RESULTS

Introduction

The balance sheet and income statement are shown below in reclassified format, according to operating criteria, in order to provide information on the general performance of the Group, based on economic-financial data that can be quickly and easily determined.

Information is provided below on the aggregations and main reclassifications systematically made with respect to the financial statements formats provided for in Circular no. 262/05, in accordance with that required by CONSOB in Communication no. 6064293 of 28 July 2006:

- the impacts arising from Purchase Price Allocations made following past 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), amortisation of intangible assets recognised in item 220 (amortisation of so-called "client relationships") and in the item "Taxation charge related to profit or loss from continuing operations". The figures for the previous periods of comparison were restated on a like-for-like basis;
- 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";
- 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;
- 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" - included in the item "Net financial result" up to the third quarter of 2020 - has been included, from 30 September 2020, in the customised 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 recorded during 2020, as, with an operating outlook, they are not deemed expressive of actual profitability of the Group. The figures for the previous periods of comparison were restated on a like-for-like basis;
- 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 extraordinary charges that are expected to be incurred for early retirement incentives, also through the voluntary use of the extraordinary benefits of the Solidarity Fund for the sector, and for the streamlining of the branch network are presented, net of the related tax effect, in a separate item named "Charges related to company restructuring, net of taxes", instead of in the items "Personnel expenses" or "Net value adjustments to property, plant and equipment and intangible assets";
- the impact of exercising the option to realign the tax values to the book values of the intangible assets acquired as part of the business combination between Banco Popolare Group and Banca Popolare di Milano Group, recognised under "Taxation charge related to profit or loss from continuing operations"

was re-attributed to a customised item of the reclassified income statement named "Impact of the realignment of tax values to book values".

Annexed to the financial statements is a statement of reconciliation between the reclassified income statement and that drawn up based on Circular no. 262, with comments illustrating the reclassifications made.

Consolidated income statement figures

Reclassified consolidated income statement

Reclassified income statement items ***(thousands of euro)***	**2021**	**2020**	**Change**
Net interest income	2,041,628	1,982,561	3.0%
Gains (losses) on interests in associates and joint ventures carried at equity	231,940	130,799	77.3%
Financial margin	**2,273,568**	**2,113,360**	**7.6%**
Net fee and commission income	1,911,203	1,663,810	14.9%
Other net operating income	75,280	56,005	34.4%
Net financial result	250,695	318,642	(21.3%)
Other operating income	**2,237,178**	**2,038,457**	**9.7%**
Operating income	**4,510,746**	**4,151,817**	**8.6%**
Personnel expenses	(1,667,799)	(1,581,141)	5.5%
Other administrative expenses	(601,151)	(593,812)	1.2%
Net value adjustments to property, plant and equipment and intangible assets	(246,825)	(255,114)	(3.2%)
Operating expenses	**(2,515,775)**	**(2,430,067)**	**3.5%**
Profit (loss) from operations	**1,994,971**	**1,721,750**	**15.9%**
Net adjustments to loans to customers	(887,199)	(1,336,807)	(33.6%)
Fair value gains (losses) on property, plant and equipment	(141,633)	(36,721)	285.7%
Net adjustments to securities and other financial assets	(328)	(1,030)	(68.2%)
Net provisions for risks and charges	(26,039)	(42,294)	(38.4%)
Gains (losses) on interests in associates and joint ventures and other investments	(18,768)	1,190	
Profit (loss) before tax from continuing operations	**921,004**	**306,088**	**200.9%**
Taxation charge related to profit or loss from continuing operations	(253,828)	(13,518)	not indicated
Profit (loss) after tax from continuing operations	**667,176**	**292,570**	**128.0%**
Charges related to company restructuring, net of taxes	-	(187,030)	
Charges related to the banking system, net of taxes	(144,995)	(138,901)	4.4%
Impact of the realignment of tax values to book values	81,709	128,324	(36.3%)
Goodwill impairment	-	(25,100)	
Change in own credit risk on Certificates issued by the Group, net of taxes	4,354	(11,739)	
Purchase Price Allocation net of taxes (*)	(39,460)	(41,492)	(4.9%)
Profit (loss) for the year attributable to non-controlling interests	**284**	**4,248**	**(93.3%)**
Parent Company's profit (loss) for the year	**569,068**	**20,880**	**not indicated**

(*) PPA relating to receivables and client relationships, net of related tax effects.

Reclassified consolidated income statement – Quarterly changes

Reclassified income statement items	2021				2020			
(thousands of euro)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	506,005	516,427	522,367	496,829	509,019	519,921	479,507	474,114
Gains (losses) on interests in associates and joint ventures carried at equity	87,066	46,795	56,535	41,544	23,729	36,768	48,036	22,266
Financial margin	**593,071**	**563,222**	**578,902**	**538,373**	**532,748**	**556,689**	**527,543**	**496,380**
Net fee and commission income	485,821	475,308	478,679	471,395	429,225	417,651	376,371	440,563
Other net operating income	9,066	26,296	21,747	18,171	12,731	11,675	14,855	16,744
Net financial result	(1,443)	35,878	116,533	99,727	77,845	157,325	82,712	760
Other operating income	**493,444**	**537,482**	**616,959**	**589,293**	**519,801**	**586,651**	**473,938**	**458,067**
Operating income	**1,086,515**	**1,100,704**	**1,195,861**	**1,127,666**	**1,052,549**	**1,143,340**	**1,001,481**	**954,447**
Personnel expenses	(413,937)	(409,823)	(417,135)	(426,904)	(407,212)	(356,950)	(397,954)	(419,025)
Other administrative expenses	(149,106)	(144,012)	(153,903)	(154,130)	(125,341)	(159,797)	(154,094)	(154,580)
Net value adjustments to property, plant and equipment and intangible assets	(61,610)	(61,762)	(60,603)	(62,850)	(67,229)	(64,796)	(61,710)	(61,379)
Operating expenses	**(624,653)**	**(615,597)**	**(631,641)**	**(643,884)**	**(599,782)**	**(581,543)**	**(613,758)**	**(634,984)**
Profit (loss) from operations	**461,862**	**485,107**	**564,220**	**483,782**	**452,767**	**561,797**	**387,723**	**319,463**
Net adjustments to loans to customers	(213,978)	(200,643)	(255,513)	(217,065)	(536,225)	(324,340)	(262,999)	(213,243)
Fair value gains (losses) on property, plant and equipment	(96,927)	(7,817)	(36,964)	75	(30,989)	(316)	(5,094)	(322)
Net adjustments to securities and other financial assets	(1,098)	242	939	(411)	7,249	104	(3,728)	(4,655)
Net provisions for risks and charges	2,255	(15,489)	(5,615)	(7,190)	(35,587)	907	(9,809)	2,195
Gains (losses) on interests in associates and joint ventures and other investments	(18,726)	395	(393)	(44)	(354)	1,324	129	91
Profit (loss) before tax from continuing operations	**133,388**	**261,795**	**266,674**	**259,147**	**(143,139)**	**239,476**	**106,222**	**103,529**
Taxation charge related to profit or loss from continuing operations	(37,228)	(83,274)	(50,628)	(82,698)	47,946	(22,464)	(13,293)	(25,707)
Profit (loss) after tax from continuing operations	**96,160**	**178,521**	**216,046**	**176,449**	**(95,193)**	**217,012**	**92,929**	**77,822**
Charges related to company restructuring, net of taxes	-	-	-	-	(187,030)	-	-	-
Charges related to the banking system, net of taxes	(4,792)	(61,650)	(19,309)	(59,244)	(10,216)	(53,001)	(18,169)	(57,515)
Impact of the realignment of tax values to book values	81,709	(79,220)	79,220	-	128,324	-	-	-
Goodwill impairment	(79,220)	79,220	-	-	(25,100)	-	-	-
Change in own credit risk on Certificates issued by the Group, net of taxes	12,320	3,954	(5,105)	(6,815)	(41,116)	2,194	(110,739)	137,922
Purchase Price Allocation net of taxes (*)	(9,251)	(10,172)	(9,705)	(10,332)	(11,543)	(11,422)	(11,962)	(6,565)
Profit (loss) for the period attributable to non-controlling interests	144	28	78	34	220	2,520	1,537	(29)
Parent Company's profit (loss) for the period	**97,070**	**110,681**	**261,225**	**100,092**	**(241,654)**	**157,303**	**(46,404)**	**151,635**

(*) PPA relating to receivables and client relationships, net of related tax effects.

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);
- the income statement items of significant amounts that are not destined to be frequently repeated (e.g. penalties, impairment of property, plant and equipment, goodwill and other intangible assets, effects of changes in regulations, exceptional results);

- the economic impacts deriving from the fair value measurement of properties and other tangible assets (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, the income statement for 2021 includes the following non-recurring components:

- "Gains (losses) on interests in associates and joint ventures carried at equity" includes the positive impact of 42.1 million, deriving from realignment of the tax value of goodwill recorded by an investee;
- "Personnel expenses" includes savings on one-off components of remuneration, constituting an indirect effect of the pandemic, for 14.4 million;
- "Net value adjustments to property, plant and equipment and intangible assets" includes write-downs due to impairment of fixed assets for a total of 2.0 million;
- the item "Net adjustments to loans to customers" includes the amount relating to losses linked to the sale of receivables finalised as part of the "Rockets" project and the additional impact deriving from the increase in the targets for the sale of non-performing receivables decided by the Board of Directors, for a total of 194 million;
- "Fair value gains (losses) on property, plant and equipment" includes net value adjustments of 141.6 million;
- "Gains (losses) on interests in associates and joint ventures and other investments" includes the effect, of 18.8 million resulting from the impairment made against the interest held in Factorit;
- the "Taxation charge related to profit or loss from continuing operations" includes the tax impacts of the aforementioned non-recurring items amounting to 96.5 million;
- "Charges related to the banking system, net of taxes" includes additional contributions paid to the National Resolution Fund amounting to 19.3 million (equal to 28.6 million gross of the related tax effect of 9.3 million);
- the item "Impact of the realignment of tax values to book values" includes the income of 81.7 million, resulting from the exercise of the right of realignment of the tax values of the Group's operating properties to book values.

Overall, the net impact on the profit for 2021 of non-recurring items was a negative 141.0 million.

With regard to 2020, the non-recurring components determined using equivalent criteria to those indicated above were the following:

- the item "Personnel expenses" included savings on one-off components of remuneration, constituting an indirect effect of the pandemic, for 31.6 million;
- "Net value adjustments to property, plant and equipment and intangible assets" included write-downs due to impairment of fixed assets for a total of 2.2 million;
- the item "Net adjustments to loans to customers" included losses of 251.4 million connected with the sales of loans finalised in December as the result of the change in the strategy for managing non-performing loans decided in October 2020;
- capital losses of 36.7 million deriving from the fair value adjustment of investment properties following the annual update of the appraisals were recorded in the item "Fair value gains (losses) on property, plant and equipment";
- "Net provisions for risks and charges" included allocations of 26.0 million, made in relation to the estimated charges related to contractual commitments to Cattolica Assicurazioni Group, which became

likely following the decision to exercise the call option on controlling stakes in the vehicle companies of the bancassurance agreements;
- the item "Gains (losses) on interests in associates and joint ventures and other investments" by definition non-recurring, was positive by 1.2 million;
- the "Taxation charge related to profit or loss from continuing operations" included the tax impacts of the aforementioned non-recurring items amounting to 77.0 million;
- the item "Charges related to company restructuring, net of taxes" amounting to 187.0 million, included the costs for early retirement incentives and the streamlining of the branch network of the Group;
- "Charges related to the banking system, net of taxes" included additional contributions paid to the National Resolution Fund amounting to 19.4 million (equal to 26.9 million gross of the related tax effect of 8.7 million);
- the income of 128.3 million deriving from the decision to avail of the option to realign the tax values to the book values of intangible assets were recognised in the item "Impact of the realignment of tax values to book values";
- the impairment tests conducted on intangible assets with an indefinite life had resulted in the recognition of impairment of goodwill for 25.1 million, shown in the item "Goodwill impairment".

On the whole, also taking account of the effects attributable to minorities (+0.3 million), non-recurring items relating to 2020 had had a net negative impact on the profit (loss) for the year amounting to 309.6 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 notes which illustrate trends in equity items.

Reclassified consolidated income statement

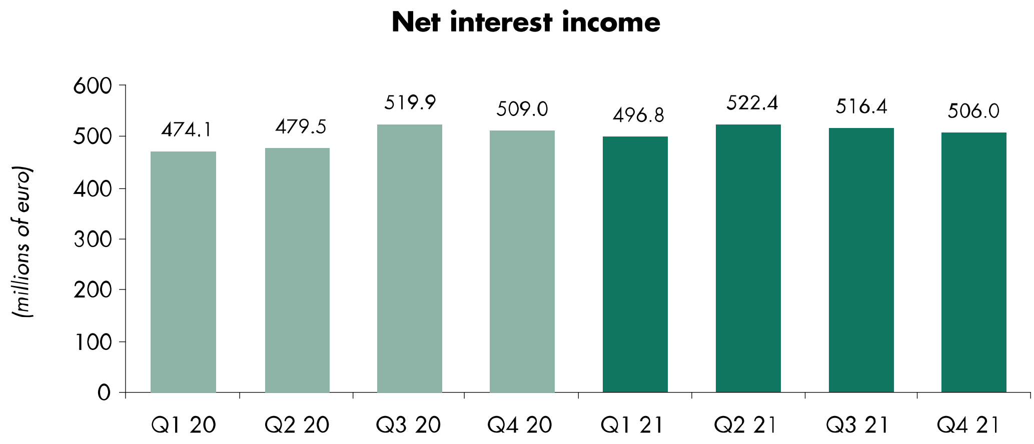
The main income statement items for 2021 are illustrated below.

Operating income

Net interest income

(thousands of euro)	2021	2020	Abs. Change	% Change
Financial assets (securities)	413,712	440,191	(26,479)	(6.0%)
Net interest due to customers	1,686,905	1,792,551	(105,646)	(5.9%)
Net interest due to banks	(4,735)	(32,492)	27,757	(85.4%)
Securities issued and other financial liabilities at fair value	(251,662)	(318,163)	66,501	(20.9%)
Hedging derivatives (net balance) (*)	(97,077)	(73,383)	(23,694)	32.3%
Net interest on other assets/liabilities	294,485	173,857	120,628	69.4%
Total	**2,041,628**	**1,982,561**	**59,067**	**3.0%**

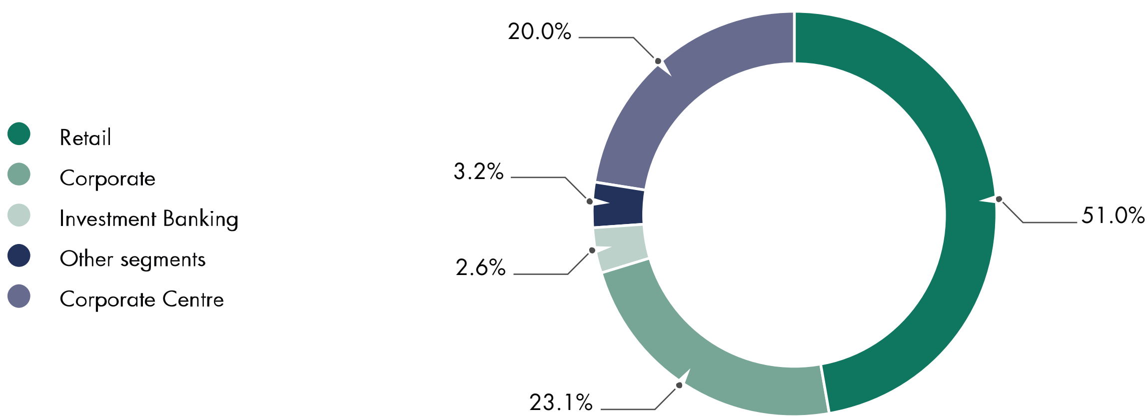
(*) The item includes the spreads pertaining to the year on derivative contracts hedging financial assets (securities held) and financial liabilities issued.



Net interest income was equal to 2,041.6 million, a 3.0% increase on 2020 (1,982.6 million) due to the greater contribution from TLTRO III financing operations which, given the achievement of net lending objectives, starting from 24 June 2020, envisage payment of a special interest rate, equal to -0.50%, in addition to the rate applied (-0.50%) for the entire duration of the loan[1].
Note that in the year, write-downs were made to the interest on several tax receivables recorded in accounts of previous years, amounting to 5.8 million.

(thousands of euro)	**2021**	**2020 restated (*)**	**2020**	**Reclassifications**	**Abs. change on restated balances**	**% Change**
Retail	1,041,503	921,288	937,279	(15,991)	120,215	13.0%
Corporate	472,599	463,178	455,230	7,948	9,421	2.0%
Institutional	51,219	56,662	57,223	(561)	(5,443)	(9.6%)
Private	(2,557)	1,131	1,272	(141)	(3,688)	
Investment Banking	53,830	73,213	73,213	-	(19,383)	(26.5%)
Strategic Partnerships	(4,919)	(9,777)	(8,801)	(976)	4,858	(49.7%)
Leases	22,228	23,928	24,358	(430)	(1,700)	(7.1%)
Corporate Centre	407,725	452,938	442,787	10,151	(45,213)	(10.0%)
Total	**2,041,628**	**1,982,561**	**1,982,561**	**-**	**59,067**	**3.0%**

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to guarantee a like-for-like comparison with the profiling criteria used for 2021.



[1] For the period from 24 June 2020 to 23 June 2021 (special interest period), the Bank was able to benefit from a special interest rate on TLTRO III refinancing operations equal to -0.50% in addition to the average rate applicable to Deposit facilities (currently -0.50%), given that, as at 31 March 2021, the amount of eligible loans significantly exceeded the amount of those loans as at 1 March 2020. The aforementioned -0.50% special interest rate will also be applied to the 24 June 2021-23 June 2022 period, provided that the amount of eligible loans as at 31 December 2021 is at least equal to their amount as at 1 October 2020. In this case, too, the total eligible loans as at 31 December 2021 was higher than the aforementioned threshold.

In terms of sector of economic activity, the growth recorded by net interest income compared to the previous year was due to the good performance of the Commercial Network, especially the Retail segment (+120.2 million). Even though the profit margin of loans fell, where the growth of assets did not fully offset the fall in rates, the latter benefited from the significant reduction in the cost of funding, in particular due to the progressive reduction of assets relating to loans underlying the certificates issued by Banca Akros.
A significant contribution was also made by the allocation of part of the benefit generated by the TLTRO III (around 178.8 million) to the commercial segments, partly balanced by the greater negative effect due to the so-called liquidity buffer cost (108.4 million), namely the share of the cost allocated to the Network due to the Group's need to hold a liquidity buffer to cover unexpected cash outflows. The greatest impacts were recorded on the Retail business line, where they were -53.7 million and +117.3 million respectively.
The profit margin of Investment Banking, represented by Banca Akros and the subsidiary Oaklins Italy, was down (-19.4 million), reflecting the decrease in the contribution from the securities portfolio, both due to the general drop in yields and to the trend of the intragroup component, mainly composed of bonds underlying certificates, issued by the Parent Company and subscribed by Banca Akros. In fact, from the second half of last year, the certificates placed by the Commercial Network of the Group were no longer issued by Banca Akros, but directly by the Parent Company which, in this way, did not issue the related underlying bonds.
Lastly, the Corporate Centre's results were down (-45.2 million). Like last year, the securities portfolio continued to see yields eroded, offset by the lower cost (46.3 million) of institutional bond issues, which progressively fell. The contribution of the share of TLTRO III pertaining to the Corporate Centre (+79.2 million against last year) was positive, also given the increase in stock, which reached 39.2 billion. The contribution of the ALM centre fell significantly, reflecting the positive impact of the funding liquidity spread on the Commercial Network, namely the figurative interest rate of re-employing liquidity.

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

(thousands of euro)	2021	2020	Abs. Change	% Change
Agos Ducato	156,033	89,158	66,875	75.0%
Anima Holding	43,226	11,992	31,234	260.5%
Vera Vita	9,207	8,010	1,197	14.9%
Vera Assicurazioni	2,684	8,802	(6,118)	(69.5%)
Bipiemme Vita	7,430	5,612	1,818	32.4%
Factorit	6,386	3,146	3,240	103.0%
Other investee companies	6,974	4,079	2,895	71.0%
Total	**231,940**	**130,799**	**101,141**	**77.3%**

The **result of the investee companies carried at equity** was positive for 231.9 million, up compared to the figure for last year (130.8 million) and includes the positive impact of 42.1 million, resulting from the realignment of the tax value of goodwill made by the associated company Agos Ducato. The 2021 figure includes the contribution of the associate Anima Holding (equal to 43.2 million), measured at equity since the second quarter of 2020[1].
The main contribution to the item in question is provided by consumer credit channelled from the interest held in Agos, equal to 156.0 million, up compared to 89.2 million in 2020.

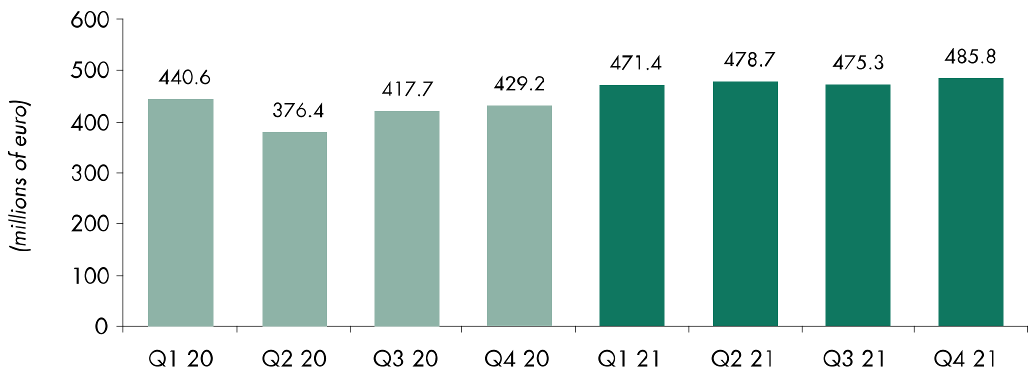
In terms of sector of economic activity, the performance of the Strategic Partnerships sector made a decisive contribution to the positive performance of the item in question, in particular Agos Ducato of 156.0 million (+66.9 million, also thanks to the positive impact resulting from the exemption of goodwill) and Anima Holding of 43.2 million.
The contribution of the other interests in associates and joint ventures that are part of the Corporate Centre was substantially stable.

[1] The contribution of the associated company Anima Holding, carried at equity from 1 April 2020, to the consolidated income statement for 2021, does not include the profit (loss) recorded by the investee company in the fourth quarter of 2021, while it does record the pertinent profit (loss) recorded by the investee in the last quarter of 2020, of 9.8 million. This depends on the fact that Anima Holding approved its draft 2020 financial statements and will approve its draft 2021 financial statements following the approval of the results by Banco BPM.

Net fee and commission income

(thousands of euro)	2021	2020	Abs. Change	% Change
Management, brokerage and advisory services	939,038	787,855	151,183	19.2%
Savings products and policies	781,911	657,033	124,878	19.0%
- Placement of financial instruments	19,849	52,298	(32,449)	(62.0%)
- Distribution and portfolio management	624,866	490,346	134,520	27.4%
- Distribution of insurance products	137,196	114,389	22,807	19.9%
Consumer credit	34,672	26,693	7,979	29.9%
Credit cards	48,354	38,086	10,268	27.0%
Trading of securities and currencies and order collection	65,822	63,720	2,102	3.3%
Other	8,279	2,323	5,956	256.4%
Keeping and management of current accounts and loans	644,419	583,556	60,863	10.4%
Collection and payment services	169,206	147,910	21,296	14.4%
Guarantees given and received	69,343	64,990	4,353	6.7%
Other services	89,197	79,499	9,698	12.2%
Total	**1,911,203**	**1,663,810**	**247,393**	**14.9%**

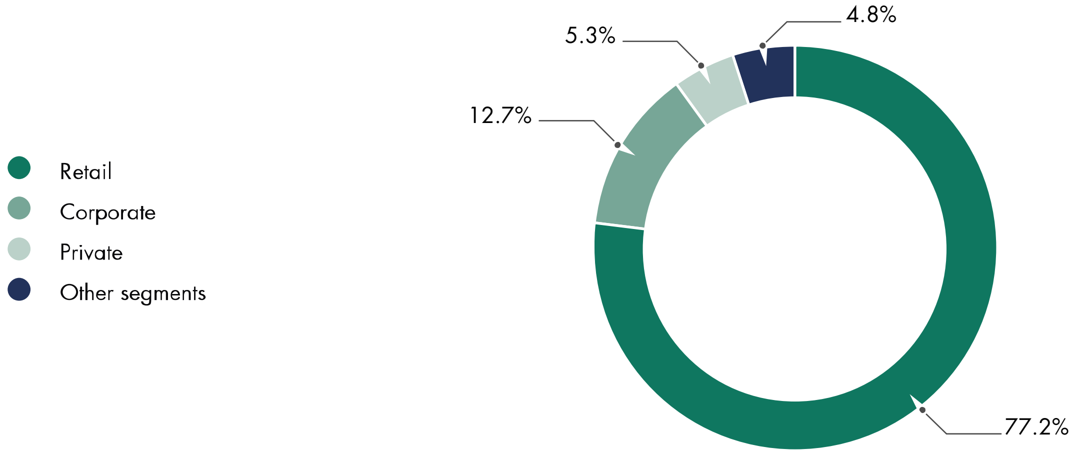
Net fee and commission income



Net fee and commission income for the year totalled 1,911.2 million, marking significant growth (+14.9%) compared to the previous year.
This change is attributable to the contribution from management, brokerage and advisory services (+19.2% compared to 31 December 2020), due to major growth in the running component, and from the commercial banking services segment (+11.0% compared to 2020), linked mainly to the disbursement of new loans and payment services.
The positive trend was observed for all quarters of 2021, compared with the performance of the previous year, which had suffered considerably from the start of the pandemic.

(thousands of euro)	2021	2020 restated (*)	2020	Reclassifications	Abs. change on restated balances	% Change
Retail	1,475,885	1,292,761	1,293,613	(852)	183,124	14.2%
Corporate	243,007	215,379	214,835	544	27,628	12.8%
Institutional	42,585	40,024	39,526	498	2,561	6.4%
Private	100,394	89,708	89,708	-	10,686	11.9%
Investment Banking	43,424	41,651	41,651	-	1,773	4.3%
Leases	(362)	(979)	(979)	-	617	(63.0%)
Corporate Centre	6,270	(14,734)	(14,544)	(190)	21,004	
Total	**1,911,203**	**1,663,810**	**1,663,810**	**-**	**247,393**	**14.9%**

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to guarantee a like-for-like comparison with the profiling criteria used for 2021.

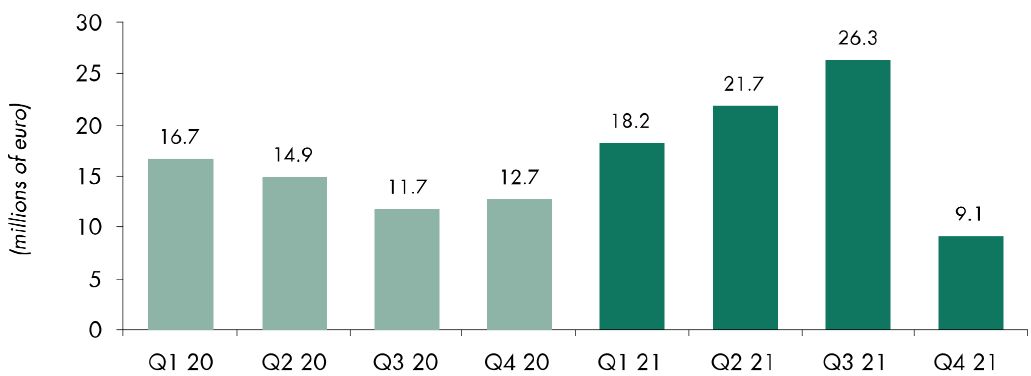


The increase recorded by net fee and commission income (+247.4 million) against last year, which had been impacted by the economic crisis due to the Covid-19 pandemic, was mainly due to the Commercial Network which, especially in the Retail segment, positively reflected the rise in fees and commissions from asset management (+130.1 million), from current accounts and deposits (+52.7 million) and from fees and commissions resulting from e-money and collection and payment services (+31.1 million). The Corporate business line also performed well (+27.6 million), due to higher disbursements made to businesses, and Private customers (+10.7 million), due to the increase in placements of asset management products.

Other net operating income

(thousands of euro)	2021	2020	Abs. Change	% Change
Income on current accounts and loans	5,309	9,898	(4,589)	(46.4%)
Rental income	33,885	39,508	(5,623)	(14.2%)
Expenses on leased assets	(26,173)	(14,775)	(11,398)	77.1%
Other income and charges	62,259	21,374	40,885	191.3%
Total	**75,280**	**56,005**	**19,275**	**34.4%**

Other net operating income



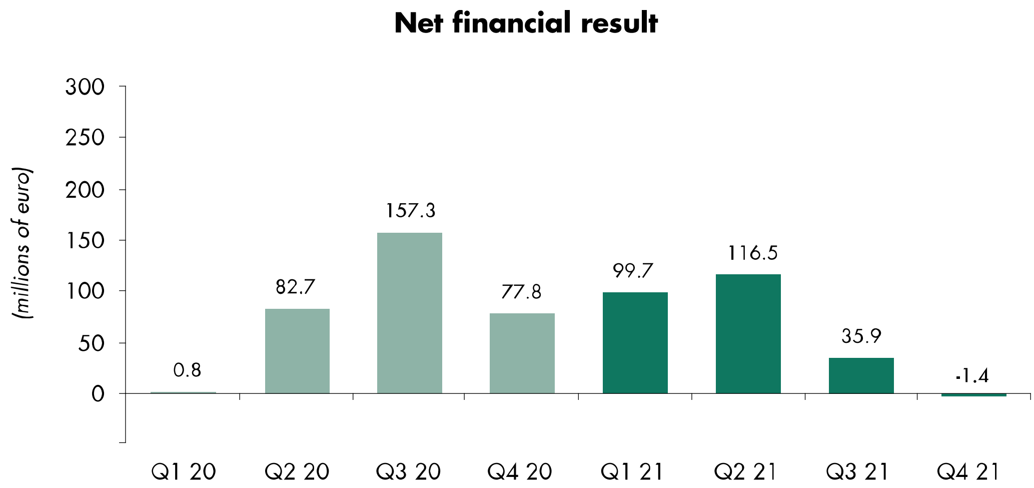
Other net operating income was 75.3 million, up by 19.3 million compared to 2020, mainly due to the positive outcome of several legal disputes, which enabled part of the provisions for risks and charges previously allocated, to be released.

(thousands of euro)	2021	2020	Abs. Change	% Change
Retail	5,167	9,237	(4,070)	(44.1%)
Corporate	61	101	(40)	(39.6%)
Institutional	3,504	3,057	447	14.6%
Private	5	7	(2)	(28.6%)
Investment Banking	1,126	253	873	345.1%
Leases	(15,985)	(1,945)	(14,040)	721.9%
Corporate Centre	81,402	45,295	36,107	79.7%
Total	**75,280**	**56,005**	**19,275**	**34.4%**

Even given a significant fall in fast track fees (*commissioni da istruttoria veloce*, CIV), particularly in the Retail sector (-4.1 million), and the increasingly small contribution of Leases (-14.0 million), the item in question nevertheless recorded an increase, due to the presence of the above indicated positive components, recorded in the Corporate Centre, totalling 20.6 million.

Net financial result

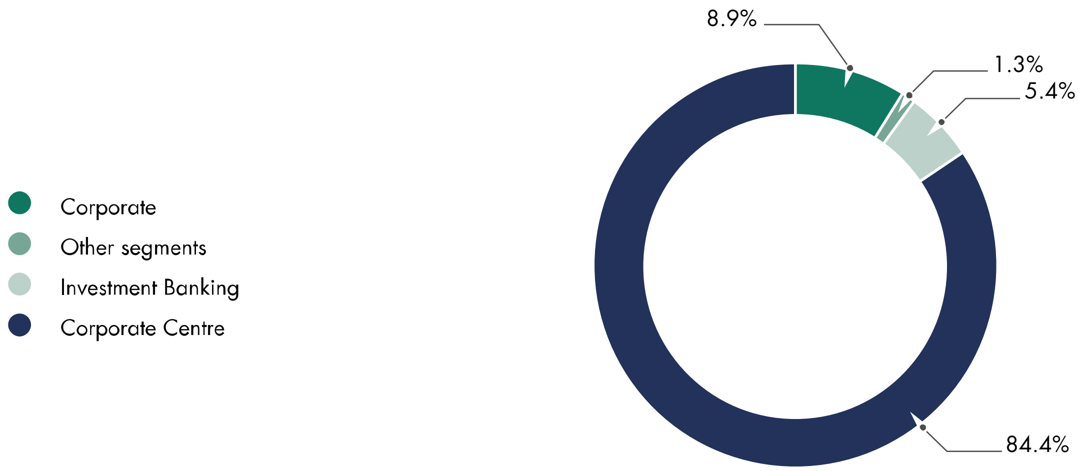
(thousands of euro)	2021	2020	Abs. Change	% Change
Net trading income	111,728	39,450	72,278	183.2%
Gains/losses on disposal of financial assets	119,046	139,928	(20,882)	(14.9%)
Dividends and similar income on financial assets	13,091	24,556	(11,465)	(46.7%)
Gains/losses on repurchase of financial liabilities	(74)	(1,903)	1,829	(96.1%)
Fair value gains/losses on hedging derivatives	(848)	(7,657)	6,809	(88.9%)
Other income/expense	7,752	124,268	(116,516)	(93.8%)
Total	**250,695**	**318,642**	**(67,947)**	**(21.3%)**



The **net financial result**[1] as at 31 December 2021 was positive at 250.7 million, compared to 318.6 million recorded in the previous year; particularly important are the excellent results originating from capital gains on security disposals for 119.0 million and trading income of 111.7 million.
The quarterly change of the item in question for the two years compared were affected by fluctuations in the values of equity instruments. In particular, the overall effect related to Nexi shares was negative for -25.8 million in 2021, compared to a positive 158.6 million in 2020.

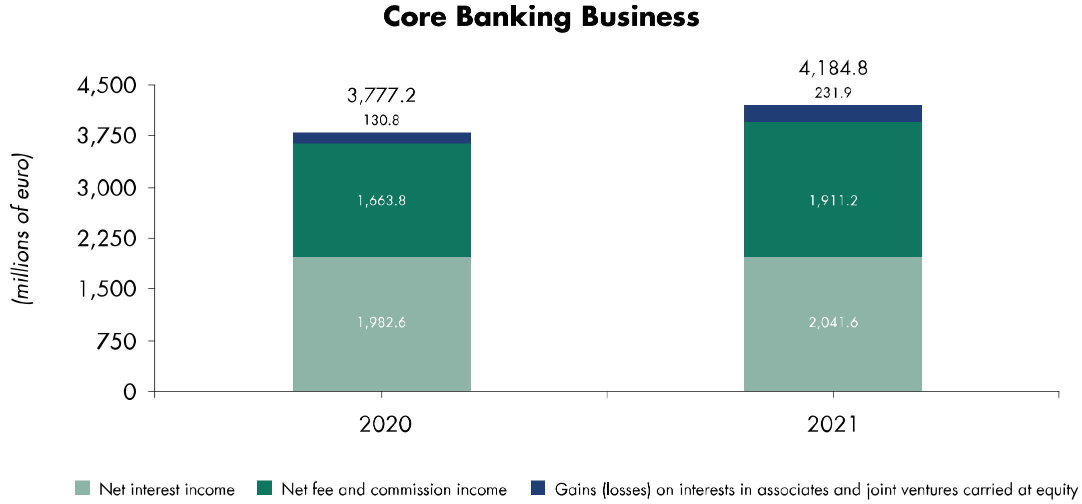
[1] The item does not include the accounting effect, shown in a separate item of the reclassified income statement, of the change in the credit risk of the Group in regard to the fair value measurement of its own certificate issues, which led to the recognition of 6.5 million in income for the year, compared to the negative impact of -17.5 million recorded as at 31 December 2020.

(thousands of euro)	2021	2020	Abs. Change	% Change
Retail	4,010	14,094	(10,084)	(71.5%)
Corporate	22,373	22,874	(501)	(2.2%)
Institutional	(420)	126	(546)	
Private	(283)	(75)	(208)	277.3%
Investment Banking	13,414	10,327	3,087	29.9%
Strategic Partnerships	-	11,671	(11,671)	
Corporate Centre	211,601	259,625	(48,024)	(18.5%)
Total	**250,695**	**318,642**	**(67,947)**	**(21.3%)**



The decrease in the net financial result (-67.9 million), which recorded 250.7 million, was mainly due to the performance of the Corporate Centre (-48.0 million), where, although gains were recorded from the sale of a portion of the securities portfolio and higher trading income, the component related to the values of FVTOCI securities was particularly significant. The latter was impacted by the decrease recorded for the values of the Nexi share which, against last year, recorded a drop of 184.4 million. The contribution of the Commercial Network was also negative, particularly the Retail segment (-10.1 million), following lower transactions in hedging derivatives with customers, and the business line of the Strategic Interests in associates and joint ventures, which last year had benefited from the dividends disbursed by Anima Holding S.p.A. (which, from 30 June 2020, has been consolidated at equity). Investment banking recorded an increase, although it suffered from the lower contribution resulting from product structuring, but benefited from the progressive run-off of certificates, following the transfer of the majority of the issues of these funding instruments to the Parent Company.

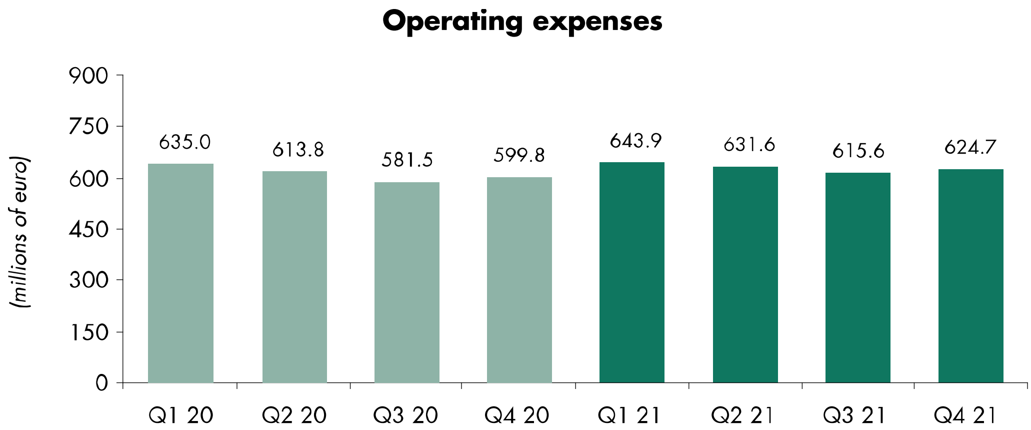
By virtue of the dynamics described, total **operating income** amounted to 4,510.7 million, up 8.6% compared with 4,151.8 million in 2020.



Taking only revenues from "core banking business" into account, represented by the sum of the aggregates relating to the net interest income, to net fee and commission income, and to the result of interests in associates and joint ventures carried at equity, the 2021 figure reached 4,184.8 million, up 10.8% compared to the figure for the previous year.

Operating expenses

(thousands of euro)	2021	2020	Abs. Change	% Change
Personnel expenses	**(1,667,799)**	**(1,581,141)**	**(86,658)**	**5.5%**
Other administrative expenses	**(601,151)**	**(593,812)**	**(7,339)**	**1.2%**
- Taxes and duties	(320,133)	(312,976)	(7,157)	2.3%
- Services and consulting	(289,066)	(268,748)	(20,318)	7.6%
- Property	(66,155)	(60,796)	(5,359)	8.8%
- Postal, telephone and stationery	(22,773)	(26,095)	3,322	(12.7%)
- Maintenance and fees for furniture, machines and systems	(86,709)	(81,292)	(5,417)	6.7%
- Advertising and entertainment	(9,501)	(10,740)	1,239	(11.5%)
- Other administrative expenses	(89,333)	(105,321)	15,988	(15.2%)
- Expense recoveries	282,519	272,156	10,363	3.8%
Value adjustments to property, plant and equipment and intangible assets	**(246,825)**	**(255,114)**	**8,289**	**(3.2%)**
- Value adjustments to property, plant and equipment	(165,990)	(179,011)	13,021	(7.3%)
- Value adjustments to intangible assets	(78,825)	(73,866)	(4,959)	6.7%
- Net write-downs for impairment	(2,010)	(2,237)	227	(10.1%)
Total	**(2,515,775)**	**(2,430,067)**	**(85,708)**	**3.5%**



Personnel expenses, of 1,667.8 million, rose by 5.5% compared to the 1,581.1 million of 2020, which had benefited from the savings relating to provisions allocated for the incentive system in the previous year and to other cost reductions associated with the effects of the health emergency. As at 31 December 2021, the total number of employees was 20,437, down compared to 21,663 at the end of 2020, due to the exit during the year of around 1,300 resources as part of the programme envisaging use of the Solidarity Fund for the sector.

Other administrative expenses[1], totalling 601.2 million, recorded a slight increase of 1.2% on the 2020 figure of 593.8 million.

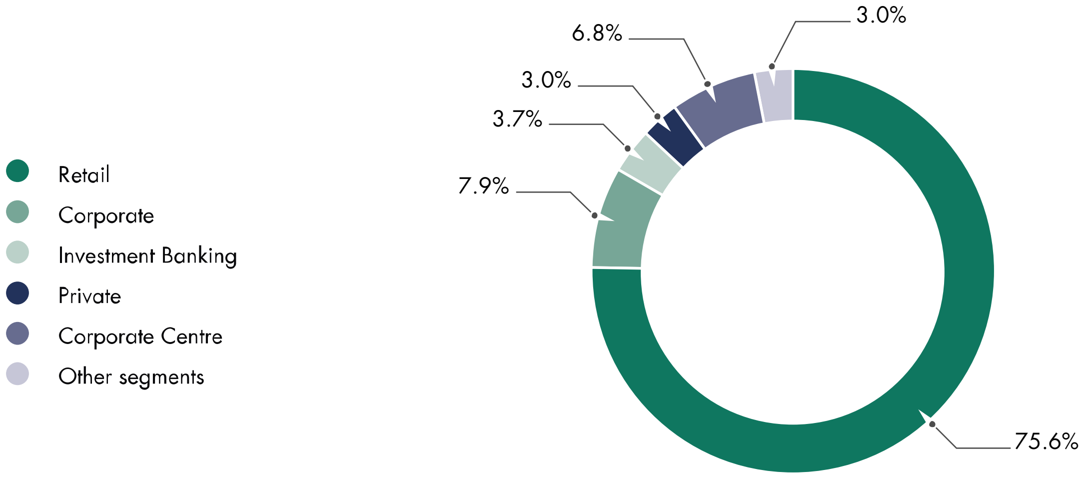
Net value adjustments to property, plant and equipment and intangible assets amounted to 246.8 million and included write-downs of 2.0 million.
The comparison with 2020 shows a fall with respect to the figure of 255.1 million as at 31 December 2020.

Total **operating expenses** therefore amounted to 2,515.8 million, up by 3.5% compared to 2,430.1 million in 2020.

(thousands of euro)	2021	2020 restated (*)	2020	Reclassifications	Abs. change on restated balances	% Change
Retail	(1,901,966)	(1,843,966)	(1,843,966)	-	(58,000)	3.1%
Corporate	(199,363)	(156,707)	(156,707)	-	(42,656)	27.2%
Institutional	(41,907)	(37,801)	(37,801)	-	(4,106)	10.9%
Private	(75,285)	(73,138)	(73,138)	-	(2,147)	2.9%
Investment Banking	(91,922)	(84,591)	(84,591)	-	(7,331)	8.7%
Strategic Partnerships	(2,646)	(2,566)	(2,566)	-	(80)	3.1%
Leases	(31,817)	(33,831)	(33,050)	(781)	2,014	(6.0%)
Corporate Centre	(170,869)	(197,467)	(198,248)	781	26,598	(13.5%)
Total	**(2,515,775)**	**(2,430,067)**	**(2,430,067)**	**-**	**(85,708)**	**3.5%**

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to guarantee a like-for-like comparison with the profiling criteria used for 2021.

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



Operating expenses showed a substantial increase in personnel expenses (86.7 million), both in the Commercial Network, where the Retail segment recorded higher costs of 57.6 million, and in the Investment banking one (8.2 million), insofar as 2020 had benefited from savings on the incentive system and other cost reductions relating to the health emergency (contributions from the Solidarity Fund of the sector were down from 31.6 million to 14.4 million).
Other administrative expenses and value adjustments to property, plant and equipment and intangible assets were stable overall at consolidated level. More specifically, the Corporate segment of the Commercial Network recorded a significant increase in Other administrative expenses (37.9 million), following a redefinition of the recharges of costs between the same and the Retail segment. Following the afore-mentioned benefit, the latter recorded higher costs for several IT projects, which involved the branches. The recharge component relating to the costs of the Corporate Centre towards the various business lines increased.

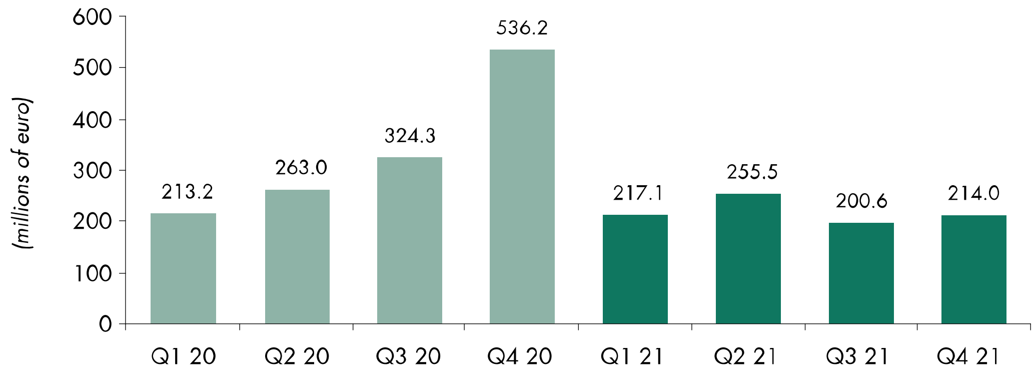
Profit (loss) from operations

The **profit from operations** as at 31 December 2021 stood at 1,995.0 million, up by 15.9% compared to 1,721.7 million in the previous year.

Adjustments and provisions

(thousands of euro)	2021	2020	Abs. Change	% Change
Net adjustments to loans to customers	**(639,147)**	**(1,049,656)**	**410,509**	**(39.1%)**
Specific value adjustments: derecognition	(67,065)	(90,908)	23,843	(26.2%)
Specific value adjustments: other	(1,075,092)	(1,240,351)	165,259	(13.3%)
Specific recoveries	507,737	429,297	78,440	18.3%
Net portfolio adjustments/recoveries	(4,727)	(147,694)	142,967	(96.8%)
Gains (losses) on disposal of loans	**(248,052)**	**(287,151)**	**39,099**	**(13.6%)**
Total	**(887,199)**	**(1,336,807)**	**449,608**	**(33.6%)**

Net adjustments to loans to customers



Net adjustments to loans to customers amounted to 887.2 million, down compared to the previous year (1,336.8 million). The item in question includes the extraordinary charges following the sale of receivables finalised as part of the "Rockets" project and the additional impact deriving from the increase in the targets for the sale of non-performing receivables decided by the Parent Company, for a total of 194 million.
As at 31 December 2021, the cost of credit, measured by the ratio of net value adjustments on loans to net loans, was 81 basis points, decreasing to 55 basis points if non-core components are excluded[1].

The result of **fair value gains (losses) on property, plant and equipment** as at 31 December 2021 reported losses of 141.6 million compared to 36.7 million last year. These adjustments relates to the valuation process conducted annually on properties, with 106.0 million related to owned properties acquired as part of credit collection activities (so-called foreclosed assets).

In 2021, as in the previous year, no significant **net adjustments to securities and other financial assets** were recorded.

Net provisions for risks and charges amounted to 26.0 million; in the previous year, net provisions of 42.3 million were recognised against clawback actions and legal and tax disputes.

Gains (losses) on interests in associates and joint ventures and other investments amounted to -18.8 million and includes the effect of the impairment made of the interest held in Factorit. The figure last year was +1.2 million.

Due to the above performance, **profit before tax from continuing operations** was 921.0 million, compared to 306.1 million as at 31 December 2020.

Other revenue and cost items

The **taxation charge related to profit or loss from continuing operations** was -253.8 million (-13.5 million as at December 2020).

The **profit after tax from continuing operations** therefore amounted to 667.2 million and recorded an increase of 128.0% against the figure of 292.6 million last year.

Charges related to the banking system, net of taxes were charged to the income statement for the year, amounting to 145.0 million (138.9 million in 2020) relating to the ordinary contribution paid to the Single Resolution Fund (SRF) and to the Interbank Deposit Protection Fund, as well as the additional contribution to the National Resolution Fund. The total value of the above-cited charges, before taxes was 214.8 million, compared to 192.0 million as at 31 December 2020.

[1] Management figures that exclude components not considered structural.

The item **Impact of the realignment of tax values to book values** includes the positive impact on the income statement for 81.7 million, resulting from the exercise of the right of realignment of the tax values of the Group's operating properties to book values.

In the year, the **change in own credit risk on Certificates issued by the Group**, net of taxes, generated income of 4.4 million (6.5 million before taxes), compared to the charge recognised in 2020 of -11.7 million (-17.5 million before taxes).

The item **Purchase Price Allocation, net of taxes**[1] represents the total impact on the income statement of the reversal effect of the allocation of the prices paid in the business combination operations net of the relative taxes. In greater detail, this regards the impact on "net interest income" (-25.5 million) deriving from the reversal effect of the higher values attributed to the assets acquired (mainly referring to the former Banca Popolare di Milano Group) and the impact on "other net operating income" (-33.5 million) due to the amortisation of the higher intangible assets recognised. Net of the relative taxes, the total impact on the income statement for 2021 amounted to -39.5 million (-41.5 million for 2020).

Given the share of profit attributable to non-controlling interests, of +0.3 million, 2021 closed with **net profit** of 569.1 million (20.9 million as at 31 December 2020).

The **profit net of non-recurring items** as at 31 December 2021 was 710.1 million, compared to 330.5 million recorded in 2020 (+114.9%).

[1] In application of the provisions of IFRS 3, the income statement of Banco BPM Group includes the economic impacts (known as reversal effects) deriving from the allocation of the prices paid as part of the business combination between Banco Popolare Group and Banca Popolare di Milano Group finalised in 2017 and between Banco Popolare di Verona e Novara Group and Banca Popolare Italiana Group in 2007.

Consolidated balance sheet figures

Reclassified consolidated balance sheet

Below is the reclassified balance sheet as at 31 December 2021 compared with the balances in the financial statements as at 31 December 2020; the latter have been restated to take into account the amendments introduced by the 7th update of Circular no. 262 of the Bank of Italy with the communication of 21 December 2021. More specifically, the amount of the current accounts and demand deposits is included, from 31 December 2021, in "Cash and cash equivalents" instead of in "Loans at amortised cost: loans to banks".
The attachments to the financial statements include a statement of reconciliation between the balances as at 31 December 2020 originally published, and the restated ones, as well as a statement of reconciliation between the items of the consolidated balance sheet and the reclassified consolidated balance sheet.

(thousands of euro)	**31/12/2021**	**31/12/2020 (*)**	**Change**	
Cash and cash equivalents	29,153,316	9,410,687	19,742,629	209.8%
Loans at AC	121,261,260	119,903,058	1,358,202	1.1%
- Loans to banks	11,877,878	10,568,073	1,309,805	12.4%
- Loans to customers (**)	109,383,382	109,334,985	48,397	0.0%
Other financial assets and hedging derivatives	36,326,393	41,175,632	(4,849,239)	(11.8)%
- At FV through Profit and Loss	6,464,186	9,118,571	(2,654,385)	(29.1)%
- At FV through OCI	10,675,079	10,710,796	(35,717)	(0.3)%
- At AC	19,187,128	21,346,265	(2,159,137)	(10.1)%
Interests in associates and joint ventures	1,794,116	1,664,772	129,344	7.8%
Property, plant and equipment	3,278,245	3,552,482	(274,237)	(7.7)%
Intangible assets	1,213,722	1,218,632	(4,910)	(0.4)%
Tax assets	4,540,229	4,704,196	(163,967)	(3.5)%
Non-current assets and disposal groups held for sale	229,971	72,823	157,148	215.8%
Other assets	2,691,964	1,982,900	709,064	35.8%
Total assets	**200,489,216**	**183,685,182**	**16,804,034**	**9.1%**
Direct funding	120,213,016	116,936,669	3,276,347	2.8%
- Due to customers	107,120,893	102,162,461	4,958,432	4.9%
- Securities and financial liabilities designated at FV	13,092,123	14,774,208	(1,682,085)	(11.4)%
Due to banks	45,685,032	33,937,523	11,747,509	34.6%
Lease payables	673,872	760,280	(86,408)	(11.4)%
Other financial liabilities designated at fair value	15,755,319	14,015,427	1,739,892	12.4%
Liability provisions	1,196,946	1,415,473	(218,527)	(15.4)%
Tax liabilities	302,816	464,570	(161,754)	(34.8)%
Other liabilities	3,566,156	3,928,139	(361,983)	(9.2)%
Total liabilities	**187,393,157**	**171,458,081**	**15,935,076**	**9.3%**
Non-controlling interests	1,108	1,894	(786)	(41.5)%
Group shareholders' equity	13,094,951	12,225,207	869,744	7.1%
Consolidated shareholders' equity	**13,096,059**	**12,227,101**	**868,958**	**7.1%**
Total liabilities and shareholders' equity	**200,489,216**	**183,685,182**	**16,804,034**	**9.1%**

(*) The items "Cash and cash equivalents" and "Loans at AC - loans to banks" of the previous year have been restated to take into account the amendments introduced by the 7th update of Circular no. 262 of the Bank of Italy.
(**) Includes senior securities from sales of non-performing loans.

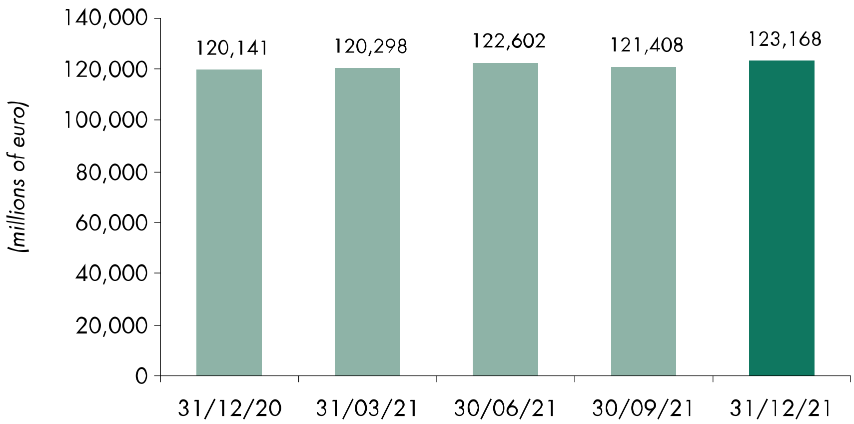
The evolution of the main balance sheet aggregates as at 31 December 2021 is illustrated below.

Loan brokering activities

Direct funding

(thousands of euro)	31/12/2021	% impact	31/12/2020	% impact	Abs. Change	% Change
Current accounts and deposits	**105,028,846**	**87.4%**	**99,964,064**	**85.5%**	**5,064,782**	**5.1%**
- current accounts and demand deposits	104,038,158	86.5%	98,490,060	84.2%	5,548,098	5.6%
- fixed-term deposits and other restricted current accounts	990,688	0.8%	1,474,004	1.3%	(483,316)	(32.8%)
Securities	**13,092,123**	**10.9%**	**14,774,208**	**12.6%**	**(1,682,085)**	**(11.4%)**
- bonds and liabilities at fair value	13,071,312	10.9%	14,704,719	12.6%	(1,633,407)	(11.1%)
- certificates of deposit and other securities	20,811	0.0%	69,489	0.1%	(48,678)	(70.1%)
Repurchase agreements	**627,845**	**0.5%**	**495,505**	**0.4%**	**132,340**	**26.7%**
Loans and other payables	**1,464,202**	**1.2%**	**1,702,892**	**1.5%**	**(238,690)**	**(14.0%)**
Direct funding	**120,213,016**	**100.0%**	**116,936,669**	**100.0%**	**3,276,347**	**2.8%**
Direct funding without repurchase agreements	**119,585,171**		**116,441,164**		**3,144,007**	**2.7%**
Other funding (Protected capital certificates)	3,582,874		3,699,901		(117,027)	(3.2%)
Total direct funding without repurchase agreements with certificates	**123,168,045**		**120,141,065**		**3,026,980**	**2.5%**

Direct funding

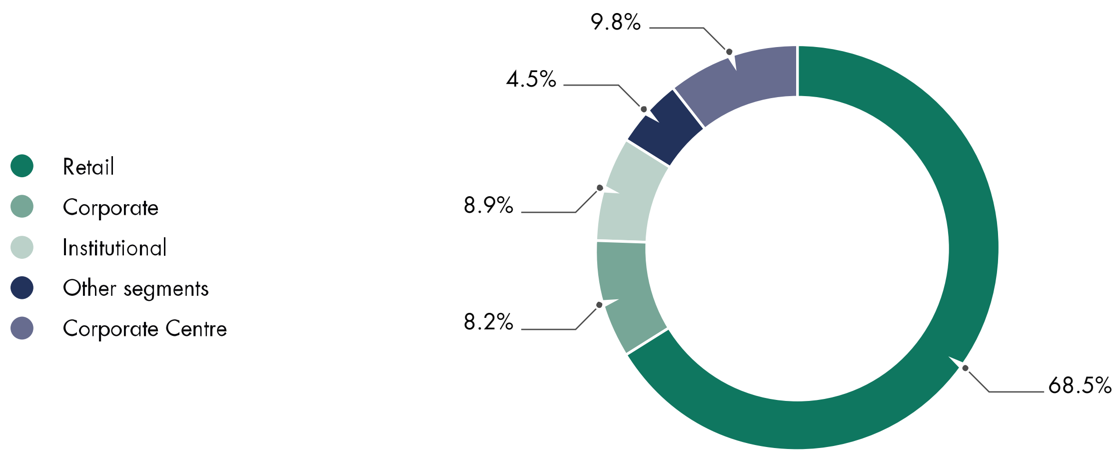


As at 31December 2021, **direct funding**[1] totalled 123.2 billion, showing an increase of 2.5% compared to 31 December 2020.
More specifically, over the period there was an increase of 5.5 billion in the segment represented by current accounts and demand deposits of the commercial network (+5.6%). As regards bonds issued, the stock as at 31 December came to 13.1 billion, down by 1.7 billion compared to 31 December 2020, due to higher reimbursements of securities matured than new issues in the period.
As at 31 December 2021, the funding guaranteed by the stock of certificates with unconditional capital protection totalled 3.6 billion (3.7 billion as at 31 December 2020).

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

(thousands of euro)	31/12/2021	% impact	31/12/2020 restated (*)	% impact	31/12/2020	Abs. change on restated balances	% Change
Retail	84,398,631	68.5%	79,507,051	66.2%	79,521,550	4,891,580	6.2%
Corporate	10,136,351	8.2%	11,490,306	9.6%	11,475,745	(1,353,955)	(11.8%)
Institutional	10,926,181	8.9%	9,956,785	8.3%	9,956,749	969,396	9.7%
Private	2,935,264	2.4%	2,983,412	2.5%	2,983,412	(48,148)	(1.6%)
Investment Banking	2,663,969	2.2%	3,584,917	3.0%	3,584,917	(920,948)	(25.7%)
Leases	4,507	0.0%	6,669	0.0%	6,669	(2,162)	(32.4%)
Corporate Centre	12,103,142	9.8%	12,611,925	10.5%	12,612,023	(508,783)	(4.0%)
Total direct funding	**123,168,045**	**100.0%**	**120,141,065**	**100.0%**	**120,141,065**	**3,026,980**	**2.5%**

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to guarantee a like-for-like comparison with the profiling criteria used for 2021.

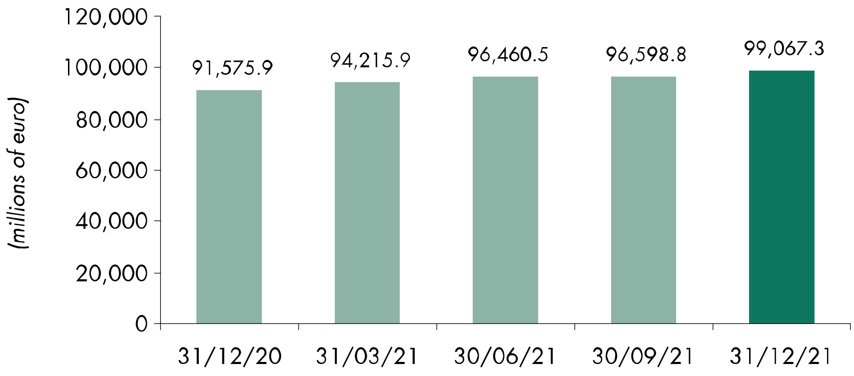


Total direct funding relative to the Commercial Network (Retail, Corporate, Institutional and Private) grew significantly, reaching 108.4 billion (+4.3%). Effectively, against a decrease in the stock of bonds placed with the Network and in the restricted component of direct funding, there was a sharp increase, especially in the Retail sector, of the non-restricted component of deposits (+5.4 billion), particularly the technical form of Current Accounts. This performance offset the reduction recorded by the Corporate segment of the Commercial Network, whose direct funding fell from 11.5 billion to 10.1 billion.
On the contrary, Corporate Centre amounts decreased, mainly due to the contraction in institutional bonds, despite new issues for 800 million, of which 300 million related to a subordinated bond issued at the end of June of the current year.

Indirect funding

(thousands of euro)	31/12/2021	% impact	31/12/2020	% impact	Abs. Change	% Change
Managed assets	**65,347,877**	**63.9%**	**59,599,197**	**62.9%**	**5,748,680**	**9.6%**
mutual funds and SICAVs	45,762,839	44.8%	40,797,605	43.0%	4,965,234	12.2%
securities and fund management	4,135,099	4.0%	3,945,198	4.2%	189,901	4.8%
insurance policies	15,449,939	15.1%	14,856,394	15.7%	593,545	4.0%
Administered assets	**36,840,066**	**36.1%**	**35,208,130**	**37.1%**	**1,631,936**	**4.6%**
Total indirect funding	**102,187,943**	**100.0%**	**94,807,327**	**100.0%**	**7,380,616**	**7.8%**
Underlying funding for protected capital certificates	3,120,665		3,231,474		(110,809)	(3.4%)
Total indirect funding without certificates	**99,067,278**		**91,575,853**		**7,491,425**	**8.2%**

Indirect funding

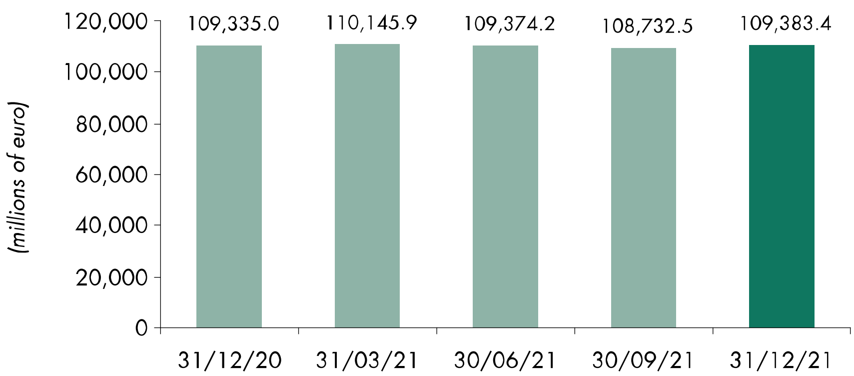


Indirect funding net of protected capital certificates amounted to 99.1 billion, up by 8.2% compared to 31 December 2020.
The component of managed assets amounted to 65.3 billion, up compared to the figure of 59.6 billion as at 31 December 2020 (+9.6%), due to the contribution of funds and SICAVs, which recorded an increase of around 5.0 billion since the beginning of the year (+12.2%); the increase in portfolio management and of the bancassurance segment was more modest.
Administered assets, net of protected capital certificates, reached 33.7 billion, an increase of 1.7 billion (+5.5%) compared to the end of 2020.

Loans to customers

(thousands of euro)	31/12/2021	% impact	31/12/2020	% impact	Abs. Change	% Change
Mortgage loans	79,285,841	72.5%	76,393,191	69.9%	2,892,650	3.8%
Current accounts	8,542,637	7.8%	8,538,393	7.8%	4,244	0.0%
Repurchase agreements	3,658,922	3.3%	3,482,261	3.2%	176,661	5.1%
Finance leases	1,222,730	1.1%	1,491,577	1.4%	(268,847)	(18.0%)
Credit cards, personal loans and salary-backed loans	1,350,550	1.2%	1,890,737	1.7%	(540,187)	(28.6%)
Other transactions	13,025,142	11.9%	15,222,324	13.9%	(2,197,182)	(14.4%)
Senior securities from sales of non-performing loans	2,297,560	2.1%	2,316,502	2.1%	(18,942)	(0.8%)
Total net loans to customers	**109,383,382**	**100.0%**	**109,334,985**	**100.0%**	**48,397**	**0.0%**

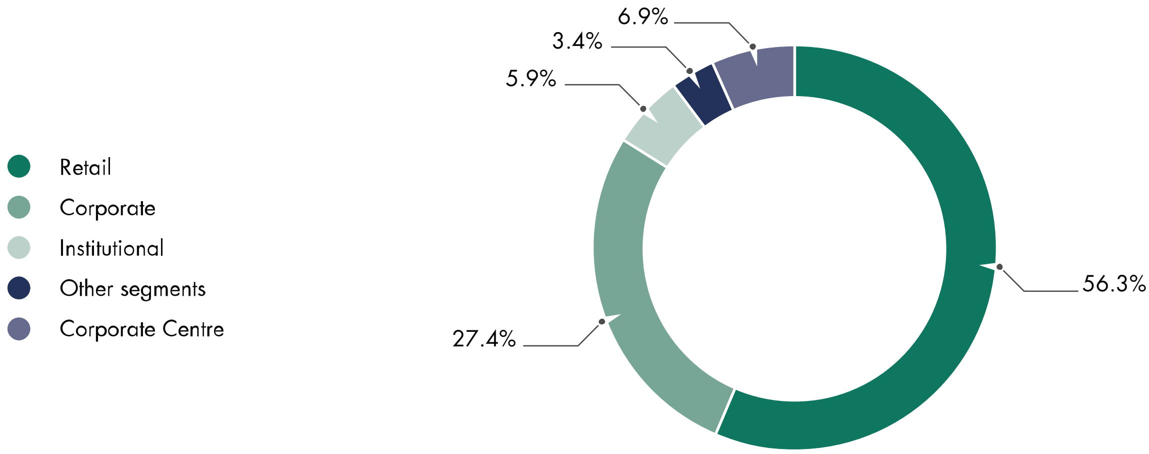
Net loans to customers



Net loans to customers[1] totalled 109.4 billion as at 31 December 2021, essentially unchanged compared to the figure as at 31 December 2020 (109.3 billion). Performing exposures rose (+1.0%), with a volume of new loans to households and businesses of 22.7 billion[2] in the period, whilst non-performing exposures fell 24.0% compared to the end of 2020, due to the assignments finalised during the year.

(thousands of euro)	31/12/2021	% impact	31/12/2020 restated	% impact	31/12/2020	Abs. change on restated balances	% Change
Retail	61,625,508	56.3%	58,868,234	53.8%	58,679,546	2,757,274	4.7%
Corporate	29,936,846	27.4%	31,563,990	28.9%	30,952,448	(1,627,144)	(5.2%)
Institutional	6,488,818	5.9%	6,537,033	6.0%	6,498,443	(48,215)	(0.7%)
Private	428,751	0.4%	335,172	0.3%	335,172	93,579	27.9%
Investment Banking	1,963,699	1.8%	695,414	0.6%	694,825	1,268,285	182.4%
Leases	1,367,926	1.3%	1,639,209	1.5%	1,639,209	(271,283)	(16.5%)
Corporate Centre	7,571,834	6.9%	9,695,934	8.9%	10,535,342	(2,124,100)	(21.9%)
Total net loans	**109,383,382**	**100.0%**	**109,334,985**	**100.0%**	**109,334,985**	**48,397**	**0.0%**

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to guarantee a like-for-like comparison with the profiling criteria used for 2021.



The Commercial Network contributed positively to the growth of Group loans. More specifically, the Retail segment, which recorded 61.6 billion (+2.8 billion) increased due the effect of medium-long term loans granted to support SMEs, and related to the State Guarantee Fund for the Covid Emergency (DL "Heal Italy" and subsequent DL "Liquidity"). Corporate Centre saw a downturn, where the exposure to Cassa Compensazione e Garanzia, in the Parent Company's banking book position, decreased (-1.2 billion), and where the run-off of loans from the incorporated ProFamily started.

[1] The aggregate does not include loans to customers which, following the application of IFRS 9, are compulsorily measured at fair value. Those loans, amounting to 0.3 billion, are included under financial assets at fair value.
[2] Management data.

Credit quality

Loans to customers at amortised cost

(thousands of euro)	31/12/2021		31/12/2020		Abs. Change	% Change
	Net exposure	% impact	Net exposure	% impact		
Bad loans	906,482	0.8%	1,462,216	1.3%	(555,734)	(38.0%)
Unlikely to pay	2,309,437	2.1%	2,784,816	2.5%	(475,379)	(17.1%)
Non-performing past-due exposures	44,610	0.0%	45,642	0.0%	(1,032)	(2.3%)
Non-performing loans	**3,260,529**	**3.0%**	**4,292,674**	**3.9%**	**(1,032,145)**	**(24.0%)**
Performing loans	103,825,293	94.9%	102,725,809	94.0%	1,099,484	1.1%
Senior securities from sales of non-performing loans	2,297,560	2.1%	2,316,502	2.1%	(18,942)	(0.8%)
Performing exposures	**106,122,853**	**97.0%**	**105,042,311**	**96.1%**	**1,080,542**	**1.0%**
Total loans to customers	**109,383,382**	**100.0%**	**109,334,985**	**100.0%**	**48,397**	**0.0%**

(thousands of euro)	31/12/2021				31/12/2020			
	Gross exposure	Total value adjustments	Net exposure	Coverage	Gross exposure	Total value adjustments	Net exposure	Coverage
Bad loans	2,190,338	(1,283,856)	906,482	58.6%	3,578,445	(2,116,229)	1,462,216	59.1%
Unlikely to pay	4,126,107	(1,816,670)	2,309,437	44.0%	4,945,662	(2,160,846)	2,784,816	43.7%
Non-performing past-due exposures	59,733	(15,123)	44,610	25.3%	62,018	(16,376)	45,642	26.4%
Non-performing loans	**6,376,178**	**(3,115,649)**	**3,260,529**	**48.9%**	**8,586,125**	**(4,293,451)**	**4,292,674**	**50.0%**
of which: forborne	*3,346,651*	*(1,524,087)*	*1,822,564*	*45.5%*	*4,155,253*	*(1,913,282)*	*2,241,971*	*46.0%*
Performing loans (*)	**106,577,184**	**(454,331)**	**106,122,853**	**0.4%**	**105,508,487**	**(466,176)**	**105,042,311**	**0.4%**
of which: Stage 1	*94,887,670*	*(124,343)*	*94,763,327*	*0.1%*	*98,314,976*	*(155,709)*	*98,159,267*	*0.2%*
of which: Stage 2	*11,689,514*	*(329,988)*	*11,359,526*	*2.8%*	*7,193,511*	*(310,467)*	*6,883,044*	*4.3%*
of which: forborne	*3,224,400*	*(105,711)*	*3,118,689*	*3.3%*	*1,780,371*	*(94,599)*	*1,685,772*	*5.3%*
Total loans to customers	**112,953,362**	**(3,569,980)**	**109,383,382**	**3.2%**	**114,094,612**	**(4,759,627)**	**109,334,985**	**4.2%**

(*) Includes senior securities from sales of non-performing loans for an amount of 2,297.6 million (of which 2,299.4 million in gross exposure and 1.8 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 Notes to the consolidated financial statements, Part B - Information on the consolidated balance sheet, "Financial assets at amortised cost: breakdown by product for loans to customers".

As illustrated in more detail in Part A - Accounting policies, Section 5 - Other aspects - "Measurement of expected losses on credit exposures", in 2021, the Group continued with the process of revising and fine-tuning the current models, with a view to more accurately reflecting the expected losses of performing exposures, also as a consequence of the economic disruption caused by the Covid-19 crisis. This process moreover envisaged a series of adjustments to the models, as well as post model managerial adjustments. These interventions, along with changes in the portfolio, led to an increase in the credit exposures classified as "Stage 2" with respect to those recorded at the beginning of the year. In particular, for the portfolio represented by loans to customers, gross exposures classified as "Stage 2" as at 31 December 2021 amounted to 11.7 billion (10.97% of total performing exposures), up by 4.5 billion compared to the start of the year (when they totalled 6.82% of all performing exposures).

Net non-performing loans (bad loans, unlikely to pay and non-performing past due and/or overdue) amounted to 3.3 billion as at 31 December 2021.
An analysis of the individual items shows the following changes:

- net bad loans of 0.9 billion, down by 38.0% compared to 31 December 2020;
- net unlikely to pay of 2.3 billion, down by 17.1% compared to 31 December 2020;
- net past due exposures amounting to 45 million (46 million as at 31 December 2020).

The coverage ratio for the entire non-performing loans aggregate was 48.9% (50.0% as at 31 December 2020).
More specifically, as at 31 December 2021 the coverage ratio was as follows:

- bad loans 58.6% (59.1% as at 31 December 2020);

- unlikely to pay loans 44.0% (43.7% as at 31 December 2020);
- past due exposures 25.3% (26.4% as at 31 December 2020).

The change in the coverage of non-performing loans is related to significant fall in bad loans as a proportion of the total non-performing loan portfolio (from 41.7% at the end of 2020 to 34.4% as at December 2021) following the finalisation of the Rockets sale and the increase of the guaranteed component as regards said bad loans (from 64% at the end of 2020 to 67% as at December 2021).

The coverage ratio of performing loans was 0.43%, essentially stable compared to 31 December 2020 (0.44%); more specifically, the coverage of Stage 2 exposures was 2.82%, compared with 4.32% as at 31 December 2020.

Financial assets

(thousands of euro)	31/12/2021	% impact	31/12/2020	% impact	Abs. Change	% Change
Debt securities (*)	30,671,735	84.4%	33,859,700	82.2%	(3,187,965)	(9.4%)
Equity instruments	1,927,416	5.3%	1,387,043	3.4%	540,373	39.0%
UCIT units	1,091,564	3.0%	1,015,377	2.5%	76,187	7.5%
Total securities portfolio	**33,690,715**	**92.7%**	**36,262,120**	**88.1%**	**(2,571,405)**	**(7.1%)**
Derivative trading and hedging instruments	2,122,530	5.8%	2,661,631	6.5%	(539,101)	(20.3%)
Loans	513,148	1.4%	2,251,881	5.5%	(1,738,733)	(77.2%)
Total financial assets	**36,326,393**	**100.0%**	**41,175,632**	**100.0%**	**(4,849,239)**	**(11.8%)**

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

Financial assets amounted to 36.3 billion, falling 11.8% compared to 41.2 billion as at 31 December 2020; the decrease was mainly concentrated in debt securities (-3.2 billion) and, specifically, in the portfolio of securities measured at amortised cost. As at 31 December 2021, the aggregate in question was comprised by debt securities for 30.7 billion, equity instruments and UCIT units for 3.0 billion, derivatives for 2.1 billion and other financial assets, mainly represented by repurchase agreements for 0.5 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)	31/12/2021	% impact	31/12/2020	% impact	Abs. Change	% Change
Debt securities	1,148,885	17.8%	2,128,251	23.3%	(979,366)	(46.0%)
Equity instruments	1,588,059	24.6%	1,061,431	11.6%	526,628	49.6%
UCIT units	1,091,564	16.9%	1,015,377	11.1%	76,187	7.5%
Total securities portfolio	**3,828,508**	**59.2%**	**4,205,059**	**46.1%**	**(376,551)**	**(9.0%)**
Financial and credit derivatives	2,122,530	32.8%	2,661,631	29.2%	(539,101)	(20.3%)
Loans	513,148	7.9%	2,251,881	24.7%	(1,738,733)	(77.2%)
Overall total	**6,464,186**	**100.0%**	**9,118,571**	**100.0%**	**(2,654,385)**	**(29.1%)**

Financial assets measured at fair value through other comprehensive income

(thousands of euro)	31/12/2021	% impact	31/12/2020	% impact	Abs. Change	% Change
Debt securities	10,335,722	96.8%	10,385,184	97.0%	(49,462)	(0.5%)
Equity instruments	339,357	3.2%	325,612	3.0%	13,745	4.2%
Total	**10,675,079**	**100.0%**	**10,710,796**	**100.0%**	**(35,717)**	**(0.3%)**

Financial assets at amortised cost

(thousands of euro)	31/12/2021	% impact	31/12/2020	% impact	Abs. Change	% Change
Debt securities (*)	19,187,128	100.0%	21,346,265	100.0%	(2,159,137)	(10.1%)
Total	**19,187,128**	**100.0%**	**21,346,265**	**100.0%**	**(2,159,137)**	**(10.1%)**

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

Exposure to sovereign risk

The Group's total exposure in sovereign debt securities as at 31 December 2021 was 25,619.1 million, and is provided below, broken down by country (in thousands of euro):

Countries	Fin. assets at fair value through profit and loss	Financial assets measured at fair value through other comprehensive income	Fin. ass. measured at amortised cost	Total debt securities	of which Parent Company
Italy	722,938	1,706,035	10,303,393	12,732,366	12,524,015
Spain	91,525	1,441,910	1,565,320	3,098,755	3,098,755
Germany	2	949,509	826,757	1,776,268	1,776,267
France	-	2,008,014	1,962,876	3,970,890	3,970,890
Austria	-	-	142,370	142,370	142,370
Ireland	3	-	19,484	19,487	19,484
Other EU countries	3	136,267	295,434	431,704	431,701
Total EU countries	**814,471**	**6,241,735**	**15,115,634**	**22,171,840**	**21,963,482**
USA	3	1,110,148	2,126,860	3,237,011	3,237,008
Chile	-	14,948	2,057	17,005	17,005
China	-	64,555	47,972	112,527	112,527
Mexico	-	5,237	18,853	24,090	24,090
Hong Kong	-	21,499	-	21,499	21,499
Other countries	40	28,164	6,877	35,081	35,079
Total other countries	**43**	**1,244,551**	**2,202,619**	**3,447,213**	**3,447,208**
Total	**814,514**	**7,486,286**	**17,318,253**	**25,619,053**	**25,410,690**

Exposure is mainly concentrated within the Parent Company Banco BPM, which as at 31 December held a total of 25,410.7 million, mostly relative to Italian government bonds.

Investments in sovereign debt securities are classified in the portfolio of financial assets at fair value through profit and loss for approximately 3%, in the portfolio of financial assets measured at fair value through other comprehensive income for 29%, and the remaining 68% is classified in the segment of financial assets at amortised cost.
Around 87% of said exposure regards securities issued by European Union countries and in particular, 49.7% by Italy.

As regards financial assets measured at fair value through other comprehensive income, the reserves resulting from the fair value measurement of debt securities totalled a positive 68.0 million as at 31 December 2021, before taxes, with 20.5 million referring to government securities (+11.1 million relating to Italian government securities and 9.4 million to securities of other countries).
With regard to financial assets at amortised cost, the book value amounted to 17.3 billion, of which 10.3 billion represented by Italian government securities. For reporting purposes only, note that the fair value of the government securities classified in the above accounting category, determined on the basis of market listings on 31 December 2021 (level 1 in the fair value hierarchy), amounted to 17.8 billion (10.6 billion is the fair value relating to Italian government securities only).

The tables below provide more detailed information about the breakdown of debt securities with EU countries by accounting portfolio, residual life brackets and fair value hierarchy.

Financial assets at fair value through profit and loss

Status	Maturing by 2022	Maturing between 2023 and 2027	Maturing between 2028 and 2032	Maturing beyond 2032	Total fair value as at 31/12/2021	Total fair value by hierarchy		
						LEVEL 1	LEVEL 2	LEVEL 3
Italy	2,574	719,648	159	557	722,938	722,938	-	-
Spain	-	-	91,525	-	91,525	91,525	-	-
Ireland	-	1	2	-	3	3	-	-
Greece	-	-	-	2	2	2	-	-
Germany	-	-	-	2	2	2	-	-
Other EU countries	-	-	1	-	1	1	-	-
Total	**2,574**	**719,649**	**91,687**	**561**	**814,471**	**814,471**	**-**	**-**
of which Parent Company	-	715,203	91,529	-	806,732	806,732	-	-

Financial assets measured at fair value through other comprehensive income

Status	Maturing by 2022	Maturing between 2023 and 2027	Maturing between 2028 and 2032	Maturing beyond 2032	Total fair value as at 31/12/2021	Net reserve at FVTOCI	Value adjustments	Total fair value by hierarchy		
								LEVEL 1	LEVEL 2	LEVEL 3
Italy	200,618	1,006,175	337,249	161,993	1,706,035	7,446	-	1,706,035	-	-
Spain	-	647,997	793,913	-	1,441,910	8,122	-	1,441,910	-	-
France	-	282,834	1,725,180	-	2,008,014	4,368	-	2,008,014	-	-
Germany	-	-	949,509	-	949,509	108	-	949,509	-	-
Other EU countries	-	12,094	124,173	-	136,267	1,723	-	136,267	-	-
Total	**200,618**	**1,949,100**	**3,930,024**	**161,993**	**6,241,735**	**21,767**	**-**	**6,241,735**	**-**	**-**
of which Parent Company	-	1,949,100	3,930,024	161,993	6,041,117	21,562		6,041,117	-	-

Financial assets at amortised cost

Status	Maturing by 2022	Maturing between 2023 and 2027	Maturing between 2028 and 2032	Maturing beyond 2032	Total book value as at 31/12/2021	Total fair value	Total fair value by hierarchy		
							LEVEL 1	LEVEL 2	LEVEL 3
Italy	3,672,064	5,798,460	665,310	167,559	10,303,393	10,585,131	10,585,131	-	-
Spain	-	462,621	1,102,699	-	1,565,320	1,629,217	1,629,217	-	-
France	-	-	1,962,876	-	1,962,876	2,025,150	2,025,150	-	-
Ireland	-	-	19,484	-	19,484	21,423	21,423	-	-
Germany	-	332,554	494,203	-	826,757	845,233	845,233	-	-
Other EU countries	-	276,786	161,018	-	437,804	456,530	456,530	-	-
Total	**3,672,064**	**6,870,420**	**4,405,591**	**167,559**	**15,115,634**	**15,562,683**	**15,562,683**	**-**	**-**
of which Parent Company	3,672,064	6,870,418	4,405,591	167,559	15,115,632	15,562,681	15,562,681	-	-

Net Interbank Position

Loans to banks

(thousands of euro)	31/12/2021	% impact	31/12/2020 (*)	% impact	Abs. Change	% Change
Loans to central banks	**10,036,899**	**84.5%**	**7,826,884**	**74.1%**	**2,210,015**	**28.2%**
Loans to other banks	**1,840,979**	**15.5%**	**2,741,189**	**25.9%**	**(900,210)**	**(32.8%)**
Fixed-term deposits	154,496	1.3%	75,366	0.7%	79,130	105.0%
Repurchase agreements	293,490	2.5%	854,645	8.1%	(561,155)	(65.7%)
Other loans	1,392,993	11.7%	1,811,178	17.1%	(418,185)	(23.1%)
Total loans (A)	**11,877,878**	**100.0%**	**10,568,073**	**100.0%**	**1,309,805**	**12.4%**

(*) The figures relating to the previous year have been restated to take into account the amendments introduced by the 7th update of Circular no. 262 of the Bank of Italy.

Due to banks

(thousands of euro)	31/12/2021	% impact	31/12/2020	% impact	Abs. Change	% Change
Due to central banks	**39,041,403**	**85.5%**	**27,820,559**	**82.0%**	**11,220,844**	**40.3%**
Refinancing operations	38,756,200	84.8%	27,355,979	80.6%	11,400,221	41.7%
Other payables	285,203	0.6%	464,580	1.4%	(179,377)	(38.6%)
Due to other banks	**6,643,629**	**14.5%**	**6,116,964**	**18.0%**	**526,665**	**8.6%**
Current accounts and demand deposits	421,964	0.9%	521,475	1.5%	(99,511)	(19.1%)
Fixed-term deposits	398,035	0.9%	152,328	0.4%	245,707	161.3%
Repurchase agreements	5,062,398	11.1%	4,619,012	13.6%	443,386	9.6%
Other payables	761,232	1.7%	824,149	2.4%	(62,917)	(7.6%)
Total payables (B)	**45,685,032**	**100.0%**	**33,937,523**	**100.0%**	**11,747,509**	**34.6%**
Mismatch loans/payables (A) - (B)	**(33,807,154)**		**(23,369,450)**		**(10,437,704)**	**44.7%**
Due to central banks: refinancing operations	(38,756,200)		(27,355,979)		(11,400,221)	41.7%
Interbank balance (excl. refinancing operations)	4,949,046		3,986,529		962,517	24.1%
Mismatch towards central banks (excl. refinancing operations)	9,751,696		7,362,304		2,389,392	32.5%
Interbank balance towards other banks	(4,802,650)		(3,375,775)		(1,426,875)	42.3%

Net interbank exposure as at 31 December 2021 amounted to -33,807.2 million, compared to the balance of -23,369.4 million at the end of last year.
Amounts due to central banks came to 39.0 billion, and include TLTRO III long-term refinancing operations with the European Central Bank for a nominal value of 39.2 billion.
If net exposures towards central banks are not considered (in reality linked to the minimum reserve), the net interbank balance towards other banks is negative, and amounts to -4,802.6 million (-3,375.8 million as at 31 December of last year).

It should also be noted that, as established by the 7th update of Circular no. 262 of the Bank of Italy, from 31 December 2021, demand loans to banks are recorded in the Reclassified consolidated balance sheet item Cash and cash equivalents instead of in Loans to banks at amortised cost. The figures for the previous year have been restated to provide a like-for-like comparison.

Interests in associates and joint ventures

Interests in companies subject to significant influence as at 31 December 2021 amounted to 1,794.1 million, compared with 1,664.8 million as at 31 December 2020.

The increase recorded in the year of 129.3 million, included the effects resulting from the measurement at equity of interests in associated companies; in detail it encompassed:

- the portions pertaining to the results recorded by investee companies during the year totalling +231.9 million;
- the effects of the reduction in the equity, following the distribution of dividends of Agos Ducato (-47.6 million), Anima Holding (-15.7 million), Vera Assicurazioni (-3.9 million), Bipiemme Vita (-3.1 million), Gardant Liberty Servicing (-2.1 million) and Etica SGR (-1.1 million);
- the net changes pertaining to the Group of valuation reserves and other reserves of associates (-10.2 million);
- the impairment made on the interest held in Factorit (-18.7 million).

It should also be noted that in July a 5% share in HI-MTF held by Banca Akros was sold.

Property, plant and equipment

(thousands of euro)	31/12/2021	31/12/2020	Abs. Change	% Change
Property, plant and equipment used in operations	**2,172,466**	**2,392,442**	**(219,976)**	**(9.2%)**
- at cost	795,374	894,659	(99,285)	(11.1%)
- at fair value	1,377,092	1,497,783	(120,691)	(8.1%)
Property, plant and equipment held for investment purposes	**1,105,779**	**1,160,040**	**(54,261)**	**(4.7%)**
- at fair value	1,105,779	1,160,040	(54,261)	(4.7%)
Total property, plant and equipment (item 90)	**3,278,245**	**3,552,482**	**(274,237)**	**(7.7%)**
Property, plant and equipment held for sale (item 120)	106,028	61,449	44,579	72.5%
Total property, plant and equipment	**3,384,273**	**3,613,931**	**(229,658)**	**(6.4%)**

The breakdown of property, plant and equipment used in operations is shown in the table below:

Property, plant and equipment used in operations *(thousands of euro)*	At cost	At fair value	31/12/2021	31/12/2020
Owned assets	**87,001**	**1,377,092**	**1,464,093**	**1,598,649**
- land	-	1,004,302	1,004,302	1,101,844
- buildings	-	322,690	322,690	345,839
- other	87,001	50,100	137,101	150,966
Rights of use acquired through leases	**708,373**	**-**	**708,373**	**793,793**
- buildings	698,160	-	698,160	781,132
- other	10,213	-	10,213	12,661
Total	**795,374**	**1,377,092**	**2,172,466**	**2,392,442**

The breakdown of property, plant and equipment held for investment purposes is shown in the table below:

Property, plant and equipment held for investment purposes *(thousands of euro)*	At cost	At fair value	31/12/2021	31/12/2020
Owned assets	**-**	**1,105,779**	**1,105,779**	**1,160,040**
- land	-	791,671	791,671	829,624
- buildings	-	314,108	314,108	330,416
Total	**-**	**1,105,779**	**1,105,779**	**1,160,040**

As at 31 December 2021, the total property, plant and equipment held by the Group amounted to 3,384.3 million (3,613.9 million last 31 December) and included assets held for sale of 106.0 million (61.4 million as at 31 December 2020), referring to properties for which sales agreements were defined.

The fair value measurement of properties as at 31 December 2021 entailed the recognition of losses of 141.6 million, of which 106.0 million referred to owned properties acquired as part of credit collection activities (so-called "foreclosed assets").

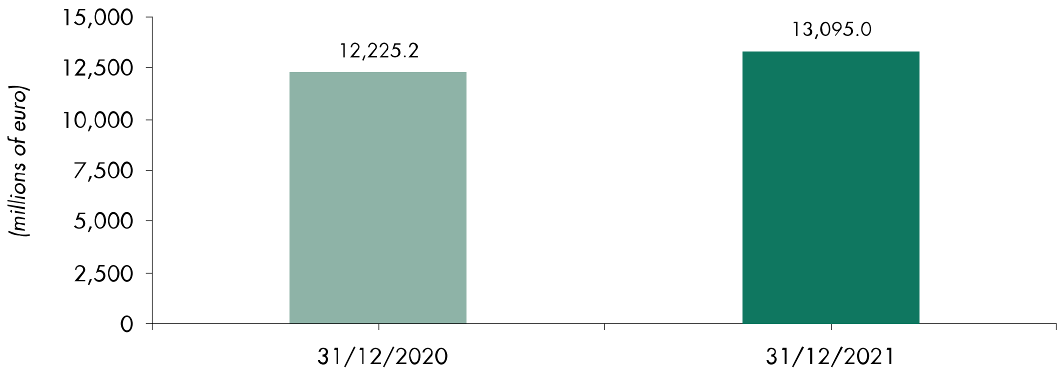
Liability provisions

As at 31 December, liability provisions amounted to 1,196.9 million (1,415.5 million last 31 December) and included the provisions for employee severance pay of 320.3 million (369.5 million at the end of last year), pension funds of 124.9 million (133.7 million as at 31 December 2020), allocations against commitments and guarantees given of 131.1 million (127.4 million at the end of the previous year) and other provisions of 620.7 million (784.9 million at the end of 2020).
These latter included provisions for personnel expenses of 382.6 million (450.7 million as at 31 December 2020), mainly related to the charges envisaged for the use of the extraordinary provisions of the Solidarity Funds and for early retirement incentives, and provisions for legal and tax disputes of 99.4 million (109.5 million at the end of last year).

In the Notes to the consolidated financial statements, Part B - Liabilities, Section 10 - Provisions for risks and charges, details are given with regards to the main pending legal proceedings, as well as the main disputes with the Tax Authorities and the main disputes and complaints involving customers.

Shareholders' equity and solvency ratios

Consolidated shareholders' equity



The Group's consolidated shareholders' equity as at 31 December 2021, including equity instruments, valuation reserves and profit for the year, amounted to 13,095.0 million, compared to the figure at the end of 2020 of 12,225.2 million.
The increase of 869.7 million is due to the issue of 400 million nominal Additional Tier 1 instruments in January 2021, recognised under item "140. Equity instruments" for 397.4 million (equal to the price collected, less the transaction costs), and from the contribution of the comprehensive income recorded in the year. The latter is positive by 600.1 million due to the net profit for the year of 569.1 million and the positive change in valuation reserves of 31.0 million.
Furthermore, there was a total of 127.8 million in other negative changes, referring primarily to the extraordinary distribution of dividends for 90.5 million, the payment of coupons on Additional Tier 1 instruments for 46.2 million and to other changes in reserves.

The following table shows the breakdown of valuation reserves:

(thousands of euro)	31/12/2021	31/12/2020
Financial assets measured at fair value through other comprehensive income	66,536	139,259
Property, plant and equipment	375,335	246,926
Foreign investment hedges	(603)	199
Cash flow hedges	(16,416)	(4,287)
Exchange rate differences	13,998	11,860
Financial liabilities designated at fair value through profit and loss (changes to its own credit risk)	(5,609)	(8,608)
Actuarial gains/(losses) on defined benefit pension plans	(100,693)	(95,176)
Share of valuation reserves related to interests in associates and joint ventures carried at equity	6,498	17,925
Special revaluation laws	2,314	2,314
Total	**341,360**	**310,412**

Valuation reserves as at 31 December 2021 were positive and amounted to 341.4 million, compared with the positive figure of 310.4 million as at 31 December 2020. The most significant change was seen in the reserves on Financial assets measured at fair value through other comprehensive income, which recorded a negative change of 72.7 million referring mainly to reserves on Italian and foreign government securities of 71.2 million and in the reserve relating to property, plant and equipment, which recorded an increase of 128.4 million against 2020, mainly due to the effect (121.2 million) resulting from the release of deferred tax liabilities as a balancing entry of shareholders' equity following the alignment of the tax values of property, plant and equipment to their book values.

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	Net profit (loss) for the year
Balance as at 31/12/2021 as per the Parent Company's financial statements	**12,865,252**	**415,794**
Impact of the valuation at equity of associated companies	261,989	231,940
Cancellation of dividends received during the year by associated companies	-	(73,435)
Other consolidation adjustments	(32,290)	(5,231)
Balance as at 31/12/2021 as per the consolidated financial statements	**13,094,951**	**569,068**

Solvency ratios - reference legislation and standards to follow

The minimum capital requirements for 2021 are:
- minimum Common Equity Tier 1 ratio (CET1 ratio) of: 4.5% + 2.5% Capital Conservation Buffer (CCB);
- minimum Tier 1 capital ratio (Tier 1 ratio) of: 6.0% + 2.5% CCB;
- minimum Total capital ratio of: 8% + 2.5% CCB.

The Bank of Italy has confirmed the Countercyclical Capital Buffer ratio for exposures to Italian counterparties at zero per cent also for 2021.

With its communication of 30 November 2017, the Bank of Italy identified Banco BPM banking group as an Other Systemically Important Institution (O-SII). The O-SII reserve is equal to 0.19% for 2021 and will reach 0.25% on 1 January 2022.

On 11 December 2019 the European Central Bank (ECB) notified Banco BPM of its final decision regarding the minimum capital ratios that Banco BPM is required to meet on an ongoing basis, starting from 2020.
The decision is based on the supervisory review and evaluation process (SREP) conducted in compliance with Article 4(1)(f) of Regulation (EU) no. 1024/2013.
In compliance with Article 16 (2) (a) of the Regulation no. 1024/2013, which confers on the ECB the power to require supervised banks to hold own funds in excess of the minimum capital requirements laid down by current regulations, the requirement to be added to the requirements highlighted above was 2.25%.

Due to the health emergency linked to Covid-19, with the letter dated 8 April 2020, the ECB decided to amend the decision taken in December 2019, stipulating that the SREP requirement of 2.25% must be maintained by Banco BPM for 56.25% as Common Equity Tier 1 (CET1) and 75% as Tier 1 Capital (Tier 1).

On 2 February 2022, the European Central Bank (ECB) notified Banco BPM of the SREP decision for 2022, maintaining the percentage to be added to minimum capital requirements unchanged at 2.25%.

Therefore, also considering the countercyclical capital buffer as at 31 December 2021 for exposures to the countries in which the Group operates, equal to 0.003%, the minimum requirements that Banco BPM is required to meet for 2022, both at phased-in and fully-phased level, until a new communication is issued, are as follows[1]:

- CET1 ratio: 8.519%;
- Tier 1 ratio: 10.441%;
- Total Capital ratio: 13.003%.

Banco BPM exercised the option for the full application of the transitory arrangements envisaged by Article 473a of Regulation EU 575/2013, which mitigates over time the impact on own funds resulting from the application of the new impairment model introduced by accounting standard IFRS 9. The above-cited transitional arrangements envisage the option of including a positive transitional component in Common Equity Tier 1 equivalent to a percentage of the increase made in provisions for expected credit losses as a result of applying IFRS 9. Said percentage decreases over time over a timeframe of five years, as indicated below:

- period from 1 January to 31 December 2018: 95% of the increase made in provisions for expected credit losses as a result of applying IFRS 9;
- period from 1 January 2019 to 31 December 2019: 85% of the increase in provisions for expected credit losses;
- period from 1 January 2020 to 31 December 2020: 70% of the increase in provisions for expected credit losses;
- period from 1 January 2021 to 31 December 2021: 50% of the increase in provisions for expected credit losses;
- period from 1 January 2022 to 31 December 2022: 25% of the increase in provisions for expected credit losses.

From 1 January 2023 the impact from the first-time adoption of IFRS 9 will be fully recognised in the calculation of own funds. Without prejudice to the impacts expected from the transitional regime mentioned above, Banco BPM does not benefit from any impact on Common Equity Tier 1 capital due to the new transitional regime set out by the amendments made by Regulation 873/2020 to Article 473a in relation to increased provisions allocated during the current year for expected losses on performing loans in relation to the amount of the same as at 1 January 2020.

The estimates of the capital ratios that the Group would have, all other conditions being the same, if it had not exercised the above option, are called, in brief, "fully phased IFRS 9". The capital ratios called "IFRS9 phased-in" instead are calculated based on the above-mentioned transitional provisions.

As at 31 December 2021, also including the profit (loss) for the year, and considering the proposed distribution of a dividend of 19 cents per share and the other allocations of the profit that will be submitted to the Shareholders' Meeting, the phased-in Common Equity Tier 1 ratio comes to 14.7% compared to 14.6% as at 31 December 2020.
The phased-in ratio benefits from exercise of the option for full application of the transitional rules introduced with the new Art. 473a of Regulation (EU) no. 575/2013, which dilutes over time the impact on own funds deriving from application of the new impairment model introduced by the accounting standard IFRS 9. Excluding the impacts of the aforementioned transitional rules, the fully phased IFRS 9 CET 1 ratio stood at 13.4%, up compared to the figure of 13.3% as at 31 December 2021.

[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 AT1 and 2% in terms of AT2);
- the P2R requirement communicated by the ECB equal to 2.25% to be met by CET1 (56.25%) and TIER1 (75%);
- a capital conservation buffer equal to 2.50%, to be entirely met by CET1;
- the O-SII buffer equal to 0.25% to be met entirely by CET1;
- the countercyclical capital buffer equal to 0.003% to be met entirely with CET1 capital.

The phased-in Tier 1 ratio was equal to 16.5% compared to 15.8% as at 31 December 2020, while the Total Capital ratio was equal to 19.6% compared to 18.7% as at 31 December 2020.

The fully-phased Tier 1 ratio was 15.1% (14.3% as at 31 December 2020); the Total Capital ratio came to 18.2%, compared to 17.2% as at 31 December 2021.

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"). The regulation establishes a gradual phase-in[2]. As at 31 December 2021, Banco BPM Group had a consolidated LCR equal to 209%.

In the near future, an additional liquidity requirement is expected to be introduced, measured over a longer time horizon, called the Net Stable Funding Ratio ("NSFR"). Said ratio, calculated according to the most recent rules set by the Quantitative Impact Study and including protected capital certificates, is higher than 100%.

Lastly, the value of the leverage ratio as at 31 December 2021 came to 5.92%, calculated using the transitional definition of Common Equity Tier 1 capital and benefiting from the exclusion of several exposures to central banks, as per Regulation (EU) 2020/873. The ratio calculated based on the fully phased rules is 5.44%.

[2] 60% from 1 October 2015; 70% from 1 January 2016; 80% from 1 January 2017 and 100% from 1 January 2018.