletti S.p.A. and Banca Akros S.p.A.

The Board of Directors, at its meeting on 19 December 2023, resolved to authorise the renewal for the 1 January - 31 December 2024 period of the framework resolution concerning the performance of trading activities on own account, the execution of orders on behalf of customers, and order receipt and transmission by Banca Akros S.p.A., for which (i) Banco BPM estimates that it will pay the subsidiary a maximum flow of commissions of 14 million; (ii) Banca Aletti S.p.A. estimates that it will pay Banca Akros a maximum flow of commissions of 3.3 million; for the January - June 2024 period, roughly 7 million and around 1.5 million of the ceilings had been used, respectively.

Issue of certificates and/or bonds by Banco BPM: (i) placement through the Banca Aletti Network

At its meeting on 16 January 2024, the Board of Directors resolved to approve, for the 1 February 2024 - 31 January 2025 period, the flow of commissions to be paid to Banca Aletti for the placement of certificates and/or bonds that will be issued by Banco BPM and placed through the Network of that subsidiary, for a total of up to 5.04 million; it should be noted that for the February - June 2024 period, approximately 0.3 million of the ceiling had been used.

Revision of the organisational and governance model within the Financial Conglomerate: (i) establishment of the new Bancassurance function; (ii) outsourcing to the Parent Company of Corporate functions of Banco BPM Vita S.p.A. and Vera Vita S.p.A.

At its meeting on 16 January 2024, the Board of Directors resolved to approve an intervention to strengthen the governance of the insurance group with the establishment of the new "Bancassurance" function reporting to the CBO Co-General Manager, providing him a mandate to carry out all activities necessary for the implementation of the approved organisational update, including changes in the organisational structure of Banco BPM Vita S.p.A. and

Vera Vita S.p.A., and the resulting activation of outsourcing to Banco BPM of the Planning and Control activities of the Companies. In particular, effective as of 7 February, the process of outsourcing the Insurance Business Planning service of Banco BPM Vita and Vera Vita to Banco BPM was completed, the annual consideration of which is estimated at approximately 428 thousand and 183 thousand, respectively, both net of VAT. Subsequently, at its meeting on 12 March 2024, the Board of Directors also resolved to approve the outsourcing to Banco BPM of the Privacy and Interests services of Banco BPM Vita and the Privacy service of Vera Vita, effective as of 1 April 2024; the annual consideration to be paid to Banco BPM (i) for the Privacy service, is estimated at approximately 23.2 thousand net of VAT, for both Banco BPM Vita and Vera Vita, (ii) for the Interests service, is estimated at around 6.2 thousand net of VAT, only for Banco BPM Vita. This change is consistent with the Group's governance model which, where not in conflict with external sector regulations, calls for centralising guidance, coordination and control functions in the Parent Company. Please note that (i) the outsourced services in question do not qualify as "essential or important" pursuant to current banking regulations (Bank of Italy Circular no. 285/2013) or insurance regulations (IVASS Regulation no. 38/2018); (ii) the initiative complies with both the Regulation on outsourcing of the Banco BPM Group and the same Regulation of the Banco BPM Vita Insurance Group; (iii) the provision of services will be formalised by entering into specific outsourcing contracts, which will be finalised through an exchange of correspondence between the parties and which will include a Service Level Agreement to ensure constant monitoring of the quality of the service provided by the outsourcer. The activation of the proposed outsourcing constitutes a further step towards the implementation of an effective governance model, with clear mechanisms for the management and governance of the insurance Group, as established due to the financial conglomerate status and required by the Regulator for the recognition of the benefits set forth in the "Danish Compromise".

BPL Mortgages S.r.l.: (i) restructuring of the "BPL Mortgages Series 5" securitisation transaction; (ii) revision of credit lines, increasing them from 4.78 billion to 5.05 billion in order to allow for the completion of the restructuring of the BPL5 securitisation.

At its meeting on 16 April 2024, the Board of Directors resolved (i) the sale of the BPL 5 Subsequent Portfolio for an amount estimated at up to 2 billion; (ii) the repurchase, by Banco BPM, of non-performing loans and loans that are not consistent with the STS regulations, which are now part of the BPL 5 portfolio for an estimated amount of approximately 200 million; (iii) the issue of New Senior Notes and New Junior Notes and their subscription by Banco BPM, the total maximum amount of which is estimated at 1.8 billion; (iv) the execution of a possible interest rate swap to partially or fully hedge the interest rate risk of the New Senior Notes, taking into account that any specific credit lines granted for such a swap will be subject to a specific resolution proposal by the CLO Area; (v) the delegation of the Chief Executive Officer Mr Giuseppe Castagna, Co-General Manager CFO, Mr Edoardo Ginevra and Finance Manager, Mr Fabrizio Caputi for the determination of the final terms of the BPL 5 Restructuring, including the amount of the BPL 5 Subsequent Portfolio and the repurchase of non-performing loans and loans possibly not eligible under the European regulations on STS securitisations, the amount and conditions of the New Notes and the amount and conditions of any hedging derivative of the New Notes; (vi) the amendment of the contractual documentation required for the completion of the BPL 5 Restructuring, also in order to make the BPL 5 STS Securitisation compliant; (vii) the negotiation and signing of all contracts, deeds, documents and certificates necessary or appropriate to carry out the BPL 5 Restructuring and what is described above (including, by way of example, the New Sale Agreement, the New Guarantee and Indemnity Agreement, one or more repurchase agreements between Banco BPM and the SPE, the Amending Agreements and the New Underwriting Agreement); (viii) the signing of the engagements of counterparties involved in the BPL 5 Restructuring such as, by way of example but not limited to, rating agencies, the external legal advisor and the third party verifier for the alignment of the BPL 5 Restructuring with the STS securitisation regulations. Subsequently, at its meeting on 28 May 2024, the Board of Directors approved a revision as at 31 May 2025 of the credit lines granted to BPL Mortgages S.r.l., increasing them from 4.78 billion to 5.05 billion, in order to allow for the finalisation of the BPL5 securitisation transaction restructuring approved by the Board of Directors at its meeting on 16 April 2024.
In execution of such resolutions, with reference to the "BPL Mortgages 5" transaction, in June 2024, with the signing of the relative contracts, (i) Banco BPM sold an additional portfolio of loans deriving from land and residential mortgages for a total residual debt (excluding accruals) of 1.8 billion and (ii) the SPE sold to Banco BPM, among others, the non-performing loans and those loans not consistent with European regulations on simple, transparent and standardised securitisations (STS), previously transferred as part of the securitisation transaction, for a total residual debt of 449.5 million. To finance the purchase of the third subsequent portfolio, the SPE will issue additional asset-backed securities in the third quarter of 2024.

Alba Leasing risk group - confirmation of the lending ceiling for direct risks, reduction of total credit lines and new review date

At its meeting on 28 May 2024, the Board of Directors resolved to approve in favour of Alba Leasing S.p.A.: (i) the confirmation of the lending ceiling for direct risks of 1,100 million, of which 100 million with utilisation restriction within 6 months; (ii) the extension of the short-term cash, current account and hot money line of 897 million; (iii) the reduction of credit lines from 1,063.18 million to 1,060.18 million, in addition to evidence risks of 15 million; (iv) the new review deadline of 30 June 2025.

Covered Bond Programmes: (i) activities aimed at the early closure (unwinding) of the BP Covered Bond programme; (ii) repurchases of unsuitable assets from special purpose entities as part of the Group's issue programmes

At its meeting on 28 May 2024, the Board of Directors resolved (i) the transfer en bloc to BPM CB1 (Asset Transfer between Guarantors) of the loans transferred as part of the BP CB programme, for an amount of approximately 2.4 billion, excluding non-performing positions which, together with other unsuitable assets of BPM CB1 and BPM CB2, will be repurchased by the Bank in a separate transaction; (ii) the transfer to the BPM CB1 programme of the retained covered bond series 12, which will be finalised by amending the relative Final Terms , to incorporate the change of guarantor and acceptance of the terms and conditions of the BPM CB1 programme; (iii) the signing of the documentation relating to the Transfer between Guarantors, the Written Resolution for the amendment of the Final Terms of the retained covered bond series 12 and the Unwinding Documents.
Furthermore, also in the exercise of the management and coordination activities under the responsibility of the Parent Company pursuant to arts. 2497 et seq. of the Italian Civil Code, the Board approves: (i) the repurchase from the respective special purpose entities of unsuitable loans in the total maximum amount estimated at 45 million; (ii) the return to Banco BPM of the loans not eligible under the BPM CB1 Programme for a maximum amount of 20 million, excluding the UTP and Bad Loan positions already considered in the annual ceiling, with the payment of the related sale price to the SPE; (iii) the return to Banco BPM of the loans not eligible under the BPM CB2 Programme for a maximum amount of 10 million, excluding the UTP and Bad Loan positions already considered in the annual ceiling, with the payment of the related sale price to the SPE; (iv) the return to Banco BPM of the loans not eligible under the BP CB Programme for a maximum amount of 15 million, excluding the UTP and Bad Loan positions already considered in the annual ceiling, with the payment of the related sale price to the SPE; (v) the negotiation and signing of all Repurchase Documents. In execution of this resolution, in June 2024, with the signing of the respective contracts, in order to proceed with the early closure ("Unwinding") of the "BP CB1" Programme, the following was carried out: (i) the direct transfer to the BPM CB1 Programme of the entire portfolio of assets transferred from time to time by Banco BPM to the BP CB1 Programme, by signing a "Contract for transfer between Guarantors" (excluding bad loans and other non-eligible exposures previously repurchased by Banco BPM), and the relative subordinated loan used by the Company BP Covered Bond S.r.l. for the purchase of the individual asset portfolios and (ii) the transfer from the BP CB1 Programme to the BPM CB1 Programme of the existing retained Covered Bond Series 12, renamed Series 14, for a nominal value of 1 billion, via the replacement of the Guarantor from the SPE BP Covered Bond S.r.l. to the SPE BPM Covered Bond S.r.l. In addition, in June 2024, as part of all three Covered Bond Issue Programmes of the Group, Banco BPM repurchased "en bloc" (i) the positions that as at 31 May 2024 were classified as bad loans, (ii) a portion of loans previously transferred to the SPEs and no longer classifiable as "eligible", as they had mortgage collateral that was expiring by 30 June 2024 and (iii) some positions classified as unlikely to pay. In June 2024, Banco BPM settled the consideration for the repurchase of bad loans and mortgages in favour of the SPEs.

Banco BPM Invest SGR S.p.A. Alternative Investments Project: contribution of the business unit dedicated to the investment of units of closed-end funds of Banco BPM by way of an increase in the shareholders' equity of the beneficiary Banco BPM Invest SGR S.p.A.

At its meeting on 11 June 2024, the Board of Directors of Banco BPM resolved to approve the contribution to the shareholders' equity of the business unit dedicated to the investment of units of closed-end funds of Banco BPM in favour of the subsidiary BBPM Invest SGR, whose economic value was determined by the independent expert appointed pursuant to art. 2343 of the Italian Civil Code as 1.31 million. Following the transaction, which became effective on 1 July 2024, BBPM Invest SGR increased its shareholders' equity by 100 thousand, corresponding to the accounting imbalance of the business unit at the reference date of 31 December 2023, while Banco BPM increased the carrying amount of the interests held in BBPM Invest SGR by the same amount.

Capital strengthening of Vera Vita S.p.A. through shareholder capital contributions

The competent decision-making bodies of Banco BPM and Banco BPM Vita, on 24 June and 25 June 2024, respectively, approved a capital strengthening transaction of the subsidiary Vera Vita S.p.A., in order to guarantee the maintenance of adequate solvency conditions and ensure economic-financial balance, through a capital contribution of 50 million by the direct parent company Banco BPM Vita. The transaction was completed on 26 June 2024.

PART I – SHARE-BASED PAYMENT AGREEMENTS

A. QUALITATIVE INFORMATION

1. Description of share-based payment agreements

1.1 Remuneration linked to incentive systems: compensation plans based on shares

As the Parent Company, Banco BPM S.p.A. prepares the annual Policy-on-remuneration report and payouts awarded pursuant to the provisions in force on remuneration and incentive policies and practices of the Bank of Italy (Circular no. 285/2013, 37th update of 24 November 2021, Part I, Title IV, Chapter 2 "Remuneration and incentive policies and practices"), of art. 123-ter of Italian Legislative Decree 58/1998 ("Consolidated Finance Law" or "CFL") as amended and of art. 84-quater of CONSOB resolution no. 11971/1999 as amended ("Issuers' Regulation").

The remuneration policy ("Policy") represents an important management lever to attract, motivate and retain management and staff. This steers behaviour towards reducing the risks taken on (including legal and reputational), protecting customers and increasing loyalty while also being careful to manage conflicts of interest. The Policy also pursues sustainable success, which produces long-term value for the benefit of shareholders in the interest of the Group's stakeholders.

The 2024 Policy defines the guidelines of the remuneration systems to pursue long-term strategies, objectives and results, in line with governance and risk management policies. The correlation between variable remuneration of personnel and ESG factors is one of the elements of the 2024 Policy. Variable remuneration is therefore related to strategic actions concerning environmental issues, health and safety and human resource management. The remuneration policy for staff is gender neutral.

In accordance with the 2024 Policy, the remuneration of Group employees includes a variable component (incentive) linked to the annual incentive system (Short Term Incentive Plan). The receipt of an incentive is subject to the verification that the predefined access conditions (gates) have been met, consisting of indicators of capital adequacy and adequacy of liquidity and profitability. After verification of the gates, but before any payment, the amount of the economic resources actually available is determined on the basis of the economic results recorded (financial adjustment factor), as well as qualitative indicators of a non-financial nature (non-financial adjustment factor), in line with the Group risk appetite framework.

The incentive for identified staff[1] established in the year 2024, is paid over a period of six or five years, and is divided into an up-front portion and five or four annual deferred portions, subject to the successful fulfilment of future conditions.

The up-front portion, regardless of beneficiary, amounts to:

- 60% of the incentive awarded, in cases where the annual individual variable remuneration is less than 435 thousand euro;
- 40% of the incentive awarded, in cases where the annual individual variable remuneration is equal to or greater than 435 thousand euro.

The figure of 435 thousand euro represents for the Group the level of variable remuneration of a particularly high amount, determined in keeping with the criterion established by the Bank of Italy Supervisory Regulations[2].
50% of the up-front portion of the incentive is awarded in Banco BPM ordinary shares.

The deferred portions consist of:

- five annual instalments of the same amount deferred in the five-year period following the year of vesting of the up-front portion, for 55% in Banco BPM ordinary shares, for the senior identified staff, regardless of the

[1] Parties whose professional activity has or may have a significant impact on the risk profile of the Group or the individual Legal Entity.
[2] See Part One, Title IV, Chapter 2, Section III, Paragraph 2: "Particularly high variable remuneration amount means the lower of: i) 25 percent of the total average remuneration of the Italian high earners, resulting from the most recent report published by the EBA; ii) 10 times the total average remuneration of the bank's employees".

amount of the annual individual variable remuneration awarded, and for the heads of the main business lines of Banca Akros or Banca Aletti who report directly to the Chief Executive Officer or senior management of Banca Akros or Banca Aletti, in the event that the amount of the annual individual variable remuneration paid is equal to or greater than 435 thousand euro;

- four annual instalments of the same amount, deferred in the four-year period following the year of vesting of the up-front portion, for 50% in Banco BPM ordinary shares, for identified staff not included in the previous point.

As required by the Supervisory Provisions of the Bank of Italy, in cases where the annual individual variable remuneration is lower than or equal to the significance threshold of 50 thousand euro, and, at the same time, lower than or equal to one third of the total annual individual remuneration, the relative amount is paid out in cash and in a lump sum.

The Shareholder's Meeting of 7 April 2022 approved a Long Term Incentive Plan related to the performance to be achieved in the 2022-2024 three-year period.
The 2023-2026 Strategic Plan was approved on 12 December 2023.
To support the 2023-2026 Strategic Plan and pursue results that create long-term value for shareholders and all relevant stakeholders, the Bank decided to submit a Long Term Incentive Plan to the Shareholders' Meeting of 18 April 2024 (2024-2026 LTI plan) related to the performance to be achieved in the three-year period 2024-2026.
The scope of the beneficiaries of the LTI plans includes around 80 positions (excluding those belonging to functions with control tasks), selected on the basis of the level of the position, the impact on the business or for retention purposes. The beneficiary roles include the Chief Executive Officer and executives with strategic responsibilities of the Parent Company.
The incentive correlated with the LTI plan (LTI incentive) is fully assigned in Banco BPM ordinary shares, is awarded at the end of the three-year performance period and is proportional to the level of achievement of the conditions and performance objectives.
The 2024-2026 LTI incentive is paid in an up-front portion of 40% and in annual deferred portions of the same amount, in accordance with the provisions of the 2024 Short Term Incentive Plan, subject to the successful fulfilment of future conditions.

With reference to the Short Term Incentive and Long Term Incentive Plans, for vested shares (up-front and deferred), a one-year retention period (selling restriction) is established, which starts from their vesting; the transfer of ownership to the beneficiary takes place at the end of this period.
Both the up-front portions and the deferred portions are subject to malus and claw-back mechanisms, as set forth in the Policy.

In addition to the compensation plans based on Banco BPM S.p.A. shares relating to the 2024 Short Term Incentive Plan and the 2024-2026 Long Term Incentive Plan, the Ordinary Shareholders' Meeting of Banco BPM held on 18 April 2024 approved:

- the 2024 remuneration policy - Section I of the Policy-on-remuneration report and payouts awarded of Banco BPM Group's staff – 2024;
- the report on payouts awarded in 2023 - Section II of the Policy-on-remuneration report and payouts awarded of Banco BPM Group's staff – 2024 (advisory vote);
- the request for authorisation to purchase and dispose of own shares in service of the Banco BPM S.p.A. share-based payment plan.

For further information refer to the content of the following documents: 2024 Policy-on-remuneration report and payouts awarded of Banco BPM Group's staff (Section I and Section II), Information Document on the Banco BPM Share-based compensation plan - 2024 Short Term Incentive Plan, Information Document on the Share-based compensation plan - 2024-2026 Long Term Incentive Plan, available on the website www.gruppo.bancobpm.it (Corporate Governance - Remuneration Policies section).

1.2 Share-based compensation plans of previous years

On 8 February 2024, the Banco BPM Board of Directors acknowledged the vesting in the year 2024 of the equity component of the deferred short- and long-term incentives referring to the share-based compensation plans currently valid and approved on the basis of previous shareholders' resolutions.

For more details on the procedures and the terms for the allocation of the shares under the above-illustrated Plans, please refer to the respective information documents drawn up in accordance with Art. 84-*bis* of the Issuers' Regulation, deposited at the registered office, at Borsa Italiana S.p.A. and also available to the general public on Banco BPM S.p.A.'s website at www.gruppo.bancobpm.it (Corporate Governance — Remuneration Policies section).

1.3 Amounts for early termination of employment

In compliance with regulations in force over time, the Parent Company has the unilateral right to agree — subject to the conditions and in accordance with the methods defined in the Policy — possible amounts for the early termination of employment (for identified staff, golden parachutes), which may be awarded up to the maximum extent of twenty-four months of fixed remuneration (excluding indemnity for lack of notice, determined by legislative provision) and up to the maximum limit of 2.9 million euro (employee gross amount).

The recognition of the amounts for early termination of the employment relationship takes place on termination and is subject to the positive verification of conditions, related to the previous financial year, of capital adequacy and liquidity. The amount is determined considering each relevant element, and in any event:

- the positive results achieved over time;
- the circumstances that led to the termination, taking into account the interests of the company also to avoid an error of judgement;
- the tasks performed and/or positions held in the course of the employment relationship, also in the sense of risks assumed by the subject;
- the duration of the employment relationship and of the job;
- savings as a result of early termination of employment.

Payment thereof occurs according to the same methods provided for by the Short Term Incentive Plan, defined in the remuneration policy in force on the date of termination, with reference to the last position for which payment of the amount was assessed, without prejudice to specific conditions envisaged by the Bank of Italy Supervisory Regulations.
The amounts for early termination of the employment relationship, both for identified staff and the remaining personnel, shall only be disbursed in the absence of fraudulent conduct or gross negligence committed by the person who has terminated his/her employment. Confirmation of such conduct entails the cancellation of the portions not yet disbursed (malus) and the return of those already disbursed (claw-back). The assessment of the degree of negligence is carried out by the Board of Directors of the Parent Company and/or the subsidiaries and/or the Chief Executive Officer of the Parent Company (or his/her delegate), each to the extent of their responsibility; this assessment takes place from the moment of vesting of units and for the next five years.

The remuneration components for the identified staff described above, which establish the payment based on shares of Banco BPM, are "equity-settled" plans in accordance with the provisions in IFRS 2. These share-based payments are recorded in the income statement under the item "Personnel expenses" as a balancing entry to an increase in the "Reserves" of consolidated shareholders' equity and the Parent Company's shareholders' equity.
Subsidiaries, on the other hand, in their separate financial statements, record the cost for the period in the income statement item "Personnel expenses" as a balancing entry of an increase in the balance sheet liability item "Provisions for risks and charges", in that the incentive plans for identified staff establish payment based on the shares of the Parent Company, which will be settled by the individual subsidiaries and, therefore, are considered cash-settled transactions.

B. QUANTITATIVE INFORMATION

1. Annual changes

The balance of the stock of shares at 1 January 2024, entirely held by the Parent Company Banco BPM, consisted of 6,958,684 ordinary shares of Banco BPM.
In 2024, in implementation of the remuneration policy, a total of 1,433,071 ordinary shares of Banco BPM S.p.A. were delivered to 95 beneficiaries.

1.1 Own share purchase programme to service the share allocation plans for Banco BPM Group's identified staff

Please recall that the Ordinary Shareholders' Meeting of Banco BPM S.p.A. of 20 April 2023 and the Ordinary Shareholders' Meeting of Banco BPM S.p.A. of 18 April 2024 approved, inter alia, the request for the authorisation to purchase and dispose of own shares to service the share-based compensation plans and that - based on the authorisation issued by the European Central Bank in accordance with the applicable provisions of Regulation (EU) no. 575/2013 and Delegated Regulation (EU) no. 241/2014 - Banco BPM implemented its own share purchase programme to support short- and long-term Incentive plans in place, which make provision for deferred portions.

In particular, please note that as per the press releases most recently issued on 4 March 2024 and 24 June 2024, Banco BPM, as part of the above-mentioned share purchase program, purchased a total of 905,286 own shares on the Euronext Milan Market on 4 March 2024 (equal to 0.06% of the ordinary shares outstanding) at the average unit price of 5.523112 euro, for a total value of approximately 5 million, and in the period from 19 to 24 June 2024 a total of 4,911,328 own shares (equal to 0.32% of the ordinary shares outstanding) at the average unit price of 6.108327 euro, for a total value of approximately 30 million.

Following the above-mentioned transactions and taking into account the previous stock of own shares in addition to the share deliveries made in 2024 which took place as part of the implementation of the remuneration policies, as at 30 June 2024 Banco BPM directly owns 11,342,227 own shares.

2. Other information

With reference to the resolution passed by the Banco BPM Board of Directors on 12 March 2024 with regard to the Short Term Incentive share-based compensation plan approved by the Ordinary Shareholders' Meeting in 2023, a total of 663,743 shares were granted to 59 beneficiaries, of which (i) 324,475 relating to the vested up-front portion and (ii) 339,268 relating to the deferred portions, as appropriate, in the four or five years after 2024, the vesting of which remains subject to positive verification of future consolidated conditions as well as the absence of misconduct. As part of this plan, note that the Parent Company awarded its beneficiaries 575,198 shares, of which 279,391 shares relating to the vested up-front portion and 295,807 shares relating to the deferred portions as indicated above.
The same resolution also determined the vesting of deferred portions relating to previous years (2018, 2019, 2020, 2021 and 2022) for a total of 496,194 Banco BPM shares to 78 beneficiaries, of which 442,822 shares vested in favour of Parent Company beneficiaries.
With reference to the resolution passed by the Banco BPM Board of Directors on 12 March 2024 with regard to the 2021-2023 Long Term Incentive share-based compensation plan approved by the Shareholders' Meeting of 15 April 2021, a total of 6,330,479 shares were granted to 48 beneficiaries, of which (i) 2,532,191 relating to the vested up-front portion and (ii) 3,798,288 relating to the deferred portions, as appropriate, in the three or five years after 2024, the vesting of which remains subject to positive verification of future consolidated conditions as well as the absence of misconduct. As part of this plan, note that the Parent Company awarded its beneficiaries 5,709,439 shares, of which 2,283,779 shares relating to the vested up-front portion and 3,425,660 shares relating to the deferred portions as indicated above.

2.1 Economic impact in 2024

With regard to the share-based incentive systems for identified staff in the first half of 2024, the Group allocated 2.8 million, the most significant amounts are attributable to the 2021-2023, 2022-2024 and 2024-2026 long-term plans for 0.9 million, 0.6 million and 2.2 million, respectively, and the difference is due to the negative adjustment of the short-term plans of previous years.

PART L – SEGMENT REPORTING

According to IFRS 8, companies must provide information enabling users of financial statements to assess the nature and the effects on the financial statements of their business activities and the economic contexts in which they operate.
Therefore, it is necessary to highlight the contribution of the various "operating segments" to the formation of the Group's income.

The identification of the "operating segments" of this Section is consistent with the procedures adopted by Company Management to make operating decisions and is based on internal reporting, used for allocating resources to the various segments and analysing their performance.

It should be noted that, following the spin-off of the Global Markets business unit from the subsidiary Banca Akros in favour of the Parent Company, starting from the year 2024, the contribution of the operations of that business unit is shown in the Finance business unit.
In addition, the following additional changes were made to the structure of segment reporting:

- creation of a business unit named Commercial, which brings together the activities of the Retail, Institutional and Private segments of the Sales Network;
- creation of a business unit, named Corporate and Investment Banking, which includes the Corporate segment of the Sales Network and the contribution of Banca Akros and its subsidiary Oaklins Italy;
- representation of the operations of Global Markets in the Finance business unit.

Therefore, for 2024, the business units taken as a reference to provide the segment reporting are as follows:

- Commercial;
- Corporate and Investment Banking;
- Insurance;
- Strategic Partnerships;
- Finance;
- Corporate Centre.

A brief illustration of the breakdown of the various operating segments is provided below:

- The "Commercial" business unit includes, as mentioned above, the Retail, Institutional and Private segments. More specifically:
  - the "Retail" segment includes the management and marketing of banking and financial products/services and loan brokering, which are mainly aimed at private customers and small businesses. These activities are for the most part carried out by the Parent Company's Sales Network;
  - the "Institutional" segment includes the management and marketing of banking and financial products/services and loan brokering, which are mainly aimed at bodies and institutions (UCITs, SICAVs, insurance companies, pension funds and banking foundations). Those activities are conducted in an equal amount by the Sales Network of the Parent Company, for "local institutional" counterparties, and by specialised branches, for "systemically-important institutional" counterparties;
  - the "Private" segment includes the management and marketing of banking and financial products/services and loan brokering, which are mainly aimed at private customers with assets that, individually and/or within their business, amount to at least 1 million euro. These activities are carried out by the subsidiary Banca Aletti;
- the "Corporate and Investment Banking" business unit includes, as mentioned above, the Corporate operations of the Sales Network and the contribution of Banca Akros and its subsidiary Oaklins Italy. More specifically:
  - the "Corporate" segment includes the management and marketing of banking and financial products/services and loan brokering, which are mainly aimed at medium and large-sized companies. These activities are for the most part carried out by the Parent Company's Sales Network;
  - the "Investment Banking" segment includes the search for solutions for the efficient management of customers' assets and liabilities, also in order to reduce their financial risks, access to regulated markets and support and development of specialised financial services in the Corporate Finance area. These activities are carried out by Banca Akros and by Oaklins Italy;

- the "Insurance" business unit includes the contribution of the interests held in Vera Vita, Vera Assicurazioni, Banco BPM Vita and Banco BPM Assicurazioni;
- the "Strategic Partnerships" business unit includes the contribution of the interests held in Agos Ducato, Alba Leasing, SelmaBipiemme Leasing, Gardant Liberty Servicing and Anima Holding;
- the "Finance" business unit includes, aside from the above-mentioned Global Market operations, activities relating to the portfolio of owned securities, treasury, the Group's Asset and Liability Management and the stock of bond issues placed on institutional markets;
- in addition to governance and support functions, the "Corporate Centre" business unit also includes activities relating to the leasing business, equity interests not allocated to "Strategic Partnerships" and companies operating in the real estate sector. Lastly, all the consolidation entries are included in this residual segment.

The following tables provide detailed income statement and balance sheet figures by segment as at 30 June 2024 compared with the first half of 2023 and 31 December 2023 respectively.

As set forth in paragraph 29 of IFRS 8, the figures referring to the first half of 2023 and 31 December 2023 have been restated with respect to those published in the Consolidated Interim Financial Report as at 30 June 2023 and the Annual Financial Report as at 31 December 2023, to reflect the change introduced in the composition of the operating segments indicated above, so as to allow for a like-for-like comparison. More specifically:

- the contribution referring to the Retail, Institutional and Private segments is shown in aggregate form in the new "Commercial" business unit;
- the contribution referring to the Investment Banking segment, net of the contribution referring to the Global Markets activity of Banca Akros, and the Corporate segment of the Sales Network, is shown in the new "Corporate and Investment Banking" business unit;
- the contribution referring to the Global Markets activities of Banca Akros, previously included in the Investment Banking operating segment, is shown in the "Finance" business unit.

Segment results - income statement figures

I half 2024	Total	Commercial	CIB	Insurance	Strategic Partnerships	Finance	Corporate Centre
Net interest income	1,722,786	1,300,838	326,062	(575)	(2,978)	41,690	57,749
Gains (losses) on interests in associates and joint ventures carried at equity	74,914	-	-	3,139	70,420	-	1,355
Financial margin	**1,797,700**	**1,300,838**	**326,062**	**2,564**	**67,442**	**41,690**	**59,104**
Net fee and commission income	1,021,398	852,568	219,970	-	-	(12,250)	(38,890)
Other net operating income	2,494	3,059	6	(2,491)	-	-	1,920
Net financial result	(42,008)	(16,353)	4,315	-	-	(19,574)	(10,396)
Profit (loss) on insurance business	14,795	-	-	14,795	-	-	-
Other operating income	**996,679**	**839,274**	**224,291**	**12,304**	**-**	**(31,824)**	**(47,366)**
Operating income	**2,794,379**	**2,140,112**	**550,353**	**14,868**	**67,442**	**9,866**	**11,738**
Personnel expenses	(860,561)	(578,209)	(56,148)	(1,940)	(916)	(9,290)	(214,058)
Other administrative expenses	(348,968)	(369,227)	(86,680)	(6,997)	(356)	(53,231)	167,523
Net value adjustments to property, plant and equipment and intangible assets	(129,068)	(47,258)	(2,094)	(110)	(19)	(248)	(79,339)
Operating expenses	**(1,338,597)**	**(994,694)**	**(144,922)**	**(9,047)**	**(1,291)**	**(62,769)**	**(125,874)**
Profit (loss) from operations	**1,455,782**	**1,145,418**	**405,431**	**5,821**	**66,151**	**(52,903)**	**(114,136)**
Net adjustments to loans to customers	(194,052)	(170,699)	(40,767)	-	-	-	17,414
Fair value gains (losses) on property, plant and equipment	(25,989)	-	-	-	-	-	(25,989)
Net adjustments to securities and other financial assets	(3,248)	-	-	-	-	(482)	(2,766)
Net provisions for risks and charges	8,242	(616)	11,901	444	-	-	(3,487)
Gains (losses) on interests in associates and joint ventures and other investments	1,023	-	-	-	-	-	1,023
Profit (loss) before tax from continuing operations	**1,241,758**	**974,103**	**376,565**	**6,265**	**66,151**	**(53,385)**	**(127,941)**
Taxation charge related to profit or loss from continuing operations	(395,860)	(324,219)	(124,222)	(2,313)	1,405	17,325	36,164
Profit (loss) after tax from continuing operations	**845,898**	**649,884**	**252,343**	**3,952**	**67,556**	**(36,060)**	**(91,777)**
Charges related to the banking system, net of taxes	(66,636)	(61,909)	(4,727)	-	-	-	-
Charges relating to retirement incentives	(11,686)	-	(48)	-	-	-	(11,638)
Bancassurance impacts net of taxes	2,466	-	-	5,842	-	-	(3,376)
Change in own credit risk on Certificates issued by the Group, net of taxes	(1,299)	-	-	-	-	-	(1,299)
Purchase Price Allocation net of taxes	(18,624)	(9,847)	(626)	-	-	-	(8,151)
Profit (loss) for the period attributable to non-controlling interests	6	-	-	-	-	-	6
Parent Company's profit (loss) for the period	**750,125**	**578,128**	**246,942**	**9,794**	**67,556**	**(36,060)**	**(116,235)**

I half 2023 (*)	**Total**	**Commercial**	**CIB**	**Insurance**	**Strategic Partnerships**	**Finance**	**Corporate Centre**
Net interest income	1,552,900	1,069,054	281,284	(91)	(1,082)	168,199	35,536
Gains (losses) on interests in associates and joint ventures carried at equity	60,607	-	-	3,022	56,428	-	1,157
Financial margin	**1,613,507**	**1,069,054**	**281,284**	**2,931**	**55,346**	**168,199**	**36,693**
Net fee and commission income	977,830	802,719	179,753	-	-	2,720	(7,362)
Other net operating income	3,790	12,634	717	3,273	-	-	(12,834)
Net financial result	(42,492)	(8,708)	18,433	-	-	(42,404)	(9,813)
Profit (loss) on insurance business	24,580	-	-	24,580	-	-	-
Other operating income	**963,708**	**806,645**	**198,903**	**27,853**	**-**	**(39,684)**	**(30,009)**
Operating income	**2,577,215**	**1,875,699**	**480,187**	**30,784**	**55,346**	**128,515**	**6,684**
Personnel expenses	(808,254)	(551,134)	(49,027)	(1,466)	(798)	(8,516)	(197,313)
Other administrative expenses	(336,824)	(366,235)	(83,948)	(7,148)	(360)	(43,340)	164,207
Net value adjustments to property, plant and equipment and intangible assets	(129,651)	(47,255)	(2,417)	(484)	(22)	(112)	(79,361)
Operating expenses	**(1,274,729)**	**(964,624)**	**(135,392)**	**(9,098)**	**(1,180)**	**(51,968)**	**(112,467)**
Profit (loss) from operations	**1,302,486**	**911,075**	**344,795**	**21,686**	**54,166**	**76,547**	**(105,783)**
Net adjustments to loans to customers	(258,719)	(183,125)	(78,060)	-	-	-	2,466
Fair value gains (losses) on property, plant and equipment	(32,375)	-	-	-	-	-	(32,375)
Net adjustments to securities and other financial assets	1,169	-	(25)	-	-	1,338	(144)
Net provisions for risks and charges	3,318	(6,282)	9,736	(11)	-	-	(125)
Gains (losses) on interests in associates and joint ventures and other investments	(234)	-	-	-	-	-	(234)
Profit (loss) before tax from continuing operations	**1,015,645**	**721,668**	**276,446**	**21,675**	**54,166**	**77,885**	**(136,195)**
Taxation charge related to profit or loss from continuing operations	(317,119)	(241,055)	(91,763)	(5,443)	741	(24,147)	44,548
Profit (loss) after tax from continuing operations	**698,526**	**480,613**	**184,683**	**16,232**	**54,907**	**53,738**	**(91,647)**
Charges related to the banking system, net of taxes	(57,629)	(44,596)	(7,091)	-	-	(5,941)	(1)
Change in own credit risk on Certificates issued by the Group, net of taxes	(2,568)	-	-	-	-	-	(2,568)
Purchase Price Allocation net of taxes	(14,233)	(11,953)	46	-	-	-	(2,326)
Profit (loss) for the period attributable to non-controlling interests	337	-	-	-	-	-	337
Parent Company's profit (loss) for the period	**624,433**	**424,064**	**177,638**	**16,232**	**54,907**	**47,797**	**(96,205)**

(*) The figures relating to the previous period have been restated, for a like-for-like comparison with 2024, to take into account the reclassification of the income from activities related to the e-money sector under "Net fee and commission income", previously shown in the item "Other operating income and expenses". They were also restated to reflect the changes introduced in the composition of the operating segments as at 30 June 2024.

The following tables provide details of the fee and commission income for the first half of 2024 and the corresponding period of the previous year, disaggregated by type of service provided and defined with an operating outlook, and by IFRS 8 operating segment, in line with the disclosure requirements introduced by IFRS 15.

1st half 2024 Fee and commission income/ Type of services/values	Group	Commercial	CIB	Insurance	Strategic Partnerships	Finance	Corporate Centre
Savings products	**392,948**	**380,951**	**697**	**-**	**-**	**1,806**	**9,494**
of which:							
Upfront	145,121	144,115	47	-	-	-	959
Administered	37,830	37,340	31	-	-	-	459
Portfolio management and funds	85,328	85,307	16	-	-	-	5
Life	21,963	21,468	-	-	-	-	495
Running	247,827	236,836	650	-	-	1,806	8,535
Administered	41,160	36,304	261	-	-	1,806	2,789
Portfolio management and funds	184,355	181,134	388	-	-	-	2,833
Life	22,312	19,398	1	-	-	-	2,913
Other fees and commissions	**732,342**	**523,952**	**235,291**	**-**	**-**	**-**	**(26,901)**
Total	**1,125,290**	**904,903**	**235,988**	**-**	**-**	**1,806**	**(17,407)**
Fee and commission expense	**(103,892)**	**(52,335)**	**(16,018)**			**(14,056)**	**(21,484)**
Net fee and commission income	**1,021,398**	**852,568**	**219,970**	**-**	**-**	**(12,250)**	**(38,891)**

1st half 2023 (*) Fee and commission income/ Type of services/values	Group	Commercial	CIB	Insurance	Strategic Partnerships	Finance	Corporate Centre
Savings products	**349,494**	**349,256**	**726**	**-**	**-**	**8,046**	**(8,534)**
of which:							
Upfront	**116,299**	**114,435**	**25**	**-**	**-**	**6,481**	**(4,642)**
Administered	32,369	32,943	13	-	-	6,481	(7,068)
Portfolio management and funds	60,191	60,180	12	-	-	-	(1)
Life	23,739	21,312	-	-	-	-	2,427
Running	**233,195**	**234,821**	**701**	**-**	**-**	**1,565**	**(3,892)**
Administered	30,038	33,941	300	-	-	1,565	(5,768)
Portfolio management and funds	183,866	180,702	382	-	-	-	2,782
Life	19,290	20,178	19	-	-	-	(907)
Other fees and commissions	**715,241**	**529,548**	**193,555**	**-**	**-**	**-**	**(7,862)**
Total	**1,064,735**	**878,804**	**194,281**	**-**	**-**	**8,046**	**(16,396)**
Fee and commission expense	**(86,905)**	**(76,085)**	**(14,528)**			**(5,326)**	**9,034**
Net fee and commission income	**977,830**	**802,719**	**179,753**	**-**	**-**	**2,720**	**(7,362)**

(*) The figures relating to the previous period have been restated, for a like-for-like comparison with 2024, to take into account the reclassification of the income from activities related to the e-money sector under "Net fee and commission income", previously shown in the item "Other operating income and expenses". They were also restated to reflect the changes introduced in the composition of the operating segments as at 30 June 2024.

The following tables provide the details of the item "Other fees and commissions" for the first half of 2024 and for the same period of the previous year, broken down by the type of service provided:

1st half 2024 Other fees and commissions	**Group**	**Commercial**	**CIB**	**Insurance**	**Strategic Partnerships**	**Finance**	**Corporate Centre**
Investment Banking	**24,725**	**-**	**47,640**	**-**	**-**	**-**	**(22,915)**
Insurance protection	**32,366**	**32,793**	**9**	**-**	**-**	**-**	**(436)**
Keeping and management of current accounts	**113,953**	**108,570**	**5,694**	**-**	**-**	**-**	**(311)**
Loans	**285,556**	**153,718**	**129,928**	**-**	**-**	**-**	**1,910**
Credit access fee and commission income (CAF)	124,420	101,458	23,072	-	-	-	(110)
Commission on loans	90,245	11,337	76,863	-	-	-	2,045
Commission on unsecured loans	45,381	15,407	29,993	-	-	-	(19)
Consumer Credit	25,510	25,516	-	-	-	-	(6)
Other business services	**85,371**	**42,238**	**43,461**	**-**	**-**	**-**	**(328)**
Ecobonus and tax credit	41,025	10,206	30,819	-	-	-	-
Trade receivables	7,951	3,449	5,137	-	-	-	(635)
Regulatory Portfolio	36,395	28,583	7,505	-	-	-	307
Collection and payment services, e-money	**188,282**	**187,181**	**8,420**	**-**	**-**	**-**	**(7,319)**
Collection and payment services	74,199	70,847	2,969	-	-	-	383
Abroad (currency fees and commissions on bank transfers)	10,959	7,247	2,286	-	-	-	1,426
E-money	103,124	109,087	3,165	-	-	-	(9,128)
Synthetic securitisations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other services	**2,089**	**(548)**	**139**	**-**	**-**	**-**	**2,498**
Commercial refunds	(2,038)	(1,852)	(162)	-	-	-	(24)
Other	4,127	1,304	301	-	-	-	2,522
Total	**732,342**	**523,952**	**235,291**	**-**	**-**	**-**	**(26,901)**

1st half 2023 (*) Other fees and commissions	**Group**	**Commercial**	**CIB**	**Insurance**	**Strategic Partnerships**	**Finance**	**Corporate Centre**
Investment Banking	**31,003**	**-**	**31,003**	**-**	**-**	**-**	**-**
Insurance protection	**31,253**	**31,145**	**9**	**-**	**-**	**-**	**99**
Keeping and management of current accounts	**129,304**	**122,714**	**6,565**	**-**	**-**	**-**	**25**
Loans	**266,401**	**151,149**	**115,627**	**-**	**-**	**-**	**(375)**
Credit access fee and commission income (CAF)	119,712	99,155	20,557	-	-	-	(0)
Commission on loans	77,151	11,036	65,944	-	-	-	171
Commission on unsecured loans	42,956	15,941	29,126	-	-	-	(2,111)
Consumer Credit	26,583	25,017	-	-	-	-	1,566
Other business services	**70,283**	**36,577**	**31,355**	**-**	**-**	**-**	**2,351**
Ecobonus and tax credit	26,136	6,142	19,994	-	-	-	-
Trade receivables	6,708	2,602	4,161	-	-	-	(55)
Regulatory Portfolio	37,440	27,833	7,200	-	-	-	2,407
Collection and payment services, e-money	**186,818**	**189,114**	**9,147**	**-**	**-**	**-**	**(11,443)**
Collection and payment services	70,086	65,749	2,974	-	-	-	1,363
Abroad (currency fees and commissions on bank transfers)	10,658	8,464	2,528	-	-	-	(334)
E-money	106,074	114,901	3,645	-	-	-	(12,472)
Synthetic securitisations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other services:	**179**	**(1,151)**	**(151)**	**-**	**-**	**-**	**1,481**
Commercial refunds	(1,994)	(1,509)	(205)	-	-	-	(280)
Other	2,172	358	54	-	-	-	1,760
Total	**715,241**	**529,548**	**193,555**	**-**	**-**	**-**	**(7,862)**

(*) The figures for the previous period have been restated to reflect the changes introduced in the composition of the operating segments as at 30 June 2024.

Segment results - balance sheet figures

30/06/2024	Total	Commercial	CIB	Insurance	Strategic Partnerships	Finance	Corporate Centre
Loans to customers:	**128,749,255**	**65,618,194**	**30,021,779**	**650**	**-**	**30,218,530**	**2,890,102**
• loans to customers	100,785,267	65,222,866	29,526,461	650	-	3,442,532	2,592,758
• debt securities	27,963,988	395,328	495,318	-	-	26,775,998	297,344

31/12/2023 (*)	Total	Commercial	CIB	Insurance	Strategic Partnerships	Finance	Corporate Centre
Loans to customers:	**129,266,444**	**66,860,554**	**29,759,065**	**2,510**	**-**	**29,453,390**	**3,190,925**
• loans to customers	104,015,166	66,481,131	29,518,896	2,510	-	4,821,704	3,190,925
• debt securities	25,251,278	379,423	240,169	-	-	24,631,686	-

(*) The figures for the previous year have been restated to reflect the changes introduced in the composition of the operating segments as at 30 June 2024.

30/06/2024	Total	Commercial	CIB	Insurance	Strategic Partnerships	Finance	Corporate Centre
Direct funding	124,149,132	93,440,011	8,004,910	-	-	21,704,470	999,741

31/12/2023 (*)	Total	Commercial	CIB	Insurance	Strategic Partnerships	Finance	Corporate Centre
Direct funding	120,770,064	92,321,619	7,352,969	-	-	19,627,852	1,467,624

(*) The figures for the previous year have been restated to reflect the changes introduced in the composition of the operating segments as at 30 June 2024.

30/06/2024	Total	Commercial	CIB	Insurance	Strategic Partnerships	Finance	Corporate Centre
Interests in associates and joint ventures	1,429,310	-	-	131,220	1,277,706	-	20,384

31/12/2023 (*)	Total	Commercial	CIB	Insurance	Strategic Partnerships	Finance	Corporate Centre
Interests in associates and joint ventures	1,454,249	-	-	136,892	1,296,992	-	20,365

(*) The figures for the previous year have been restated to reflect the changes introduced in the composition of the operating segments as at 30 June 2024.

Note that most of the activities and operating income are achieved in Italy, confirming the deep roots throughout the country, considered to be the main area of action of the Group. The weight of activities and operating income achieved abroad is significantly lower than the threshold of 5%.

Certification of the consolidated condensed interim financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and its subsequent amendments and supplements

CERTIFICATION OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND ITS SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

1. The undersigned, Giuseppe Castagna, as Chief Executive Officer of Banco BPM S.p.A. and Gianpietro Val, as Manager responsible for preparing the company's financial reports of Banco BPM S.p.A. hereby certify, also in consideration of the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 dated 24 February 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application

   of the administrative and accounting procedures for the formation of the consolidated condensed interim financial statements in the first half of 2024.

2. The assessment of the adequacy and the verification of the effective application of the administrative and accounting procedures for the formation of the consolidated condensed interim financial statements as at 30 June 2024 were based on an internal model set in place by Banco BPM S.p.A., developed on the basis of the "Internal Control – Integrated Framework (COSO)" and, for the IT component, the "Control Objectives for IT and related Technology (COBIT)", which represent the standard for the internal audit system generally accepted at international level.

3. We also hereby certify that:

   3.1 the consolidated condensed interim financial statements as at 30 June 2024:
   a) were drawn up in compliance with the applicable international accounting standards recognised in the European Community as per EC Regulation no. 1606/2002 of the European Parliament and Commission, dated 19 July 2002;
   b) comply with the results of the accounting records and journal entries;
   c) are suitable for providing a true and fair view of the balance sheet, income statement and financial situation of the issuer and of all the companies included within the scope of consolidation.

   3.2 The interim report on operations includes a reliable analysis of the important events, which occurred during the first six months of the year, and their impact on the consolidated condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Milan, 6 August 2024

Signed by:

Giuseppe Castagna
Chief Executive Officer

Signed by:

Gianpietro Val
Manager responsible for preparing the company's financial reports

Independent Auditors’ Report

Review report on consolidated condensed interim financial statements

To the shareholders of
Banco BPM SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Banco BPM SpA and its subsidiaries (Banco BPM Group) as of 30 June 2024, comprising the consolidated balance sheet, consolidated income statement, statement of consolidated comprehensive income, statement of changes of consolidated shareholders' equity, consolidated cash flow statement and related explanatory notes. The directors of Banco BPM SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of Banco BPM Group as of 30 June 2024 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 8 August 2024

PricewaterhouseCoopers SpA

Signed by
Raffaella Preziosi
(Partner)

This review report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Attachments

Reconciliation between the items in the consolidated balance sheet and the reclassified consolidated balance sheet as at 30 June 2024

Asset items *(thousands of euro)*		**30/06/2024**
10.	Cash and cash equivalents	10,994,286
	Cash and cash equivalents	**10,994,286**
40. a)	Financial assets at amortised cost: loans to banks	6,194,462
	minus: debt securities due to banks at amortised cost	(2,573,487)
	minus: financial assets at AC pertaining to insurance companies - loans to banks	(10)
	Loans at AC: loans to banks	**3,620,965**
40. b)	Financial assets at amortised cost: loans to customers	128,749,255
	plus: senior securities from sales of non-performing loans	1,187,990
	minus: debt securities due to customers at amortised cost	(27,963,988)
	minus: financial assets at AC pertaining to insurance companies - loans to customers	(650)
	Loans at AC: loans to customers	**101,972,607**
20.	Financial assets at fair value through profit and loss	14,484,127
50.	Hedging derivatives	976,608
	minus: financial assets at fair value through profit and loss pertaining to insurance companies	(6,762,851)
	Financial assets and hedging derivatives at FV through Profit and Loss	**8,697,884**
30.	Financial assets measured at fair value through other comprehensive income	21,043,144
	minus: financial assets measured at fair value through other comprehensive income pertaining to insurance companies	(8,931,876)
	Financial assets at FV through OCI	**12,111,268**
	plus: debt securities due to banks and customers at amortised cost	30,537,475
	minus: senior securities from sales of non-performing loans	(1,187,990)
	Financial assets at AC	**29,349,485**
	plus: financial assets at AC pertaining to insurance companies - loans to banks	10
	plus: financial assets at AC pertaining to insurance companies - loans to customers	650
	plus: financial assets at fair value through profit and loss pertaining to insurance companies	6,762,851
	plus: financial assets measured at fair value through other comprehensive income pertaining to insurance companies	8,931,876
	Financial assets pertaining to insurance companies	15,695,387
70.	Interests in associates and joint ventures	1,429,310
	Interests in associates and joint ventures	**1,429,310**
90.	Property, plant and equipment	2,775,191
	Property, plant and equipment	**2,775,191**
100.	Intangible assets	1,248,093
	Intangible assets	**1,248,093**
110.	Tax assets	3,926,381
	Tax assets	**3,926,381**
120.	Non-current assets and disposal groups held for sale	445,305
	Non-current assets and disposal groups held for sale	**445,305**
60.	Fair value change of financial assets in macro fair value hedge portfolios (+/-)	(279,672)
80.	Insurance assets	8,244
130.	Other assets	5,787,170
	Other asset items	**5,515,742**
	Total assets	**197,781,904**

	Liability items (thousands of euro)	30/06/2024
10. b)	Financial liabilities at amortised cost: due to customers	104,331,616
	minus: lease payables due to customers	(645,862)
	minus: due to customers pertaining to insurance companies	(2,932)
	Due to customers	**103,682,822**
10. c)	Financial liabilities at amortised cost: debt securities in issue	20,448,015
30.	Financial liabilities designated at fair value	7,519,445
	minus: protected capital certificates	(4,424,855)
	minus: financial liabilities at fair value pertaining to insurance companies	(3,076,295)
	Securities and financial liabilities designated at fair value	**20,466,310**
	Direct bank funding	**124,149,132**
	plus: financial liabilities at fair value pertaining to insurance companies	3,076,295
110.	Insurance liabilities	12,312,195
	Direct funding from insurance business and insurance liabilities	**15,388,490**
10. a)	Financial liabilities at amortised cost: due to banks	12,463,798
	minus: due to banks pertaining to insurance companies	(68,090)
	Due to banks	**12,395,708**
	plus: lease payables due to customers	645,862
	Lease payables	**645,862**
20.	Financial liabilities held for trading	21,571,436
	plus: protected capital certificates	4,424,855
40.	Hedging derivatives	749,959
	Other financial liabilities designated at fair value	**26,746,250**
	plus: due to customers pertaining to insurance companies	2,932
	plus: due to banks pertaining to insurance companies	68,090
	Other financial liabilities pertaining to insurance companies	71,022
90.	Provisions for employee severance pay	238,143
100.	Provisions for risks and charges	540,335
	Liability provisions	**778,478**
60.	Tax liabilities	481,054
	Tax liabilities	**481,054**
70.	Liabilities associated with assets classified as held for sale	215,493
	Liabilities associated with assets classified as held for sale	**215,493**
50.	Fair value change of financial liabilities in macro fair value hedge portfolios (+/-)	(810,756)
80.	Other liabilities	3,988,108
	Other liability items	**3,177,352**
	Total liabilities	**184,048,841**
190.	Non-controlling interests (+/-)	74
	Non-controlling interests	**74**
120.	Valuation reserves	(314,879)
140.	Equity instruments	1,389,670
150.	Reserves	4,859,806
170.	Share capital	7,100,000
180.	Own shares (-)	(51,733)
200.	Profit (loss) for the period (+/-)	750,125
	Group shareholders' equity	**13,732,989**
	Total liabilities and shareholders' equity	**197,781,904**

Reconciliation between the items in the consolidated income statement and the reclassified consolidated income statement schedule for the first half of 2024

I half 2024	Income statement	Reclassifications		Reclassified income statement
Net interest income				**1,722,786**
10. Interest and similar income	3,789,231	2,850	(a)	
		(138,280)	(h)	
20. Interest and similar expense	(1,930,993)	(22)	(h)	
Gains (losses) on interests in associates and joint ventures carried at equity				**74,914**
250. Gains (losses) of associates and joint ventures		74,914	(b)	
Financial margin				**1,797,700**
Net fee and commission income				**1,021,398**
40. Fee and commission income	1,065,020	24,896	(c)	
		16,720	(h)	
		18,654	(r)	
50. Fee and commission expense	(105,951)			
		2,059	(h)	
Other net operating income				**2,494**
230. Other operating income/expense	167,394	(146,860)	(d)	
		(1,002)	(e)	
		1,616	(h)	
		(18,654)	(r)	
Net financial result				**(42,008)**
70. Dividends and similar income	58,977			
80. Net trading income	(12,959)	(24,896)	(c)	
		1,940	(f)	
90. Fair value gains/losses on hedging derivatives	(4,748)			
100. Gains (Losses) on disposal or repurchase	10,587	7,082	(g)	
110. Net Gains (Losses) from other financial assets and liabilities measured at fair value through profit or loss	65,634	(143,625)	(h)	
Profit (loss) on insurance business				**14,795**
160. Profit (loss) on insurance services	(5,102)			
170. Balance of revenues and costs of a financial nature relating to insurance activities	(266,206)			
		8,143	(a)	
		284,130	(h)	
		(6,170)	(q)	
Other operating income				**996,679**
Operating income				**2,794,379**
Personnel expenses				**(860,561)**
190 a) Personnel expenses	(860,061)	(2,927)	(i)	
		(16,028)	(h)	
		1,002	(e)	
		17,453	(p)	
Other administrative expenses				**(348,968)**
190 b) Other administrative expenses	(593,565)	2,927	(i)	
		146,860	(d)	
		98,725	(l)	
		(3,915)	(h)	
Net value adjustments to property, plant and equipment and intangible assets				**(129,068)**
210. Depreciation and impairment losses on property, plant and equipment	(73,921)	(2,427)	(h)	
220. Amortisation and impairment losses on intangible assets	(68,788)	16,068	(a)	
Operating expenses				**(1,338,597)**

I half 2024	Income statement	Reclassifications		Reclassified income statement
Profit (loss) from operations				**1,455,782**
Net adjustments to loans to customers				**(194,052)**
130 a) Net credit impairment losses/recoveries relating to financial assets at amortised cost	(189,164)	932	(m)	
		(230)	(n)	
		894	(o)	
		(7,082)	(g)	
140. Gains (losses) from contractual modification without derecognition	598			
Fair value gains (losses) on property, plant and equipment				**(25,989)**
260. Fair value gains (losses) on property, plant and equipment and intangible assets	(25,989)			
Net adjustments to securities and other financial assets				**(3,248)**
130 b) Net credit impairment losses/recoveries relating to financial assets measured at fair value through other comprehensive income	(1,424)	(932)	(m)	
		230	(n)	
		(894)	(o)	
		(228)	(h)	
Net provisions for risks and charges				**8,242**
200. Net provisions for risks and charges	8,242			
Gains (losses) on interests in associates and joint ventures and other investments				**1,023**
250. Gains (losses) of associates and joint ventures	69,926	(74,914)	(b)	
		4,988	(q)	
280. Gains (losses) on disposal of investments	1,023			
Profit (loss) before tax from continuing operations				**1,241,758**
Taxation charge related to profit or loss from continuing operations				**(395,860)**
300. Taxation charge related to profit or loss from continuing operations	(347,642)	(32,089)	(l)	
		(8,437)	(a)	
		(641)	(f)	
		(5,767)	(p)	
		(1,284)	(q)	
Profit (loss) after tax from continuing operations				**845,898**
Charges related to the banking system, net of taxes		(66,636)	(l)	**(66,636)**
Charges relating to retirement incentives		(11,686)	(p)	**(11,686)**
Bancassurance impacts net of taxes		2,466	(q)	**2,466**
Change in own credit risk on Certificates issued by the Group, net of taxes		(1,299)	(f)	**(1,299)**
Purchase Price Allocation net of taxes		(18,624)	(a)	**(18,624)**
Profit (loss) for the year attributable to non-controlling interests				**6**
340. Profit (loss) for the year attributable to non-controlling interests	6			
Parent Company's profit (loss) for the year	**750,125**	**-**		**750,125**

The letters shown in the column "Reclassifications" are provided for easier understanding of the reclassifications made.

With regard to the above statement of reconciliation, the main classifications are illustrated below:

- **"Net interest income"** is represented by the algebraic balance of interest and similar income (item 10) and interest and similar expense (item 20), net of the PPA relating to loans to customers, amounting to 2.8 million (a), classified within the new reclassified income statement item "Purchase Price Allocation net of taxes", and of interest income (138.3 million) and expense (0.02 million) pertaining to insurance companies, shown in item "Profit (loss) on insurance business" (h);
- **"Gains (losses) on interests in associates and joint ventures carried at equity"** shows the portion of profits (losses) pertaining to investee companies carried at equity (included in item 250) totalling 74.9 million (b), and together with the net interest income, the aggregate is defined as the **"Financial margin"**;

- **"Net fee and commission income"** is represented by the algebraic balance of fee and commission income (item 40) and fee and commission expense (item 50); it also includes the reclassification of the upfront fees relating to the placement of Certificates through the Group network (24.9 million (c)) from item 80 of the official schedule "Net trading income". The item in question is shown net of fee and commission income (16.8 million) and expense (2.1 million) pertaining to insurance companies, shown in "Profit (loss) on insurance business" (h). Lastly, the aggregate in question includes income from activities related to the e-money segment recognised in the financial statements under the item "Other net operating income" for 18.7 million (r);
- "**Other net operating income**" is represented by the financial statement item 230 "Other operating expenses/income", net of recoveries on indirect taxes, legal fees and other expenses, totalling 146.9 million (d), which for the purpose of the reclassification, are shown net of "Other administrative expenses", and of the recovery of training costs of 1.0 million (e) reclassified net of "Personnel expenses", the share of net expenses (1.6 million) pertaining to insurance companies, shown in the item "Profit (loss) on insurance business" (h) and income relating to activities linked to the e-money segment, of 18.7 million (r), classified under net fee and commission income, as described previously;
- the income statement item **"Net financial result"** includes "Dividends and similar income " (item 70), "Net trading income" (item 80), net of both the reclassification of the amounts of fees on the placement of Certificates for a total of 24.9 million (c), re-attributed to net fee and commission income, and the impact deriving from the change in own credit risk on issues of Certificates for 1.9 million (f), re-attributed to the customised item of the reclassified income statement called "Change in own credit risk on Certificates issued by the Group, net of taxes". The aggregate in question also includes "Fair value gains/losses on hedging derivatives" (item 90), "Net gains (losses) from other financial assets and liabilities measured at fair value through profit and loss" (item 110) and "gains/losses on disposal or repurchase" (item 100) net of gains on disposal of loans not represented by debt securities, equal to 7.1 million (g), re-attributed to the managed aggregate "Net adjustments to loans to customers". The items of net financial result pertaining to insurance companies are also excluded, corresponding to 143.6 million (h), shown under "Profit (loss) on insurance business";
- **"Profit (loss) on insurance business"** corresponds to financial statement items "160 Profit (loss) on insurance services" and "170 Balance of revenues and costs of a financial nature relating to insurance activities", plus the share relating to interest income and expense, to fee and commission income and expense, to other income and expense and to the net financial result pertaining to insurance companies, as illustrated above (h). The aggregate also includes the share of personnel expenses, other administrative expenses, net value adjustments to property, plant and equipment and intangible assets and other income and expense attributable to the insurance business, included in the Contractual Service Margin pursuant to IFRS 17, presented as a separate item in the reclassified income statement; the total contribution to the item in question is 284.1 million (h). The item in question excludes the effect of the PPA relating to insurance liabilities of the companies, equal to 8.1 million (a), reconciled in the reclassified income statement item "Purchase Price Allocation net of taxes". Lastly, this aggregate does not include the effects attributable to the revision of estimates in the 2023 financial statements, due to the definition of prices of purchase and sale transactions correlated with the restructuring of the bancassurance business, shown in reclassified income statement item called "Bancassurance impacts net of taxes" for 6.2 million (q);
- **"Personnel expenses"** is represented by the financial statement item "190 a) Personnel expenses" and by several charges functionally related to personnel, amounting to 2.9 million (i), recognised in the financial statements under item 190 b) "Other administrative expenses" and by the recovery of training costs of 1.0 million (e), recorded under item "230 Other operating expenses/income", as described above. The item in question also includes the share of personnel expenses attributable to the insurance business relating to the Contractual Service Margin (16.0 million) set forth in IFRS 17 and shown under the item "Profit (loss) on insurance business" (h). This aggregate does not include the amount of expenses to be incurred for the Incentivised Retirement Scheme activated by the Parent Company, equal to 17.5 million (p) shown, net of the relative tax effect, in the new reclassified income statement item "Charges relating to retirement incentives";
- **"Other administrative expenses"** is represented by the financial statement item 190 b), net of recoveries on indirect taxes, legal fees and other expenses, totalling 146.9 million (d), included in the item "230 Other operating expenses/income", as described above, and of several charges connected to personnel, recognised in the reclassified item "Personnel expenses" for 2.9 million (i). "Banking industry" charges totalling 98.7 million (l) represented by the last share of the ordinary contribution to the FITD shown, net of the related tax effect, in the separate item "Charges related to the banking system, net of

taxes". The aggregate in question also includes the share of other administrative expenses attributable to the insurance business relating to the Contractual Service Margin (3.9 million) set forth in IFRS 17 and shown under the item "Profit (loss) on insurance business" (h);

- "**Net value adjustments to property, plant and equipment and intangible assets**" corresponds to the accounting items 210 and 220, net of adjustments to intangibles with a finite useful life (client relationships and value of business acquired), allocated to the reclassified income statement item "Purchase Price Allocation net of taxes", amounting to 16.1 million (a). The aggregate in question also includes the share of value adjustments attributable to the insurance business relating to the Contractual Service Margin (2.4 million) set forth in IFRS 17 and shown under the item "Profit (loss) on insurance business" (h);
- the total of "**Net adjustments to loans to customers**" and "**Net adjustments to securities and other financial assets**" starts from income statement items 130 "Net credit impairment losses/recoveries" and 140 "Gains (losses) from contractual modification without derecognition". Specifically, "Net adjustments to loans to customers" include adjustments to exposures classified in the portfolio of financial assets at amortised cost - loans to customers - loans (amounting to 189.2 million), the negative result of disposals of loans, amounting to 7.1 million (g) (included in item 100), as well as gains (losses) from contractual modification without derecognition (item 140 of the income statement). Instead, this excludes net impairment losses on exposures classified in the portfolio of financial assets at amortised cost represented by debt securities, totalling 0.9 million (o), as well as net impairment losses on exposures classified in the portfolio of financial assets at amortised cost – loans to banks – loans and securities (m) and (n) totalling 0.7 million, all fully presented in the item of the reclassified income statement "Net adjustments to securities and other financial assets";
- "**Fair value gains (losses) on property, plant and equipment**" correspond to item 260 of the official income statement;
- the aggregate of "**Net adjustments to securities and other financial assets**" includes net impairment losses on exposures classified in the portfolio of financial assets at amortised cost – loans to banks - loans and securities (m) and (n) totalling 0.7 million, as well as net impairment losses on exposures classified in the portfolio of financial assets at amortised cost consisting of debt securities (included in item 130) issued by customers (o) totalling 0.9 million. Lastly, the item in question includes net adjustments on securities and other financial assets pertaining to insurance companies shown in the reclassified income statement item "Net adjustments to securities and other financial assets" for 0.2 million (h);
- **"Net provisions for risks and charges"** correspond to item 200 of the official income statement;
- "**Gains (losses) on interests in associates and joint ventures and other investments**" correspond to item 280 of the official income statement and to the gains (losses) on disposal of interests in associates and joint ventures and other investments carried at equity (item 250 of the official income statement), net of the portion of gains (losses) of the investees carried at equity, overall a positive 74.9 million (b) included in the reclassified aggregate "Gains (losses) on interests in associates and joint ventures carried at equity". This item was cleared of the effects attributable to the revision of estimates in the 2023 financial statements, due to the definition of prices of purchase and sale transactions correlated with the restructuring of the bancassurance business, shown in reclassified income statement item called "Bancassurance impacts net of taxes" for 5.0 million (q);
- the item "**Taxation charge related to profit or loss from continuing operations**" corresponds to item 300 of the official income statement, separating out the negative tax effects relating to "banking industry charges" for 32.1 million (l), the PPA for 8.4 million (a) and the impact of the change in credit risk on Certificates issued for 0.6 million (f). The aggregate in question also does not include the tax effects linked to the above-mentioned bancassurance restructuring, equal to 1.3 million (q), and those relating to charges for retirement incentives, equal to 5.8 million (p), shown in the reclassified income statement items named "Bancassurance impacts net of taxes" and "Charges relating to retirement incentives";
- the item "**Charges related to the banking system, net of taxes**" includes charges for a total of 98.7 million (l) recognised in the accounts in item 190 b) of the official income statement, net of the related tax effect, amounting to 32.1 million (l);
- the item "Charges relating to retirement incentives" includes the amount of expenses to be incurred for the Incentivised Retirement Scheme activated by the Parent Company, equal to 17.5 million (p) shown net of the relative tax effect of 5.8 million (p);
- the item **"Bancassurance impacts net of taxes"** includes the effects attributable to the restructuring of the bancassurance business, originally recognised in items 170., 250. and 300. of the official income statement, as previously illustrated (q);

- the item "**Change in own credit risk on Certificates issued by the Group, net of taxes**" shows the economic impact of a change in own credit risk related to the issue of Certificates, recognised in the accounts in item 80. of the official income statement for 1.9 million (f), net of the related tax effect, amounting to -0.6 million (f);
- lastly, the item "**Purchase Price Allocation net of taxes**" includes the effects of the PPA relating to loans, amounting to -2.8 million (a), the client relationship and VoBA, amounting to -16.1 million (a) and insurance liabilities of -8.1 million (a), net of the relative tax effects, amounting to 8.4 million (a).

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Layout

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