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Vedi allegato

BANCO BPM

PRESS RELEASE

RESULTS AS OF 31 MARCH 2024[1]

EXCELLENT START INTO FISCAL YEAR 2024, FULLY IN LINE WITH THE OBJECTIVES OF THE STRATEGIC PLAN 2023-2026

NET INCOME AT € 370 MILLION (+40% Y/Y)

SIGNIFICANT GROWTH IN OPERATING PERFORMANCE:

- **OPERATING INCOME AT € 1,434 MILLION (+15% VS. Q1 2023)**
- **OPERATING PROFIT[2] UP AT € 765 MILLION (+25% VS. Q1 2023)**
- **LOAN LOSS PROVISIONS AT € 82 MILLION (-40% COMPARED TO Q1 2023)**
- **COST/INCOME DOWN AT 47% (51% IN Q1 2023 AND 48% IN FY 2023)**

CONTINUED IMPROVEMENT IN ASSET QUALITY:

- **GROSS NPE RATIO DOWN AT 3.3% (3.5% AT YEAR-END 2023)**
- **NET NPE RATIO DECLINING TO 1.7%**
- **ANNUALISED COST OF RISK IMPROVING FURTHER TO 31 BPS (53 BPS IN FY 2023)**
- **GROSS IMPAIRED LOANS DOWN TO € 3.6 BN (€ 3.8 BN AT YEAR-END OF 2023) THANKS TO CONSOLIDATED DERISKING STRATEGY THAT HAS ALLOWED TO REDUCE THE AGGREGATE BY € 1.1 BN Y/Y**

[1] Definitions of the indicators and key balance sheet and income statement figures commented on in this press release are explained in Explanatory Note No. 1, "Basis of Preparation and Accounting Policies - Alternative Performance Indicators."
[2] This interim result does not include systemic charges, amounting to € -100.9 million, accounting impacts arising from Purchase Price Allocation (PPA), amounting to € -12.6 million, and impacts arising from the change in its creditworthiness on certificate issues, amounting to € -2.7 million. These components, net of related tax effects, are shown in separate items in the reclassified income statement.

BANCO BPM

STRENGTHENING OF THE CAPITAL POSITION[3]:

- CET 1 RATIO AT 14.7% (14.2% AT YEAR-END 2023)
- MDA BUFFER[4] AT 567 BPS (508[5] BPS AT YEAR-END 2023)

SOLID LIQUIDITY POSITION:

- LCR AT 155%, NSFR AT 126%[6]
- CASH AND UNENCUMBERED ASSETS AT € 47.9 BN
- RATIO OF LOANS/FUNDS (LTD RATIO) AT 81%

DIRECT FUNDING FROM THE BANKING BUSINESS AT € 129.1 BILLION, UP FROM € 126.0 BILLION AS OF 31 DECEMBER 2023

INDIRECT CUSTOMER FUNDING AT € 110.3 BILLION, UP FROM € 106.2 BILLION AS OF 31 DECEMBER 2023

DEVELOPMENT PATH OF THE NEW CONFIGURATION FOR THE PRODUCT FACTORIES IN BANCASSURANCE AND PAYMENT SYSTEMS PROGRESSES

FURTHER STRENGTHENING OF THE RATING, WHICH HAS BEEN PLACED IN THE "INVESTMENT GRADE" CATEGORY BY ALL AGENCIES SINCE NOVEMBER 2023:

- FITCH RATINGS, ON 31 MARCH 2024, IMPROVED THE RATINGS ON THE SENIOR PREFERRED AND SENIOR NON-PREFERRED DEBT BY ONE NOTCH

[3] For more details on how capital ratios are calculated, see Note 6 of this press release.
[4] Difference between the CET1 ratio measured as of March 31, 2024, including the first quarter result net of expected pay-out, and the corresponding level of the minimum regulatory requirement for the year 2024 including the so-called Pillar 2 Requirement (P2R), reduced to compensate for any shortfall of Additional Tier 1 Capital or Tier 2 Capital compared to the requirements that can be covered by these classes of capital.
[5] Figure recalculated on a consistent basis to take into account the requirements communicated by ECB for 2024.
[6] Management data.

- **MORNINGSTAR DBRS, ON 18 APRIL 2024, REVISED THE TREND OF BANCO BPM FROM STABLE TO POSITIVE TO REFLECT RECENT AND ONGOING IMPROVEMENTS IN PROFITABILITY AND ASSET QUALITY**

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The first quarter of 2024 was characterized by an overall positive macroeconomic environment, despite continuing elements of uncertainty stemming, in particular, from the geopolitical situation in Ukraine and the Middle East; however, in this context, the Group's commercial and organizational efforts enabled an excellent start into the fiscal year 2024, which has registered a significant growth in operating performance. In particular, operating income shows excellent dynamics, coming in at € 1,434 million, up 15% from the first quarter of 2023.

Operating income rises to € 765 million compared to € 610 million in the first quarter of 2023, an increase of 25 percent. Net income for the period stands at € 370 million, with a growth of 40% compared to 31 March 2023.

Balance sheet ratios confirm the significant results achieved:

- ***direct funding from the banking business amounts to € 129.1 billion up 2.4% from the end of 2023 and 3.4% year-on-year;***
- ***indirect customer funding reaches € 110.3 billion, up € 4.1 billion compared to 31 March 2023 and € 14.7 billion year-on-year;***
- ***"core" net performing customer loans (consisting of mortgages, loans, current accounts and personal loans) amount to € 96.5 billion (€ 96.9 billion gross) with a volume of new disbursements of € 4.9 billion.***

In terms of portfolio quality, as of 31 March 2024, the proportion of impaired loans to total gross loans was further reduced to 3.3%, from 3.5% as of 31 December 2023. The annualised cost of credit is decreases to 31 bps, from 53 bps at year-end 2023, while confirming significant levels of coverage for impaired loans.

The capital position is confirmed to be very solid:

- ***CET 1 Ratio at 14.7%;***
- ***MDA buffer at 567 bps***

Key balance sheet aggregates

- Direct funding from the banking business[7] at € 129.1 billion: +2.4% compared to end-December 2023 and +3.4% compared to 31 March 2023; "core" customer funds (deposits and current accounts) at € 99.7 billion;
- Indirect customer funding at € 110.3 billion (+3.9% compared to 31 Dec. 2023 and +15.4% compared to 31 Mar. 2023), of which:

[7] As of the accounting statement as of 31 March 2024, the aggregate also includes repurchase agreements; the figure for the previous year has been restated for consistency of comparison.

- assets under management at € 63.6 billion (+2.6% vs. 31 Dec. 2023 and +5.9% vs. 31 Mar. 2023);
- assets under administration at € 46.7 billion (+5.7% compared to 31 December 2023 and +31.5% compared to 31 March 2023);

- Net loans to customers at € 104.9 billion: -0.5% compared to 31 Dec. 2023 (of which performing loans -0.4% and impaired loans -5.0%) and -2.6% compared to 31 Mar. 2023 (of which performing loans -2.2% and impaired loans -22.3%).

Key income statement items

- Net interest income at € 864.4 million compared to € 743.0 million in Q1 2023 (+16.3%) and € 867.7 million in Q4 2023 (-0.4%);
- Net fee and commissions[8] income at € 521.6 million compared to € 493.1 million in the first three months of 2023 (+5.8%) and € 466.8 million in the fourth quarter of 2023 (+11.7%);
- Operating expenses at € 668.7 million compared to € 640.0 million in March 31, 2023 (+4.5%) and € 661.1 million in the fourth quarter of 2023 (+1.1%);
- Operating profit at € 765.1 million compared to € 610.3 million as of March 31, 2023 (+25.4%) and € 735.7 million in Q4 2023 (+4.0%);
- Net adjustments on loans to customers at € 82.5 million compared to € 137.5 million in the first three months of 2023 (-40.0%) and € 175.0 million in the fourth quarter of 2023 (-52.9%);
- Profit before tax from continuing operations at € 661.7 million compared with € 474.2 million in the first three months of 2023 (+39.5%) and € 447.8 million in the fourth quarter of 2023 (+47.8%);
- Net income at € 370.2 million compared to € 265.3 million in the first three months of 2023 (+39.5%) and € 321.1 million in the fourth quarter of 2023 (+15.3%).

Capital position[9]

- CET 1 ratio 14.7% (14.2% as of December 31, 2023);
- MDA buffer 567 bps

Credit quality[10]

- Stock of net impaired loans at € 1.8 bn: -5.0% from year-end 2023 and -22.3% y/y
- Coverage ratios of impaired loans:

[8] As of fiscal year 2024, the income components related to payment services income that will be contributed to the new company operating in the digital payments sector, in which Banco BPM will have a connecting interest, are shown under "Net commissions" in the Reclassified Income Statement instead of under "Other net operating income." In order to ensure a like-for-like comparison, the previous year's figures have been reclassified accordingly.
[9] For more details on how capital ratios are calculated, please refer to Note 6 of this press release.
[10] Data calculated assuming only customer exposures measured at amortized cost and excluding loans held for sale.

- Bad loans: 60.7% (60.9% as of 31 Dec. 2023 and 64.9% as of 31 March 2023); considering also write-offs, coverage is 68.9%;
- Unlikely-to-pay: 43.4% (43.2% as of 31 December 2023 and 40.8% as of 31 March 2023);
- Total impaired loans: 50.5% (50.4% as of 31 Dec. 2023 and 51.4% as of 31 March 2023); including write-offs, the coverage is 55.5%.

Liquidity Profile

- Liquidity at € 47.9 billion (cash + unencumbered assets);
- TLTRO III at € 5.7 billion;
- LCR at 155% and NSFR at 126%[11].

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Milan, 7 May 2024 - The Board of Directors of Banco BPM met today under the chairmanship of Dr. Massimo Tononi to approve the balance sheet and income statement as of 31 March 2024 of Banco BPM Group.

The start of fiscal year 2024 was marked by an overall positive macroeconomic environment, despite the fact that elements of uncertainty persist, arising, in particular, from the geopolitical situation in Ukraine and in the Middle East and the resulting difficulties on global supply chains. Against this backdrop, the Group registered record levels of profitability, with income before tax from continuing operations of € 661.7 million and net income of the period of € 370.2 million.

During the year, the implementation of the new configuration of product factories in the Bancassurance and Payment Systems segments shall continue.

For the Bancassurance segment, at the end of 2023, the purchase and sale transactions were finalized that led to the current corporate configuration with the Group's total control of the companies operating in the life business (Banco BPM Vita, Vera Vita and BBPM Life) and the participation in a joint venture with Crédit Agricole Assurances via a 35% stake in the companies operating in the non-life business (Banco BPM Assicurazioni, Vera Assicurazioni and indirectly Vera Protezione).
For the current fiscal year, it is planned to continue the path of internalization of the segment's activities with the aim of achieving IT migration to a new technological platform during the next fiscal year.

For the payment systems segment, following up on the agreements signed last year for the establishment of a joint venture with FSI and Iccrea, talks are underway with the supervisory authorities for the issuance of all the required authorizations, with the aim of reaching the closing of the transaction during the second half of the year.

Again with reference to the process of rationalization of its organizational and corporate structure, during the quarter the partial spin-off transaction of Banca Akros in favor of Banco BPM was finalized, effective 1 January, 2024, relating to the business unit consisting of the complex of assets and resources organized to carry out the "Proprietary Finance" activities of Banca Akros.
In addition, in March, the subsidiary Banco BPM Invest SGR received authorization from the Bank of Italy to carry out collective asset management and portfolio management activities pursuant to Article 34 of Legislative Decree No. 58 of 24 February 1998.

[11] Management data.

On the funding and capital operations front, in the first quarter of 2024 the Parent Company concluded two issues, reserved for institutional investors, as part of the Euro Medium-Term Notes Program: the first, in January 2024, relating to Green Senior Preferred securities in the amount of € 750 million, maturity six years and fixed coupon of 4.875%; the second in March 2024, relating to Tier 2 subordinated securities in the amount of € 500 million, maturity ten years, fixed coupon of 5% until the fifth year and repayable in advance from the fifth year.
In addition, also in January 2024, Banco BPM completed the placement of a new issue of Covered Bonds (Premium) aimed at institutional investors in the amount of € 750 million and maturing in six years under its € 10 billion Covered Bonds program (BPM Covered Bond 2).

During the first quarter, Banco BPM also concluded a program for the purchase of 905,286 treasury shares (equal to 0.06% of the outstanding ordinary shares) for a countervalue of € 5 million to service its short- and long-term employee incentive plans. Following the conclusion of this program, taking into account the other treasury shares already in the portfolio, as of 31 March 2024, Banco BPM directly held 7,863,970 shares, equal to 0.52% of the share capital.
It should also be recalled that the Shareholders' Meeting of 18 April 2024 resolved to purchase Banco BPM ordinary shares for a maximum total amount of € 45 million to service 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 for the year 2024.

The same Shareholders' Meeting also approved, among other things, the financial statements as of 31 December 2023, of Banco BPM S.p.A. and the proposals on the allocation and distribution of the year's result.

CREDIT RATING

Following the assignment by S&P Global Ratings, on 7 November 2023, of a new rating in the Investment Grade category (of which: Long-term Issuer Credit Rating at BBB-, with Positive Outlook) and the ratings upgrade, on 21 November 2023, by Moody's Investors Service (of which: +2 notches for the Long-Term Senior Unsecured debt rating), a further progress continued in the main credit ratings assigned to Banco BPM in the first quarter of 2024, all of which have been placed in the "Investment Grade" category since November 2023:

- Fitch Ratings, on 21 March 2024, improved the ratings on Senior Preferred and Senior Non-Preferred debt by one notch, confirming all other ratings with Stable Outlook and recognizing the significant strengthening of the Group's financial profile;
- Morningstar DBRS, on 18 April 2024, revised Banco BPM's Trend from Stable to Positive to reflect the recent and ongoing improvements in profitability and asset quality, which add to the positive assessment regarding the strengthening of the business model, solid funding and liquidity profile as well as and solid capital position.

It is noted that all rating agencies recognize the progressive improvement of the Group's financial profile, especially in terms of credit quality, capitalization and profitability, in addition to the strong business model and solid funding and liquidity position.

Economic performance of operations in the first quarter of 2024

Net interest income amounted to € 864.4 million, up 16.3% compared to the first quarter 2023 figure (amounting to € 743.0 million), mainly due to the increase in the commercial spread as a result of rising interest rates and the limited impact on the cost of deposits.
Compared with the fourth quarter of 2023, NII was essentially stable (-0.4%).

The **result of equity-accounted investments** amounted to € 30.3 million, and compares with the figure of € 36.3 million in the corresponding period of last year and € 49.3 million in the fourth quarter

of 2023 (which, however, included the contribution related to Vera Vita and BBPM Life, amounting to € 15.3 million, fully consolidated from the first quarter of 2024).
The main contribution to this item came from consumer credit conveyed by the equity investment held in Agos Ducato, amounting to € 17.6 million, compared to € 22.4 million in the first quarter of 2023, as well as the contribution from the associate Anima Holding, amounting to € 10.8 million (€ 5.6 million in the first quarter of 2023).

Net fee and commissions income[12] for the first quarter amounted to € 521.6 million, up 5.8% compared to the corresponding period of the previous year and 11.7% when compared to the fourth quarter of 2023 due to the performance recorded in the savings products segment (+14.6% compared to March 31, 2023 and +27.0% compared to the fourth quarter of 2023). The contribution of commercial banking and other services was also positive (+0.9% compared to March 31, 2023 and +3.9% compared to the fourth quarter of 2023), thanks to the contribution of fees from investment banking and structured products activities, which offset the absence of liquidity management fees, amounting to approximately €15 million[13] in the first quarter of 2023.

Other net operating income[14] was € 3.8 million compared to € 2.4 million in Q1 2023 and € 13.7 million in Q4 2023.

Net financial result[15] for the first quarter is positive and amounted to € 8.8 million and compares with the negative figure of € -34.1 million recorded as of March 31, 2023.
The different contribution is justified by the higher contribution from trading activities (€ +50.4 million), gains from the sale of securities (€ +9.1 million), dividends (€ +14.2 million) and the lower negative CVA/DVA[16] impact (€ +4, 7 million), which were offset by the negative contribution of liabilities measured at fair value and related derivatives (€ -38.7 million mainly attributable to the higher cost of funding through certificates) and by the different impact of the valuation of the Nexi shareholding, which was entirely divested during the quarter (€ -4.6 million).
The comparison with the fourth quarter of 2023, which showed a negative result of € -13.8 million, is mainly explained by the higher contribution in terms of dividends (€ + 19.5 million).

Income from insurance business in the first quarter of 2024 is € 4.8 million and includes the contribution of the companies Banco BPM Vita, Vera Vita and BBPM Life. This amount is not fully comparable with either the figure of € 9.6 million as at 31 March 2023 or the figure of € 13.1 million of the fourth quarter 2023, which instead had included the contribution of Banco BPM Vita and Banco BPM Assicurazioni[17]. This amount was affected by the one-off recording of a Loss Component (LC) linked to some separate asset management schemes of Vera Vita in the amount of approximately € 10 million.

By virtue of the dynamics described above, **total operating income** thus amounted to €1,433.8 million, up both from €1,250.3 million recorded in the corresponding period of last year (+14.7%) and when compared with the figure of €1,396.9 million for the fourth quarter of 2023 (+2.6%).

Personnel expenses, at € 431.6 million, show an increase of 6.5% compared to € 405.4 million in the first quarter of 2023; the increase is attributable to higher charges resulting from the renewal of the

[12] See Note 8.
[13] Management data.
[14] See Note 8.
[15] The item does not include the accounting effect resulting from the change in its creditworthiness on the fair value measurement of liabilities of its own issuance (certificates), which led to the recognition in the quarter of a negative impact of € -2.7 million, compared to € +4.9 million recorded as of 31 March 2023 and the negative impact of € -3.1 million in the fourth quarter of 2023. This effect is shown, net of taxes, in a separate item in the reclassified income statement.
[16] CVA expresses the portion of the financial assets valued (fair value) that might not be paid to the bank by the counterparty in the event of the latter's default. DVA expresses the share of the financial evaluative liabilities (fair value) that might not be paid by the bank to the counterparty in the event of the bank's default.
[17] In fact, the contribution to this item related to Vera Vita and its subsidiary BBPM Life, control of which was acquired near the close of FY2023, is subject to recognition as of FY2024.

National Collective Labor Agreement. Compared with the fourth quarter of 2023 (which had fully incorporated the CCNL charges effective July 1, 2023), the aggregate registered a decrease of 6.5%.
As of 31 March 2024, the total number of employees was 19,775 resources (of which 137 related to the insurance companies), compared to 19,761 resources on the payroll as of 31 December 2023 (of which 146 related to the insurance companies)[18].

Other administrative expenses[19], amounting to € 172.9 million, show an increase of 1.6% when compared with the first quarter 2023 figure of € 170.2 million, partly due to ongoing inflationary dynamics. This item shows an increase of 14.9% compared to the fourth quarter of 2023.

Net adjustments to property, plant, and equipment and intangible assets totaled € 64.1 million and compares with the figure of € 64.5 million for the first quarter of 2023 and € 49.1 million for the fourth quarter of 2023, which included non-recurring positive components from the recalculation of depreciation on assets acquired under operating leases/rental for € 16.9 million.

As a result, total **operating expenses** amounted to € 668.7 million, an increase of 4.5 percent from € 640.0 million in the first quarter of 2023 and 1.1% when compared with the fourth quarter of 2023.

The **cost income ratio** for the quarter was 46.6%, lower than both 51.2% in Q1 2023 and the figure for the whole of 2023 (48.1%).

Operating income for the first quarter was € 765.1 million, up 25.4% from € 610.3 million in the corresponding period of the previous year and up 4.0% from the figure of € 735.7 million in the fourth quarter of 2023.

Net adjustments on loans to customers in the first quarter, at € 82.5 million, show a reduction both compared to the 31 March 2023 figure of € 137.5 million and in comparison with the fourth quarter 2023 figure of € 175.0 million.
As of 31 March 2024, the annualised cost of credit, measured by the ratio of net loan adjustments to net customer loans, was 31 bps, down from 53 bps at the end of 2023.
This result was achieved by safeguarding the solid coverage levels achieved in previous periods.

The **result of fair value measurement of tangible assets** as of 31 March 2024 was € -13.4 million (€ -1.9 million in the first quarter and € -102.7 million in the fourth quarter of 2023), following the adjustment of the value of some properties based on updated appraisals.

Net adjustments to securities and other financial assets include net capital losses of € -3.0 million (€ +0.7 million as of 31 March and € -2.1 million in Q4 2023).

Net provisions for risks and charges in the first quarter amounted to € -5.0 million (net reversals of € 2.4 million as of 31 March 2023 and net allocations of € -8.3 million in the fourth quarter 2023).

Gains/losses on participations and investments as of 31 March 2024 amounted to € +0.4 million (€ +0.2 million as of March 31 and € +0.3 million as of 31 December 2023). It should be noted that the amounts related to the price adjustments under the agreements on the purchase of Vera Vita and Vera Assicurazioni from Generali Italia and the sale of Banco BPM Assicurazioni and Vera

[18] As of 31 December 2022, there were 20,157 resources in the workforce.
[19] The aggregate does not include "systemic charges," represented by the contribution to the Interbank Deposit Protection Fund, shown, net of the related tax effect, in a separate item in the reclassified income statement.

Assicurazioni to Crédit Agricole Assurances were recognized in the ad hoc item in the reclassified income statement called "bancassurance impacts after tax"[20].

As a result of the described dynamics, **income before tax from continuing operations** amounted to € 661.7 million compared to € 474.2 million in the corresponding period of the previous year (+39.5%).

Taxes on income from current operations amounted to € -215.4 million (€ -147.4 million as of 31 March 2023).

As a result, **income after tax from continuing operations** amounted to € 446.3 million, up 36.6% from the figure of € 326.8 million in the first quarter of 2023 and up 30.1% from € 343.1 million in the fourth quarter of the previous year.

The income statement for the quarter was charged with **charges related to the banking system after tax** of € 68.1 million (€ 100.9 million before tax), represented by the estimated last annual contribution due to the Interbank Deposit Protection Fund (FITD); in the corresponding period of the previous year, the estimated last annual contribution due to the Single Resolution Fund was recognized, amounting to € 57.3 million (€ 84.9 million before tax)[21].

The item **bancassurance impacts after tax** includes the effects for a total of € 2.5 million, attributable to the revision of the estimates conducted in the 2023 financial statements, resulting from the pricing of purchase and sale transactions related to the reorganization of the bancassurance business, net of the related tax effect[22].

In the quarter, the **change in creditworthiness on Certificates issued by the Group, net of tax** generated a negative impact of € -1.8 million (€ -2.7 million before tax effects), compared to the positive effect recognized in the first quarter 2023 of € +3.3 million (€ +4.9 million before tax effects). In the fourth quarter of 2023 the impact had been negative and amounted to € -2.1 million (€ -3.1 million before tax effects).

As of 31 March 2024, the impact of the **Purchase Price Allocation after tax** amounted to € -8.7 million and compared with the figures for the first and fourth quarters of 2023, which were € -7.4 million and € -6.8 million, respectively. Starting from Q1 2024, this item also includes the impacts related to the reversal of the PPA related to the acquisition of control of Vera Vita and BBPM Life finalized at the end of 2023[23].

As a result of the above dynamics, Q1 2024 closes with a positive **net result for the period** of € 370.2 million (€ 265.3 million as of 31 March 2023 and € 321.1 million in Q4 2023).

[20] The same item in the reclassified income statement had recognized the gain realized by the Group in the fourth quarter of 2023 following the sale of 65 percent of the capital of Banco BPM Assicurazioni and Vera Assicurazioni to Crédit Agricole Assurances, together with the additional impacts resulting from the reorganization of the bancassurance sector structure.

[21] For further details regarding the charges resulting from the contribution to the resolution mechanisms, please refer to Explanatory Note N. 3.
[22] For further details, please refer to Explanatory Note N. 1 paragraph "Reorganization of the bancassurance business and related accounting impacts."
[23] The PPA related to the combination of Vera Vita and BBPM Life had been provisionally recognized as of 31 December 2023. Consequently, the reversal effects related to this PPA are also based on provisional estimates and will be restated once the PPA process is made final as required by IFRS 3, within 1 year of the acquisition date. Please refer to Note 2 for further details.

Evolution of the main balance sheet aggregates

Direct funding froom banking business as of 31 March 2024 amounted to € 129.1 billion, up 2.4% in comparison with 31 December 2023 and 3.4% year-on-year.
More specifically, an increase of € 1.9 billion, or 10.1%, was observed in the quarter in the component represented by bonds issued, as a result of new issues in the period that exceeded redemptions of maturing bonds. Core funding, represented by current accounts and deposits, registered an increase of 0.9% compared to the end of 2023.
Year-on-year, against the contraction of the "core" component (-1.6%), there was an increase of €5.9 billion in the stock of securities issued.
Funding secured by the stock of unconditionally capital-protected certificates and from other liabilities at fair value stood at € 5.7 billion as of 31 March 2024, up 7.7% from the figure of € 5.3 billion as of 31 December 2023 and € 4.8 billion as of 31 March 2023.

Direct insurance funding and insurance liabilities, which includes the aggregate consisting of financial and insurance liabilities of insurance companies, amounts to € 15.4 billion and includes the contribution of Banco BPM Vita, Vera Vita and BBPM Life (€ 15.0 billion as of 31 December 2023 and € 5.9 billion as of 31 March 2023, referring only to the contribution of Banco BPM Vita).

Indirect funding amounted to € 110.3 billion, registering an increase of 3.9% in comparison with 31 December 2023 and 15.4% year-on-year.
The asset management component amounted to € 63.6 billion, up from the figure of € 62.0 billion as of 31 December 2023 (+2.6%). The growth is mainly concentrated in the funds and Sicavs segment, which shows an increase of € 1.22 billion; inflows referring to managed accounts and bancassurance also increased.
Assets under administration stand at € 46.7 billion, an increase of € 2.5 billion (+5.7%) compared to the end of 2023.
The positive dynamics of indirect deposits is also confirmed on an annual basis: managed assets show an increase of 5.9%, mainly concentrated in the funds and Sicavs segment, while administered assets are up 15.4%.

Financial assets pertaining to the banking segment amount to € 47.9 billion and are up 9.5% from € 43.7 billion as of 31 December 2023; the increase is mainly concentrated in debt securities (+€ 3.9 billion) and in particular in the amortized cost securities segment. As of 31 March 2024, the aggregate under review includes debt securities for € 40.5 billion, equity securities and UCITS units for € 3.7 billion, derivatives and other financing for € 3.7 billion. Exposures in debt securities issued by sovereign states amount to € 32.7 billion of which € 12.4 billion are represented by Italian government bonds. Investments in Italian government bonds are classified under financial assets measured at amortized cost in the amount of € 10.8 billion, under the portfolio of financial assets measured at fair value with impact on comprehensive income in the amount of € 1.4 billion, and under financial assets measured at fair value with impact on the income statement in the amount of € 0.2 billion.

Financial assets attributable to insurance companies include the contribution as of 31 March 2024 of Banco BPM Vita, Vera Vita and BBPM Life insurance companies totaling € 15.4 billion (€ 15.0 billion as of 31 December 2023).

Net loans to customers[24] amounted to € 104.9 billion as of 31 March 2024, down € 0.5 billion from the figure as of 31 December 2023. The contraction is attributable to both performing (-0.4%) and non-performing (-5.0%) exposures. On an annual basis, customer loans recorded a reduction of € 2.8 billion (-2.6%), resulting from the contraction of performing exposures by € 2.3 billion (-2.2%) and impaired loans by € 0.5 billion (-22.3%). In the first quarter, the volume of new disbursements

[24] The aggregate does not include loans to customers, which, following the application of IFRS 9, must be mandatorily measured at fair value. These receivables, amounting to € 0.5 billion are included in financial assets measured at fair value.

amounted to € 4.9 billion[25]. The quality of the core loan portfolio, which is mainly concentrated in northern Italy (75.1%[26]) and which is characterized by a high share of secured positions in the Non-Financial Corporate segment (57%[27]), is confirmed.

Net impaired exposures (bad loans, unlikely-to-pay and exposures past due and/or overdrawn) amounted to € 1.8 billion as of 31 March 2024.
An examination of the aggregate's components shows the following dynamics:

- net bad loans of € 0.6 billion, down 3.0% from 31 December 2023 and 17.3% year-on-year;
- unlikely-to-pay of € 1.1 billion, down 6.4% from the beginning of the year and 26.7% year-on-year;
- net past due exposures of € 67 million (€ 67 million as of 31 December 2023 and € 48 million as of 31 March 2023).

The ratio of impaired exposures to total customer loans before adjustments was 3.3%, down from 3.5% at the beginning of the year and 4.2% as of 31 March 2023. Even net of value adjustments, a declining ratio is observed, at 1.7% compared to 1.8% as of last 31 December and 2.1% as of 31 March 2023.

The coverage ratio for the entire aggregate of impaired loans stands at 50.5% (50.4% as of 31 December 2023 and 51.4% as of 31 March 2023).
In more detail, as of 31 March 2024, the coverage ratio is as follows:

- bad loans 60.7% (60.9% and 64.9% as of 31 December and 31 March 2023 respectively);
- unlikely-to-pay 43.4% (43.2% and 40.8% as of 31 December and 31 March 2023 respectively);
- past-due exposures 26.1% (28.2% and 25.1% as of 31 December and 31 March 2023 respectively).

The coverage ratio of performing exposures is 0.41%, in line with the figure as of 31 December 2023 (0.40% as of 31 March 2023).

Group capital ratios[28]

The Common Equity Tier 1 ratio is 14.7%, compared to 14.2% as of 31 December 2023. The increase is due to both the growth in regulatory capital and the decrease in risk-weighted assets, which benefited from the lower impact of applying the new internal models on credit risk compared to the conservative estimates applied as of 31 December 2023.

The Tier 1 ratio was 17.0% compared to 16.3% as of 31 December 2023, while the Total Capital ratio was 20.5% compared to 19.0% as of 31 December 2023. The growth in the Total Capital ratio is also linked to a new issue of Tier 2 subordinated securities with a nominal value of € 500 million that took place during the first quarter of 2024.

The buffer with respect to the limit set for the ability to distribute dividends (Maximum Distributable Amount or MDA buffer) is 567 bps (compared to 542 bps as of 31 December 2023, recalculated on a like-for-like basis).

[25] Management data.
[26] Management data.
[27] Management data.
[28] For more details on how capital ratios are calculated, see Note N. 6 of this press release.

BANCO BPM

BUSINESS OUTLOOK

Economic performance in the first months of 2024 has confirmed good overall resilience, despite the persistence of geopolitical crises: the latest forecasts outline steady (albeit weak) growth in the Eurozone for 2024, which will find more vigor in 2025. For Italy, expectations are slightly more optimistic than those formulated at the beginning of the year, particularly on inflation and GDP growth, now positioned between 0.9% (Confindustria) and 1 percent (DEF). Unlike the U.S., in Europe, the gradual return of inflationary pressures makes it likely that the ECB will begin a phase of monetary easing from June 2024, with scenarios of official rate cuts that can be assumed to proceed cautiously.

On the funding front, it is plausible to expect deposits to hold up well, despite the expected pressure generated by government bond issues. The scenario of slow but gradual decline in market rates could reduce competitive pressures on funding and, consequently, make recourse to captive and onerous sources of funding less significant than expected. The slowdown in lending will be persistent for much of the first half of the year, while signs of tangible recovery may become apparent in the second half, with interest rates more favorable to investment. At the overall level, net interest income is still expected to show a positive trend compared to 2023, benefiting from a higher average level of rates over the 12 months as a whole than in the previous year.

On the commissions front, after a very solid first quarter, the year-on-year growth trend is expected to continue supported, on the investment side, by growing assets that will benefit from a positive market effect in addition to the potential recovery of net inflows. On the other hand, fees related to credit operations are expected to be stable.

Operating expenses will continue to be stable and in line with expectations in the second quarter as well, while starting in July the possible positive outcome of the ongoing negotiations with the labor unions could lead to positive effects in terms of personnel cost containment. On the administrative expenses front, the higher burden resulting from the implementation of the initiatives outlined in the new Business Plan should be fully offset by the effect of the optimization measures, the benefits of which should materialize starting in the last quarter. With reference to the cost of credit, its evolution will depend mainly on the trend of default flows; where these flows remain stable at the levels recorded in this first part of the year, it will be possible to confirm an improved trend compared to 2023. The Group's lending policies will in any case remain prudent, with careful selection of customers; similarly, coverage levels will remain stable at precautionary levels, confirming the rigorous assessments adopted in recent years on both performing and nonperforming exposures.

For the full year, the solidity of the results achieved, together with the positive outlook, lead on the one hand to reaffirm all the profitability and remuneration targets for shareholders and, on the other hand, to highlight possible margins for improvement in the EPS forecast of 90 euro cents net of nonrecurring components (>1.1 euro considering the one-off components that can be assumed at present); this forecast will be updated when the half-year results are presented. In light of the trends described above and the ability to generate stable increases in profitability and organic capital creation, all profit, payout and capitalization targets announced in the last Plan are confirmed.

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Mr. Gianpietro Val, in his capacity as Manager in charge of preparing the company's financial reports, declares pursuant to paragraph 2 Article 154 bis of the Consolidated Law on Finance that the accounting information contained in this press release corresponds to the documentary results, books and accounting records.

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BANCO BPM

Banco BPM Group's results as of 31 March 2024 will be presented to the financial community in a conference call set for today, 7 May 2024, at 6 p.m. (C.E.T.). Documentation supporting the conference call is available on the website of the authorized storage mechanism (www.emarketstorage.it) and on the Bank's website (www.gruppo.bancobpm.it), where there are also details for connecting to the event.

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Explanatory notes

This News Release represents the document through which Banco BPM decided to disclose - on a voluntary basis - supplementary periodic information in addition to the half-year and annual reports ("quarterly reports") to the public and to the market, in compliance with the disclosure policy communicated to the market pursuant to art. 82-ter of the Issuers Regulation effective on 2 January 2017. For the sake of completeness, please note that the quarterly report also includes the result presentation handout prepared as a support for the conference call with the financial community to be held after this News Release has been released.

This quarterly report contained in this document includes a comment on the quarterly operating performance that focuses on the dynamics of the key P&L, balance sheet and financial items, and is based on the reclassified balance-sheet and income statements.

Please find below some explanatory notes that are deemed useful to better understand the approach followed in preparing the above-mentioned accounting statements as at 31 March 2024, as well as the information on the interim results included in this news release.

1. Accounting policies and reference accounting standards

Accounting policies

The balance sheet and income statement layouts contained in this news release have been reclassified along management criteria in order to provide an indication on the Group's overall performance based on more easily understandable aggregate operating and financial data. These layouts have been prepared based on the financial statement layouts indicated in the Bank of Italy's Circular no. 262/2005 and following updates (hereinafter "Circular"), applying the same aggregation and classification criteria presented in the consolidated annual report as at 31 December 2023, except for what specified below.
As of the accounting position on 31 March 2024, profits generated by activities tied to the monetics sector carried out by the subsidiary Tecmarket Servizi S.p.A., as well as profits from the management of digital payment services, provided by the Parent company after the partial demerger of the abovementioned subsidiary on 1 January 2023, are posted under the line-item "Net fees and commissions" of the reclassified income statement. For the sake of a like-for-like comparison, the data of the prior periods, that were posted under the line-item "Other net operating income", have been reclassified under "Net Fees and Commissions".
Looking ahead, this representation will allow a more homogeneous comparison with commission income earned by the Group for the distribution of services tied to monetics[29], following the completion of the monetics business enhancement plan, based on which Banco BPM's e-money business and the stake held in Tecmarket Servizi are to be transferred to a joint venture, in which Banco BPM will hold a significant interest and will enter a multiannual distribution agreement[30].

Reference accounting standards

The accounting standards adopted to prepare the financial accounts as at 31 March 2024 – as regards the classification, recognition, measurement and cancellation of assets and liabilities, as well as the recognition of costs and revenues - are the ones set forth in the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and in the related interpretations by the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission and in force as at 31 March 2024 as provided under Regulation (EC) no. 1606 of 19 July 2002. Said standards are in line with those adopted to prepare the consolidated financial statements as at 31 December 2023, since new standards or amendments to existing standards that would significantly impact the Group's operating and financial position have not become applicable.

As to disclosure requirements, the information contained in this news release were not prepared based on IAS 34 covering interim financial reporting.

Insofar as applicable, the communications from the Supervisory Authorities were taken into account (Bank of Italy, ECB, EBA, Consob and ESMA), together with documents issued by the Italian Accounting Board (Organismo Italiano di Contabilità

[29] Services related to the *Merchant Acquiring* business and POS management, as well as to the issuing and distribution of payment cards.
[30] For more details, please see the Explanatory Note no. 4. "Changes in the consolidation scope".

(OIC), by the Italian Banking Association (ABI) and by the Italian Valuation Board (OIV), providing recommendations on certain key accounting aspects or on the accounting treatment of specific transactions.

The adoption of certain accounting standards necessarily calls for the use of estimates and assumptions that have an impact on the value of assets and liabilities recognized in the balance sheet. The assumptions used to calculate estimates take into account all information available on the date of preparation of the financial report as at 31 March 2024, together with the assumed scenarios that are considered reasonable, also based on past experience.
It is not possible to rule out that these assumptions, albeit reasonable, may fail to reflect future scenarios the Group will operate in.
Even though the global economic scenario is recovering, significant uncertainties are still lingering on: from a fragile geopolitical balance, to the related global supply chain disruptions, with the unspecified pace of normalization of the monetary policies of the primary central banks added to the mix.
These uncertainties affect the budget estimates and require that we rely more heavily on judgmental elements when selecting the hypotheses and assumptions underlying a given estimate.
Therefore, future actual results may differ from the estimates generated for the financial report as at 31 March 2024 and may therefore call for adjustments that cannot be predicted or estimated today with respect to the carrying amount of assets and liabilities recognized in the balance sheet. To this regard, please note that it might be necessary to revise the estimates should the circumstances they have been based on change, as a result of new information or the longer experience accrued.
The annual financial report of Gruppo Banco BPM as at 31 December 2023 provides a detailed description of the estimation processes that require the use of a significant amount of discretion when selecting the underlying assumptions and hypotheses. A full cross-reference to the above-mentioned description is suggested, since it is connected also to the financial accounts as at 31 March 2024, which is the subject of this news release.

One-off levy calculated on the increase in net interest income under art. 26 of LD no. 104 of 10 August 2023

Art. 26 of LD no. 104 of 10 August 2023, transposed with amendments into Law no. 136 of 9 October 2023, introduced a one-off bank levy for 2023 in the national tax system, proportional to the increase in net interest income reported between 2021 and 2023, with a ceiling calculated according to the total amount of risk exposure on a standalone basis ("RWA – Risk Weighted Asset") reported at year-end 2022.
Upon transposing the abovementioned decree, paragraph 5-bis was added, which gives banks the option to allocate an amount equal to at least 2.5 times the windfall levy to an ad-hoc non-distributable reserve upon deciding on the allocation of the 2023 net income, in lieu of paying the tax itself by 30 June 2024.
Should this ad-hoc reserve be used at a later time to distribute earnings, the Bank shall have to pay the due levy in full, plus the interest accrued in accordance with the relevant legal provisions. The reserve can be used to cover losses and is eligible for classification as CET1, in keeping with Regulation EU no. 575/2013.
Based on the above provisions, the one-off levy calculated at Group level totals roughly € 152 million, of which € 151 million attributable to the Parent Company. Under the decree under examination, at the Annual General Meeting of Banco BPM of 18 April 2024, the Shareholders approved the proposal to allocate a share of the 2023 net income, equal to 2.5 times the windfall levy, i.e., € 378.3 million, to an ad-hoc reserve. A similar decision was passed by the Shareholders of Banca Aletti, with the allocation of € 2.4 million to an ad-hoc reserve.
In view of the preparation of the financial report as at 31 March 2024, the Board of Directors of Banco BPM confirms that as of today there is no intention to proceed with the distribution of the said reserve hence, there is no "obligating event" that under IFRIC 21 and IAS 37 would trigger the recognition of a liability and the related charge.

Reorganization of the bancassurance business and related accounting impact

As part of the strategy to strengthen the insurance business model, the Life insurance business insourcing project was finalized on 14 December 2023 through the purchase from Generali Italia of a 65% stake in Vera Vita (which in turn fully owns BBPM Life), and as a result, thanks to the 35% stake already held by the Group, it now has the absolute control over the companies.
On the same date also the partnership agreement with Crédit Agricole Assurances regarding the distribution of P&C and Protection products was finalized, through the sale of a 65% stake in Banco BPM Assicurazioni, leading to the loss of control, and of a 65% stake in Vera Assicurazioni (which in turn fully owns Vera Protezione), immediately after its acquisition from Generali Italia.
Illustrated below is the evolution up until the date of preparation of the financial report as at 31 March 2024, as well as useful clarifications for a correct comparison of the respective balances.

Pricing the purchase from Generali Italia and the sale to Crédit Agricole Assurances

The prices of the above purchase and sale transactions that were taken as a reference point to prepare the 2023 financial statements and the related accounting effect reflected the best estimates available at the time, as, in line with the agreement provisions, they were dependent on the evolution of certain parameters, whose final quantification was agreed between the parties only after the approval of the 2023 results.
The revision of the estimates for the 2023 financial statements, following the abovementioned transaction pricing, produced a positive impact of € 2.5 million, net of tax effect, posted under the reclassified P&L line-item "Bancassurance impact after tax", in line with the prior financial year. Please note that in FY 2023 the estimated impact from the transactions under examination, after tax, came in at € -22.2 million.

Notes for a correct comparison of the respective balances

In light of the above reorganization, for the sake of a correct comparison of the respective balances, please note that as of 1 January 2024 the P&L contribution of the subsidiaries Vera Vita and BBPM Life is recognized on a line-by-line basis in the consolidated balance sheet, while throughout FY 2023 the contribution of the above associates was limited to a 35% portion and was posted in the reclassified P&L line-item "Income (loss) from investments in associates carried at equity".
As of 1 January 2024, the contribution of the associate Banco BPM Assicurazioni is posted under the reclassified P&L line-item "Income (loss) from investments in associates carried at equity", while throughout FY 2023, when the subsidiary was fully owned, the contribution was recognized on a line-by-line basis in the consolidated balance sheet.
Finally, as regards Vera Assicurazioni, the comparison is already like-for-like: since it qualified as associate, with the same shareholding (35%), both in FY 2023 and in the first quarter of 2024, its operating contribution has been posted across all periods under the reclassified P&L line-item "Income (loss) from investments in associates carried at equity".

Purchase Price Allocation

With regard to the acquisition of control of Vera Vita and of its subsidiary BBPM Life on 31 December 2023, conventionally set as the combination date, the purchase price, amounting to € 417.3 million, was allocated to the acquired identifiable net assets, inclusive of contingent liabilities, based on the related fair values (i.e., *Purchase Price Allocation* – PPA). Upon completion of this process, that was conducted with the support of independent experts, there was no residual difference to be recognized as *goodwill*/*badwill* in the 2023 balance sheet.
These analyses were confirmed also for the preparation of the financial report as at 31 March 2024, as no new information became available that would entail a different measurement of the acquired assets' fair value. However please note that, in line with what has been illustrated in the 2023 annual report, the PPA process should still be considered provisional, as provided for under IFRS 3[31]. In line with this standard, the PPA impact will be made final by 31 December 2024, and restatements will be made should the fair value measurement of the acquired net assets, or their reversal pattern, differ from the initial provisional estimates.

Alternative performance measures

In addition to the financial report prepared in compliance with IAS/IFRS, this news release also includes some alternative performance measures (APM) that have been selected to provide an easier understanding of the operating and financial performance of Gruppo Banco BPM's management.
Said measures are based on the guidelines issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415) and transposed in Consob's Communication no. 0092543 of 3 December 2015.

More specifically, the alternative performance measures:
- are based exclusively on historic data and are not indicative of future performance;
- are not calculated according to IFRS standards and do not undergo accounting audits;
- are calculated based on the reclassified accounting statements attached to this news release, unless otherwise specified, and must be read in combination with the Group financial information illustrated in this new release;
- as not all companies calculate APMs along the same methodology, the measures used by Banco BPM might not be consistent with similar parameters used by other companies;
- are calculated in a consistent and homogeneous way for the periods to which the information covered by this news release refer.

Below is a list of the main APMs included in this news release, together with the calculation methodology:
- **direct funds**: include customer funds represented by sight and term deposits and current accounts, issued bonds, certificates of deposit and other securities, payables, and certificates with capital protection tied to the Group's banking activity. As of the accounting period at 31 March 2024, the aggregate includes also short term repo transactions, while funds related to insurance companies are excluded;
- **core direct funds**: customer funds represented exclusively by deposits and current accounts;
- **direct insurance funds and insurance liabilities**: include funds classified under insurance liabilities and financial liabilities connected to insurance companies;
- **indirect funds**: management data which includes funds from assets under management and administration, net of funds underlying the certificates with protected capital, included in direct funding;
- **core net performing loans**: aggregate amount made up by mortgages and other credit facilities, current accounts, credit cards and personal loans;
- **gross NPE ratio**: ratio of gross non-performing loans to gross total loans tied to the balance sheet aggregate amount represented by "Customer loans measured at amortized cost";
- **net NPE ratio**: ratio of net non-performing loans to net total loans tied to the balance sheet aggregate amount represented by "Customer loans measured at amortized cost";
- **Cost of credit** or **cost of risk**: calculated as the ratio of net write-downs on customer loans to total customer cash exposures measured at amortized cost, net of write-downs;

[31] Under IFRS 3, par. 45, the measurement period during which the necessary information must be acquired to carry out the fair value measurement of the acquired net assets – so as to complete the combination allocation process - ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

- **NPL coverage ratio**: calculated as the ratio of total net write-downs on non-performing loans to gross non-performing loans;
- **NPL coverage ratio including write-offs**: calculated as the ratio of total net write-downs on non-performing loans to gross non-performing loans (including the write-offs on both sides of the ratio);
- **bad loans coverage ratio**: calculated as the ratio of net write-downs on bad loans to gross bad loa;
- **bad loans coverage ratio including write-offs**: calculated as the ratio of net write-downs on bad loans to gross bad loans (including write-offs recognized in both line-items);
- **unlikely to pay loans coverage ratio**: calculated as the ratio of net write-downs on unlikely to pay loans to gross unlikely to pay loans;
- **past due loans coverage ratio**: calculated as the ratio of net write-downs on past due loans to gross past due loans;
- **performing loans coverage ratio**: calculated as the ratio of net write-downs on performing loans to gross performing loans;
- **cost/income ratio**: calculated as the ratio of operating cost to operating income as shown in the Reclassified income statement;
- **loan to deposit ratio (LTD ratio)**: calculated as the ratio of net customer loans to total direct bank funds;
- **adjusted net profit**: income net of non-recurring items described in section 5 below.

2. PPA (*Purchase Price Allocation*) impacts from business combinations carried out in previous financial years

In compliance with IFRS 3, the income statement of Gruppo Banco BPM includes the P&L reversal effects mainly caused by the allocation of the prices paid for the following transactions:

- business combination between former Gruppo Banco Popolare di Verona e Novara and Gruppo Banca Popolare Italiana, carried out in FY 2007;
- business combination between former Gruppo Banco Popolare and Gruppo Banca Popolare di Milano, finalized in 2017;
- acquisition of control on the insurance company Banco BPM Vita, in July 2022;
- acquisition of control on the insurance company Vera Vita (and indirectly on its subsidiary BBPM Life) finalized in the month of December 2023, whose P&L reversal effects were first displayed as of the first quarter of 2024.

These effects have been recognized, net of the tax effect, under the separate line-item of the reclassified income statement "Purchase Price Allocation, after tax".

More specifically, the impact on the Q1 2024 consolidated P&L caused by the reversal effect of value adjustments of purchased net assets on net interest income came in at € - 1.6 million (in connection with the evolution of the various valuations of purchased assets)), € -8.0 million on other net operating income (due to the depreciation of intangibles recognized under the PPA), and € -3.0 million on income from insurance business.

Net of the tax effect, the overall impact posted under the reclassified P&L line-item "Purchase Price Allocation, after tax" in Q1 2024 added up to € -8.7 million (€ -7.4 million in the same period last year).

As explained in the above Explanatory note no. 1, note that PPA impacts tied to the business combination of Vera Vita, and BBPM Life recognized on a provisional basis on the date of acquisition of control set conventionally on 31 December 2023, will be turned final by 31 December 2024, and restatements will be made, should the fair value measurement of the acquired net assets and their reversal patterns differ from the initial provisional estimates.

3. Charges generated by the contribution to the resolution mechanisms

The line-item "Systemic charges after tax" of Q1 2024 was charged with the last annual contribution payment to the Interbank Deposit Guarantee Fund (Fondo Interbancario Tutela Depositi - FITD) necessary to reach within 3 July 2024 the target level of the financial endowment under the *Deposit Guarantee Scheme Directive*[32], calculated in proportion to the covered deposits of the member banks as at 31 March 2024. The estimate of the above portion, net of the related tax effect, comes in at € 68.1 million (€ 100.9 million pre-tax). In FY 2023, the FITD contribution had been charged to income in the third quarter, as it was calculated in proportion to the covered deposits of the member banks as at 30 September 2023.
The Income Statement of the first quarter of 2023 here compared was instead burdened with the last annual contribution due to the Single Resolution Fund (SRF), amounting to € 57.3 million (€ 84.9 million pre-tax).
This is because in Q1 2023 the ordinary contribution phase was completed, aimed at guaranteeing the creation of the fund's minimum financial endowment, equal to 1% of covered deposits.

4. Changes in the consolidation scope

[32] The FITD regulation (Deposit Guarantee Schemes Directive – "DGSD" 2014/49/EU) provides that the target level (0,8% of the amount of the covered deposits) is to be reached by 3 July 2024. The FITD statute (art. 42 bis) provides that, for the contributions due for 2024, the amount of contributions of each single member bank be proportional to their outstanding covered deposits as at 31 March 2024 (instead of 30 September as in FY from 2015 to 2023) as compared to the total covered deposits of Italian FITD member banks and to the bank's risk level as compared to the risk levels of all the other FITD member banks as at 31 March 2024.

No changes in the consolidation scope took place in Q1 2024 as compared to the end of the prior year.

As to the binding agreement entered on 14 July 2023 for the creation of a strategic partnership aimed at developing a new Italian independent entity in the digital payments space, under which Banco BPM's e-money business and the stake in Tecmarket Servizi are to be transferred to the joint venture BCC Pay S.p.A. (which on 1 May changed its name to Numia S.p.A.), the related assets and liabilities under disposal are posted under the specific balance sheet items "Non-current assets held for sale and discontinued operations" and "Liabilities associated with discontinued operations", in accordance with IFRS 5.

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

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

- gains or losses on the sale of all fixed assets (shareholdings, tangible fixed assets except for financial assets included in the "Hold to Collect" (HtC) portfolio (that can be sold according to the materiality and frequency thresholds under IFRS9);
- gains and losses on non-current assets held for sale;
- loan write-downs/write-backs (due to valuations or to actual impairment losses) that were caused by a change in the NPE Strategy approved during the year by the Board of Directors entailing a change in targets and/or in the type of loans under disposal compared to what had been previously planned;
- P&L components with a large carrying amount tied to efficiency gain or reorganization actions, etc. (i.e., redundancy fund charges, voluntary redundancy schemes, merger/integration charges);
- P&L components with a large carrying amount that are not likely to occur frequently (e.g., fines, impairment of tangible assets, goodwill and other intangible assets, impact from regulatory changes, exceptional results);
- P&L impact generated by the fair value measurement of property and other tangible assets (works of art);
- tax effect tied to the above P&L impacts.

Conversely, the following impacts are generally considered recurring:

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

Whenever deemed significant, information on the impact on the Group's net income and/or on the financial position caused by events or transactions that are non-recurring or that do not occur frequently during the usual course of business is provided in the comments on the evolution of balance sheet and income statement items.

Based on the criteria described above, the following non-recurring items were reported in Q1 2024:

- the line-item "profit (loss) on fair value measurement of tangible assets" includes a net write-down of € -13.4 million;
- the line-item "profit (loss) on the disposal of equity and other investments" includes the positive impact of € 0.4 million from the disposal of tangible assets;
- "Tax on income from continuing operations" includes the tax effect of the above non-recurring components totaling € +4.3 million;
- the line-item "Bancassurance impact after tax" includes the total , amounting to € 2.5 million, tied to the revision of the estimates made in the 2023 financial statements for the pricing of the purchase and sale transactions underlying the reorganization of the bancassurance business, net of the related tax effect, as illustrated above in the Explanatory note no. 1, to which you may refer for further details.

Overall, non-recurring items gave rise to a negative impact of € -6.2 million on the net income of Q1 2024.
Excluding the above effects, the (adjusted) net income would stand at € 376.4 million.

In the income statement of the same period of last year, the following non-recurring items had been recognized:

- the line-item "personnel expenses" included the allowance for the charges that were expected to be incurred under the agreements with Trade Unions on the early resignation or retirement of personnel totaling € 8.5 million, net of the release of liabilities reported in prior financial years, mainly against obligations to pay the incentives under the *Short-Term Incentive Plans,* totaling € +7.3 million). The net impact on the line-item under examination totaled € -1.2 million;
- the line-item "profit/loss on the fair value measurement of tangible assets" posted a net write-down of € -1.9 million;
- the line-item "net provisions for risks and charges" included the allowance of € 4.4 million tied to the estimated charges relative to certain contract obligations;

- the line-item "profit/loss on equity and other investments" included the positive impact of € +0.2 million from the disposal of tangible assets;
- "Tax on income from continuing operations" included the tax impact of the above non-recurring components, totaling € +2.1 million.

As a whole, non-recurring items in Q1 2023 added up to a negative amount of € -5.2 million.
Excluding the above impact, the net (adjusted) result would have been € 270.5 million.

6. Regulatory capital requirements

Clarifications on the calculation procedure for capital ratios

The capital ratios as at 31 March 2024 reported in this news release have been calculated by including the interim net income accruing at the end of the first quarter of 2024, net of the expected payout ratio based on the specific applicable regulation[33] and of the other income allocations. To this regard, please note that we shall apply for the permission to include the above net income of the first quarter 2024 in the own funds calculation pursuant to art. 26 paragraph 2 of Regulation (EU) no. 575/2013.

Minimum requirements

With communication of 24 November 2023, the Bank of Italy confirmed that the Banco BPM banking group remains an 'Other Systemically Important Institution' (O-SII) also for FY 2024. Considering the new methodology introduced by the ECB to assess capital adequacy, the O-SII capital buffer is equal to 0.50% of the total risk-weighted exposure.

With communication of 22 December 2023, the Bank of Italy confirmed the Countercyclical Capital Buffer ratio for the exposures to Italian counterparties at zero percent also for Q1 2024.

On 8 December 2023, the European Central Bank (ECB) notified Banco BPM its SREP decision for FY 2024, reducing the Pillar 2 capital requirement (P2R) to 2.52%, from 2.57% in the previous year.

Therefore, considering also the countercyclical capital buffer established by the competent national authorities for exposures towards countries where the Group operates (equal to 0.04%), the minimum requirements Banco BPM must comply with in 2024, until a new communication is issued, are[34]:

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

7. Sovereign risk exposure represented by debt securities

The table below provides an illustration of the banking Group's sovereign risk exposure at 31 March 2024, broken down by single Country and by category of the classification accounting portfolio:

31 March 2024 *(data in million euro)* **Countries/Accounting portfolios**	**Fin. ass. measured at amortized cost**	**Fin. ass. measured at fair value through other comprehensive income**	**Fin. ass. measured at fair value through profit or loss**	**Total**
Italy	10.766	1.443	189	12.398
France	4.672	1.573	-	6.245
USA	2.257	1.863	-	4.120
Spain	3.929	1.470	-	5.399
Germany	2.628	917	10	3.555
Other Countries	727	276	-	1.003
Total	**24.979**	**7.542**	**199**	**32.720**

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[33] Pursuant to art. 5 of decision (EU) 2015/656 of the European Central Bank of 4 February 2015, dividends to be deducted from the quarterly profits, for which inclusion in own funds is being asked, amount to 67% of the interim results, as, in the absence of a formal decision passed by the Board of Directors on the allocation of the FY 2024 net income, the rules set forth in art. 5.3 of Decision (EU) 2015/66 of the European Central Bank were applied.

[34] These requirements are calculated as follows:

- The Pillar I minimum requirement of 8% (of which 4.5% CET1; 1.5% AT1 and 2% Tier2)
- the P2R requirement of 2.52% set by the ECB must be met with (i) 1.53% of CET 1 capital (calculated as follows: 100% of the "calendar provisioning shortfall" requirement of 0.27% plus 56.25% of the remaining requirement of 2.25%), (ii) with AT 1 for 0.42% and (iii) with Tier 2 for 0.56%;
- the Capital Conservation buffer of 2.50% to be fully met with CET1 capital;
- the O-SII buffer of 0.50% to be fully met with CET1 capital;
- the Countercyclical Capital buffer of 0.04% to be fully met with CET1 capital1.

As at 31 March 2024, the banking Group's sovereign debt exposure totaled € 32.7 billion (€30.4 billion as at 31 December 2023), of which 76.3% was classified in the portfolio of financial assets measured at amortized cost, 23.1% under financial assets measured at fair value through other comprehensive income, and 0.6% in the portfolio of financial assets measured at fair value through profit or loss, as they were held for trading.
About 87% of this exposure refers to securities issued by members of the European Union; notably about 38% by Italy.
As regards financial assets measured at fair value through other comprehensive income, as at 31 March 2024 the reserves generated by the fair value measurement of debt securities posted a negative amount equal to € 470.2 million, net of tax effect, of which € -469.0 million refer to government bonds (€ -44.0 million for Italian government bonds and € -425.0 million for other government bonds).
As to financial assets measured at amortized cost, the book value came out at € 25.0 billion, of which € 10.8 billion represented by Italian government bonds. For information purposes only, note that the fair value of the government bonds classified in this accounting category, measured based on the market prices as at 31 March 2024 (level 1 in the fair value classification) totaled € 24.6 billion (€ 10.8 billion being the fair value of the Italian government bonds alone).
The debt securities management is still consistent with the decisions made in the prior financial years; no business model change calling for a portfolio reclassification took place during the quarter.

8. Other explanatory notes

The reclassified balance sheet and income statements reflect on a consolidated basis the financial accounts of Banco BPM and its subsidiaries with respect to 31 March 2024, or, when not available, the most recently approved financial reports.
Similarly, the equity method-based accounting of associates was carried out based on the accounting information as at 31 March 2024 submitted to Banco BPM, or, if not available, on the most recent financial reports prepared by the associates.

Attachments

- Reclassified consolidated statement of financial position as at 31 March 2024 compared with data as at 31 December 2023
- Q1 2024 reclassified consolidated income statement compared with Q1 2023 data
- Reclassified consolidated income statement – 2024 and 2023 quarterly evolution

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BANCO BPM

BANCO BPM Group

Reclassified consolidated balance sheet

TOTAL ASSETS *(in euro thousand)*	31/03/2024	31/12/2023	Chg.	Chg. %
Cash and cash equivalents	9,876,885	18,297,496	-8,420,611	-46.0%
Financial assets at amortised cost	108,140,469	109,568,359	-1,427,890	-1.3%
- Due from banks	3,227,713	4,141,630	-913,917	-22.1%
- Customer loans	104,912,756	105,426,729	-513,973	-0.5%
Other financial assets	47,850,309	43,706,381	4,143,928	9.5%
- Financial assets designated at FV through P&L	7,667,488	7,391,989	275,499	3.7%
- Financial assets designated at FV through OCI	10,882,540	10,692,718	189,822	1.8%
- Financial assets at amortised cost	29,300,281	25,621,674	3,678,607	14.4%
Financial assets pertaining to insurance companies	15,644,818	15,345,008	299,810	2.0%
Equity investments	1,419,149	1,454,249	-35,100	-2.4%
Property and equipment	2,829,017	2,857,953	-28,936	-1.0%
Intangible assets	1,260,916	1,257,425	3,491	0.3%
Tax assets	4,062,197	4,201,154	-138,957	-3.3%
Non-current assets held for sale and discontinued operations	448,561	468,685	-20,124	-4.3%
Other assets	5,150,211	4,975,263	174,948	3.5%
TOTAL ASSETS	**196,682,532**	**202,131,973**	**-5,449,441**	**-2.7%**

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY *(in euro thousand)*	31/03/2024	31/12/2023	Chg.	Chg. %
Banking Direct Funding	123,378,628	120,770,064	2,608,564	2.2%
- Due from customers	102,563,115	101,861,964	701,151	0.7%
- Debt securities and other financial liabilities	20,815,513	18,908,100	1,907,413	10.1%
Insurance Direct Funding & Insurance liabilities	15,417,353	15,039,762	377,591	2.5%
- Financial liabilities measured at FV pertaining to insurance companies	2,941,338	2,800,121	141,217	5.0%
- Liabilities pertaining to insurance companies	12,476,015	12,239,641	236,374	1.9%
Due to banks	11,134,445	21,690,773	-10,556,328	-48.7%
Debts for Leasing	661,814	670,773	-8,959	-1.3%
Other financial liabilities designated at FV	27,046,421	25,697,583	1,348,838	5.2%
Other financial liabilities pertaining to insurance companies	75,616	72,561	3,055	4.2%
Liability provisions	883,853	894,841	-10,988	-1.2%
Tax liabilities	544,840	453,929	90,911	20%
Liabilities associated with assets held for sale	208,828	212,011	-3,183	-1.5%
Other liabilities	2,965,714	2,591,516	374,198	14.4%
Total Liabilities	**182,317,512**	**188,093,813**	**-5,776,301**	**-3.1%**
Minority interests	66	68	-2	-2.9%
Shareholders' equity	14,364,954	14,038,092	326,862	2.3%
Consolidated Shareholders' Equity	**14,365,020**	**14,038,160**	**326,860**	**2.3%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**196,682,532**	**202,131,973**	**-5,449,441**	**-2.7%**

The item "Customer Loans" includes the Senior notes coming from the securitizations of Non-performing Loans for an amount of € 1.3bn

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BANCO BPM Group

Reclassified consolidated income statement

(in euro thousand)	Q1 2024	Q1 2023 *	Chg.	Chg. %
Net interest income	864,396	742,974	121,422	16.3%
Income (loss) from investments in associates carried at equity	30,342	36,312	-5,970	-16.4%
Net interest, dividend and similar income	**894,738**	**779,286**	**115,452**	**14.8%**
Net fee and commission income	521,620	493,131	28,489	5.8%
Other net operating income	3,841	2,437	1,404	57.6%
Net financial result	8,805	-34,136	42,941	N.M.
Income from insurance business	4,818	9,611	-4,793	-49.9%
Other operating income	**539,084**	**471,043**	**68,041**	**14.4%**
Total income	**1,433,822**	**1,250,329**	**183,493**	**14.7%**
Personnel expenses	-431,635	-405,396	-26,239	6.5%
Other administrative expenses	-172,900	-170,194	-2,706	1.6%
Net value adjustments on property and equipment and intangible assets	-64,149	-64,460	311	-0.5%
Operating costs	**-668,684**	**-640,050**	**-28,634**	**4.5%**
Profit (loss) from operations	**765,138**	**610,279**	**154,859**	**25.4%**
Net adjustments on loans to customers	-82,454	-137,455	55,001	-40.0%
Profit (loss) on fair value measurement of tangible assets	-13,384	-1,906	-11,478	N.M.
Net adjustments on other assets	-2,961	681	-3,642	N.M.
Net provisions for risks and charges	-4,978	2,450	-7,428	N.M.
Profit (loss) on the disposal of equity and other investments	378	154	224	145.5%
Income (loss) before tax from continuing operations	**661,739**	**474,203**	**187,536**	**39.5%**
Tax on income from continuing operations	-215,435	-147,436	-67,999	46.1%
Income (loss) after tax from continuing operations	**446,304**	**326,767**	**119,537**	**36.6%**
Systemic charges after tax	-68,110	-57,278	-10,832	18.9%
Realignment of fiscal values to accounting values	-	-	-	
Bancassurance impact after tax	2,466	-	2,466	N.M.
Goodwill & Client Relationship impairment	-	-	-	
Impact from the change in Own Credit Risk on certificates issued, after tax	-1,775	3,277	-5,052	N.M.
Purchase Price Allocation (PPA) after tax	-8,670	-7,403	-1,267	17.1%
Income (loss) attributable to minority interests	2	-36	38	N.M.
NET INCOME (LOSS) FOR THE PERIOD	**370,217**	**265,327**	**104,890**	**39.5%**

** Figures for the previous period have been restated, for consistency of comparison with 2024, by reclassifying income related to monetics-related activities from "Other net operating income" to "Net fee & commission income". See Explanatory Notes for details.*

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BANCO BPM Group

Reclassified consolidated income statement - Quarterly evolution

(in euro thousand)	Q1 2024	Q4 2023 *	Q3 2023 *	Q2 2023 *	Q1 2023*
Net interest income	864,396	867,655	868,673	809,926	742,974
Income (loss) from investments in associates carried at equity	30,342	49,350	34,140	24,295	36,312
Net interest, dividend and similar income	**894,738**	**917,005**	**902,813**	**834,221**	**779,286**
Net fee and commission income	521,620	466,799	474,942	484,699	493,131
Other net operating income	3,841	13,724	4,210	1,353	2,437
Net financial result	8,805	-13,760	-22,777	-8,356	-34,136
Income from insurance business	4,818	13,113	8,158	14,969	9,611
Other operating income	**539,084**	**479,876**	**464,533**	**492,665**	**471,043**
Total income	**1,433,822**	**1,396,881**	**1,367,346**	**1,326,886**	**1,250,329**
Personnel expenses	-431,635	-461,548	-402,150	-402,858	-405,396
Other administrative expenses	-172,900	-150,516	-165,053	-166,630	-170,194
Net value adjustments on property and equipment and intangible assets	-64,149	-49,083	-68,084	-65,191	-64,460
Operating costs	**-668,684**	**-661,147**	**-635,287**	**-634,679**	**-640,050**
Profit (loss) from operations	**765,138**	**735,734**	**732,059**	**692,207**	**610,279**
Net adjustments on loans to customers	-82,454	-175,043	-124,832	-121,264	-137,455
Profit (loss) on fair value measurement of tangible assets	-13,384	-102,698	-11,774	-30,469	-1,906
Net adjustments on other assets	-2,961	-2,114	-1,041	488	681
Net provisions for risks and charges	-4,978	-8,343	-17,164	868	2,450
Profit (loss) on the disposal of equity and other investments	378	267	309	-388	154
Income (loss) before tax from continuing operations	**661,739**	**447,803**	**577,557**	**541,442**	**474,203**
Tax on income from continuing operations	-215,435	-104,676	-182,956	-169,683	-147,436
Income (loss) after tax from continuing operations	**446,304**	**343,127**	**394,601**	**371,759**	**326,767**
Systemic charges after tax	-68,110	698	-69,646	-351	-57,278
Realignment of fiscal values to accounting values	-	8,802	-	-	-
Bancassurance impact after tax	2,466	-22,245	-	-	-
Impact from the change in Own Credit Risk on certificates issued, after tax	-1,775	-2,063	1,168	-5,845	3,277
Purchase Price Allocation (PPA) after tax	-8,670	-6,847	-7,260	-6,830	-7,403
Income (loss) attributable to minority interests	2	-412	97	373	-36
NET INCOME (LOSS) FOR THE PERIOD	**370,217**	**321,060**	**318,960**	**359,106**	**265,327**

** Figures for the previous period have been restated, for consistency of comparison with 2024, by reclassifying income related to monetics-related activities from "Other net operating income" to "Net fee & commission income". See Explanatory Notes for details.*

Fine Comunicato n.1928-41-2024	Numero di Pagine: 24