RESULTS

Reclassified accounting statements

Reclassified consolidated balance sheet

(thousands of euro)	31/12/2022	31/12/2021	Change	
Cash and cash equivalents	13,130,815	29,153,316	(16,022,501)	(55.0%)
Loans measured at AC	113,632,853	121,261,260	(7,628,407)	(6.3%)
- Loans to banks	4,177,893	11,877,878	(7,699,985)	(64.8%)
- Loans to customers (*)	109,454,960	109,383,382	71,578	0.1%
Other financial assets and hedging derivatives	43,093,541	36,326,393	6,767,148	18.6%
- Measured at FVTPL	8,206,881	6,464,186	1,742,695	27.0%
- Measured at FVOCI	9,380,520	10,675,079	(1,294,559)	(12.1%)
- Measured at AC	25,506,140	19,187,128	6,319,012	32.9%
Financial assets pertaining to insurance companies	5,892,769	-	5,892,769	0.0%
Interests in associates and joint ventures	1,453,955	1,794,116	(340,161)	(19.0%)
Property, plant and equipment	3,034,689	3,278,245	(243,556)	(7.4%)
Intangible assets	1,286,734	1,213,722	73,012	6.0%
Tax assets	4,622,827	4,540,229	82,598	1.8%
Non-current assets and disposal groups held for sale	214,737	229,971	(15,234)	(6.6%)
Other assets	3,322,975	2,691,964	631,011	23.4%
Total assets	**189,685,895**	**200,489,216**	**(10,803,321)**	**(5.4%)**
Direct bank funding	120,639,083	120,213,016	426,067	0.4%
- Due to customers	107,679,408	107,120,893	558,515	0.5%
- Securities and financial liabilities designated at FV	12,959,675	13,092,123	(132,448)	(1.0%)
Direct funding from insurance business and technical reserves	5,856,254	-	5,856,254	0.0%
- Financial liabilities pertaining to insurance companies measured at fair value	1,441,830	-	1,441,830	0.0%
- Technical reserves of insurance companies	4,414,424	-	4,414,424	0.0%
Due to banks	32,635,805	45,685,032	(13,049,227)	(28.6%)
Lease payables	627,921	673,872	(45,951)	(6.8%)
Other financial liabilities designated at fair value	13,597,650	15,755,319	(2,157,669)	(13.7%)
Other financial liabilities pertaining to insurance companies	439	-	439	0.0%
Liability provisions	988,852	1,196,946	(208,094)	(17.4%)
Tax liabilities	279,983	302,816	(22,833)	(7.5%)
Liabilities associated with assets classified as held for sale	31,731	-	31,731	0.0%
Other liabilities	2,257,906	3,566,156	(1,308,250)	(36.7%)
Total liabilities	**176,915,624**	**187,393,157**	**(10,477,533)**	**(5.6%)**
Non-controlling interests	720	1,108	(388)	(35.0%)
Group shareholders' equity	12,769,551	13,094,951	(325,400)	(2.5%)
Consolidated shareholders' equity	**12,770,271**	**13,096,059**	**(325,788)**	**(2.5%)**
Total liabilities and shareholders' equity	**189,685,895**	**200,489,216**	**(10,803,321)**	**(5.4%)**

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

Reclassified consolidated income statement

(thousands of euro)	2022	2021	Change
Net interest income	2,314,409	2,041,628	13.4%
Gains (losses) on interests in associates and joint ventures carried at equity	157,483	231,940	(32.1%)
Financial margin	**2,471,892**	**2,273,568**	**8.7%**
Net fee and commission income	1,887,322	1,911,203	(1.2%)
Other net operating income	71,602	75,280	(4.9%)
Net financial result	242,983	250,695	(3.1%)
Profit (loss) on insurance business	31,718	-	
Other operating income	**2,233,625**	**2,237,178**	**(0.2%)**
Operating income	**4,705,517**	**4,510,746**	**4.3%**
Personnel expenses	(1,608,901)	(1,667,799)	(3.5%)
Other administrative expenses	(650,380)	(601,151)	8.2%
Net value adjustments to property, plant and equipment and intangible assets	(280,088)	(246,825)	13.5%
Operating expenses	**(2,539,369)**	**(2,515,775)**	**0.9%**
Profit (loss) from operations	**2,166,148**	**1,994,971**	**8.6%**
Net adjustments to loans to customers	(682,281)	(887,199)	(23.1%)
Fair value gains (losses) on property, plant and equipment	(108,347)	(141,633)	(23.5%)
Net adjustments to securities and other financial assets	(9,106)	(328)	0.0%
Net provisions for risks and charges	(57,214)	(26,039)	119.7%
Gains (losses) on interests in associates and joint ventures and other investments	2,258	(18,768)	
Profit (loss) before tax from continuing operations	**1,311,458**	**921,004**	**42.4%**
Taxation charge related to profit or loss from continuing operations	(408,931)	(253,828)	61.1%
Profit (loss) after tax from continuing operations	**902,527**	**667,176**	**35.3%**
Charges related to the banking system, net of taxes	(151,887)	(144,995)	4.8%
Impact of the realignment of tax values to book values	-	81,709	(100.0%)
Goodwill impairment	(8,132)	-	0.0%
Change in own credit risk on Certificates issued by the Group, net of taxes	4,818	4,354	10.7%
Purchase Price Allocation net of taxes	(45,523)	(39,460)	15.4%
Profit (loss) for the year attributable to non-controlling interests	786	284	176.8%
Parent Company's profit (loss) for the year	**702,589**	**569,068**	**23.5%**

Reclassified consolidated income statement – Quarterly changes

(thousands of euro)	Q4 2022	Q3 2022 (*)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net interest income	723,957	551,319	527,591	511,542	506,005	516,427	522,367	496,829
Gains (losses) on interests in associates and joint ventures carried at equity	34,803	31,566	41,472	49,642	87,066	46,795	56,535	41,544
Financial margin	**758,760**	**582,885**	**569,063**	**561,184**	**593,071**	**563,222**	**578,902**	**538,373**
Net fee and commission income	447,262	473,197	486,771	480,092	485,821	475,308	478,679	471,395
Other net operating income	19,512	20,397	15,028	16,665	9,066	26,296	21,747	18,171
Net financial result	(8,951)	75,138	48,863	127,933	(1,443)	35,878	116,533	99,727
Profit (loss) on insurance business	40,457	(8,739)	-	-	-	-	-	-
Other operating income	**498,280**	**559,993**	**550,662**	**624,690**	**493,444**	**537,482**	**616,959**	**589,293**
Operating income	**1,257,040**	**1,142,878**	**1,119,725**	**1,185,874**	**1,086,515**	**1,100,704**	**1,195,861**	**1,127,666**
Personnel expenses	(395,165)	(400,532)	(405,342)	(407,862)	(413,937)	(409,823)	(417,135)	(426,904)
Other administrative expenses	(171,476)	(160,701)	(162,650)	(155,553)	(149,106)	(144,012)	(153,903)	(154,130)
Net value adjustments to property, plant and equipment and intangible assets	(84,729)	(70,062)	(64,059)	(61,238)	(61,610)	(61,762)	(60,603)	(62,850)
Operating expenses	**(651,370)**	**(631,295)**	**(632,051)**	**(624,653)**	**(624,653)**	**(615,597)**	**(631,641)**	**(643,884)**
Profit (loss) from operations	**605,670**	**511,583**	**487,674**	**561,221**	**461,862**	**485,107**	**564,220**	**483,782**
Net adjustments to loans to customers	(184,691)	(193,909)	(152,553)	(151,128)	(213,978)	(200,643)	(255,513)	(217,065)
Fair value gains (losses) on property, plant and equipment	(59,992)	(7,510)	(39,609)	(1,236)	(96,927)	(7,817)	(36,964)	75
Net adjustments to securities and other financial assets	(538)	(3,028)	(2,346)	(3,194)	(1,098)	242	939	(411)
Net provisions for risks and charges	(28,220)	(16,260)	(4,608)	(8,126)	2,255	(15,489)	(5,615)	(7,190)
Gains/Losses on interests in associates and joint ventures and other investments	515	277	(60)	1,526	(18,726)	395	(393)	(44)
Profit (loss) before tax from continuing operations	**332,744**	**291,153**	**288,498**	**399,063**	**133,388**	**261,795**	**266,674**	**259,147**
Taxation charge related to profit or loss from continuing operations	(93,435)	(84,477)	(92,599)	(138,420)	(37,228)	(83,274)	(50,628)	(82,698)
Profit (loss) after tax from continuing operations	**239,309**	**206,676**	**195,899**	**260,643**	**96,160**	**178,521**	**216,046**	**176,449**
Charges related to the banking system, net of taxes	(49)	(77,271)	-	(74,567)	(4,792)	(61,650)	(19,309)	(59,244)
Impact of the realignment of tax values to book values	-	-	-	-	2,489	-	79,220	-
Goodwill impairment	-	-	(8,132)	-	-	-	-	-
Impact of the change in own credit risk on the issue of certificates (OCR), net of taxes	(20,513)	(323)	25,478	176	12,320	3,954	(5,105)	(6,815)
Impact of the purchase price allocation (PPA), net of taxes	(9,433)	(20,427)	(7,173)	(8,490)	(9,251)	(10,172)	(9,705)	(10,332)
Profit/Loss attributable to non-controlling interests	628	49	66	43	144	28	78	34
Profit (loss) for the period	**209,942**	**108,704**	**206,138**	**177,805**	**97,070**	**110,681**	**261,225**	**100,092**

(*) The figures referring to the third quarter of 2022 have been restated with respect to those originally approved by the Board of Directors on 8 November 2022, following the completion of the Purchase Price Adoption (PPA) process relating to the acquisition of control of Banco BPM Vita and Banco BPM Assicurazioni.

Note on methodology

The balance sheet and income statement shown above are presented in reclassified format, according to operating criteria, in order to promptly provide information on the general performance of the Group, based on economic-financial data that can be quickly and easily determined.
These statements were prepared on the basis of the financial statements set forth in Bank of Italy Circular no. 262/2005 and subsequent updates, following the same aggregation and classification criteria applied when preparing the consolidated financial statements as at 31 December 2021, with the additions needed to reflect the consolidation of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni, which took place from 1 July 2022, as illustrated below.
In particular, certain items specifically attributable to insurance contracts valued on the basis of accounting standard IFRS 4, as well as portfolios of financial assets and liabilities held by insurance companies valued on the basis of accounting standard IFRS 9, were introduced into the reclassified financial statements.

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.

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

- the aggregate “Loans measured at amortised cost” is represented by item 40 “Financial assets at amortised cost” with the exclusion of debt securities, included in “Other financial assets and hedging derivatives” and of the financial assets at amortised cost pertaining to insurance companies, shown in the aggregate “Financial assets pertaining to insurance companies” of the reclassified balance sheet. In addition, the sub-item “Loans to customers” includes the amount of senior securities deriving from the sale of non-performing loans;
- the aggregate “Other financial assets and hedging derivatives” is made up of items 20, 30 and 50, with the exception of senior securities deriving from the sale of non-performing loans, included in loans to customers, and of financial assets pertaining to insurance companies, also included in the aggregate "Financial assets pertaining to insurance companies" of the reclassified balance sheet; it also includes the amount of debt securities at amortised cost mentioned above;
- the aggregate “Financial assets pertaining to insurance companies” includes the financial assets attributable to insurance operations (asset items: “20. Financial assets at fair value through profit and loss”,“30. Financial assets measured at fair value through other comprehensive income”, “40. Financial assets at amortised cost”, “50. Hedging derivatives”);
- the aggregate “Other assets” consists of the residual items 60 “Fair value change of financial assets in macro fair value hedge portfolios (+/-)” and 130 “Other assets”. Technical reserves of reinsurers are also included (item 80 of balance sheet assets).

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

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

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

- the portion of the economic results pertaining to investee companies carried at equity (included in item 250) has been stated in a specific item, which represents, together with the "Net interest income", the aggregate defined as the "Financial margin";
- the item "Profit (loss) on insurance business" includes the items specifically attributable to the insurance business represented by net premiums (item 160) and the balance of income and expenses from insurance activities (item 170), which includes the net change in technical reserves, claims for the period, as well as other income and expenses from insurance activities. In addition, this aggregate includes the economic components (interest, dividends, realised gains/losses, gains/losses from valuation) relating to the portfolios of financial assets and liabilities held by insurance companies ("10. Interest income "," 20. Interest expense "," 70. Dividends "," 80. Net trading income", "90. Fair value gains/losses on hedging derivatives", "100. Gains (losses) on disposal or repurchase", "110. Net gains (losses) from other financial assets and liabilities measured at fair value through profit and loss", "130. Net credit impairment losses/recoveries"). It should also be noted that, in the reclassified income statement, placement fees paid by insurance companies to the banking distribution network of Banco BPM, even if consolidated using the line-by-line method, are recognised as open balances. The item "Net fee and commission income" therefore includes fee and commission income received from the distribution network, while the item "Profit (loss) on insurance business" includes fee and commission expense paid by the insurance companies. The aim of this presentation method is to allow the contributions of the various operating segments that generate the economic result to be represented, in line with the requirements of accounting standard IFRS 8;
- dividends on shares classified under financial assets at fair value through profit and loss and measured at fair value through other comprehensive income (included in item 70) were re-attributed to the "Net financial result";
- the income relating to the issue of liabilities held for trading represented by Group certificates, which in the income statement drawn up based on Circular no. 262 is shown in item "80. Net trading income", was partially re-attributed to the reclassified income statement item "Net fee and commission income". In greater detail, with an operating outlook, net fee and commission income includes the portion of product profitability that remunerates the placement activities performed by the Group. Moreover, fee and commission expense relating to placement services carried out by third party networks are included in the net trading income;
- recoveries of taxes and duties and other expenses (included in item 230) were applied as a direct decrease in other administrative expenses, where the related cost is recorded, instead of being indicated in the reclassified aggregate of "Other net operating income";
- gains and losses on disposal of loans, not represented by debt securities (included in item 100) and gains (losses) from contractual modification without derecognition (booked to item 140), were added, together with net credit impairment losses/recoveries, to the item "Net adjustments to loans to customers";
- ordinary and extraordinary charges introduced for banks due to the single and national resolution funds (SRF and NRF) and the deposit guarantee scheme (DGS) were recognised, net of relative tax effects, in a separate item "Charges related to the banking system, net of taxes", rather than in "Other administrative expenses" and "Taxation charge related to profit or loss from continuing operations";
- the impact of exercising the option to realign the tax values to the book values of the Group's real estate for business use, 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";
- the economic impact of a change in own credit risk related to the issue of certificates classified in the portfolio of "Financial liabilities held for trading" is included in the 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, as, with an operating outlook, they are not deemed expressive of actual profitability of the Group;
- the impacts arising from Purchase Price Allocations made following aggregation transactions have been grouped into a single separate item in the reclassified income statement called "Purchase Price Allocation net of taxes". This item groups together the impacts that in the income statement format are recognised in interest income (reversal effect of the fair value measurement of loans), amortisation of intangible assets recognised in item 220 (amortisation of so-called "client relationships") and of the so-called "value of business acquired"), in the gains/losses on interests in associates and joint ventures and other investments

(effect of the remeasurement at fair value of the 19% share held in Banco BPM Vita prior to the acquisition of control) and in the item "Taxation charge related to profit or loss from continuing operations".

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

Non-recurring components of the reclassified consolidated income statement

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

- the results of the sale transactions of all the fixed assets (interests in associates and joint ventures, property, plant and equipment excluding the financial assets in the Hold to Collect ("HtC") portfolio, which can be sold in compliance with the materiality and frequency thresholds set out in IFRS 9);
- gains and losses on non-current assets and asset disposal groups held for sale;
- adjustments/recoveries on receivables (both due to valuation and actual losses) deriving from a change in the NPE Strategy approved during the year by the Board of Directors consisting of an amendment in the objectives and/or type of receivables subject to assignment with respect to those set forth previously;
- the income statement items of significant amounts connected with streamlining, restructuring, etc. (e.g. expenses for use of the redundancy fund, early retirement incentives, merger/integration expenses);
- income statement items of a significant amount which are not destined to reoccur frequently (e.g. penalties, impairments of property, plant and equipment, goodwill and other intangible assets, extraordinary debits/credits by Resolution Funds and the Interbank Deposit Guarantee Fund, effects associated with legislative changes, exceptional results, etc.);
- the economic impacts deriving from the fair value measurement of properties and other 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, it should be noted that in 2022 the following non-recurring items were recognised:

- the items "Net financial result" and "Net adjustments to loans to customers" include the impacts, respectively equal to 4.7 million and 112.7 million, deriving from the increase in the sale targets of non-performing loans following the amendment of the NPL management strategy approved by the Parent Company's Board of Directors. In particular, it should be noted that the impact recorded in the item "Net financial result" refers to non-performing credit exposures which are mandatorily measured at fair value;
- the item "Personnel expenses" includes expenses relating to extraordinary payments made to employees during the year and the positive impact deriving from the release of excess provisions made in previous years relating to the redundancy fund. The total net effect was +11.9 million;
- "Net value adjustments to property, plant and equipment and intangible assets" include write-downs of 7.1 million relating to impairment of software;
- the item "Fair value gains (losses) on property, plant and equipment", amounting to -108.3 million, represents the negative economic effect deriving from the valuations at 31 December 2022 of the Group's real estate assets, which takes into account both the update of the appraisals, and the presumed sale values inferred from ongoing negotiations;

- “Net provisions for risks and charges” include the estimated costs that are expected to be incurred for the rationalisation of the branch network for 8.5 million as well as the provisions relating to the estimated costs for certain contractual commitments for 18.3 million. The total impact on the item in question therefore amounts to 26.8 million;
- the item “Gains (losses) on interests in associates and joint ventures and other investments” includes the positive impact of +2.3 million, deriving from the sale of property, plant and equipment;
- the item “Goodwill impairment” shows the impact of the impairment test which led to the recognition of value adjustments of 8.1 million on the goodwill allocated to the Bancassurance CGU;
- the “Taxation charge related to profit or loss from continuing operations” includes the tax impacts of the aforementioned non-recurring items amounting to +80.6 million;
- the item “Purchase Price Allocation (PPA), net of taxes” includes the effect of the remeasurement at fair value of the share previously held in Banco BPM Vita, equal to 10.7 million.

Overall, the impact of non-recurring items on the net result for 2022 was negative and equal to -183.7 million.

The following non-recurring components were recognised in the income statement of the previous year:

- “Gains (losses) on interests in associates and joint ventures carried at equity” included the positive impact of 42.1 million, deriving from realignment of the tax value of goodwill recorded by an investee;
- “Personnel expenses” included 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” included write-downs due to impairment of fixed assets for a total of 2.0 million;
- the item “Net adjustments to loans to customers” included the amount relating to losses linked to the sale of loans finalised as part of the "Rockets" project and the additional impact deriving from the increase in the targets for the sale of non-performing loans decided by the Board of Directors, for a total of 194.0 million;
- the item “Fair value gains (losses) on property, plant and equipment” included the negative economic effect of updating the fair value of Group properties for -141.6 million;
- “Gains (losses) on disposal of interests in associates and joint ventures and other investments”, non-recurring by nature, included the effect of 18.8 million resulting from the impairment made on an interest;
- the “Taxation charge related to profit or loss from continuing operations” included the tax impacts of the aforementioned non-recurring items amounting to 96.5 million;
- “Charges related to the banking system, net of taxes” included 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” included the income of 81.7 million euro, resulting from the exercise of the right of realignment of the tax values of the Group’s operating properties to book values.

Overall, non-recurring components pertaining to 2021 were a negative 141.0 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.

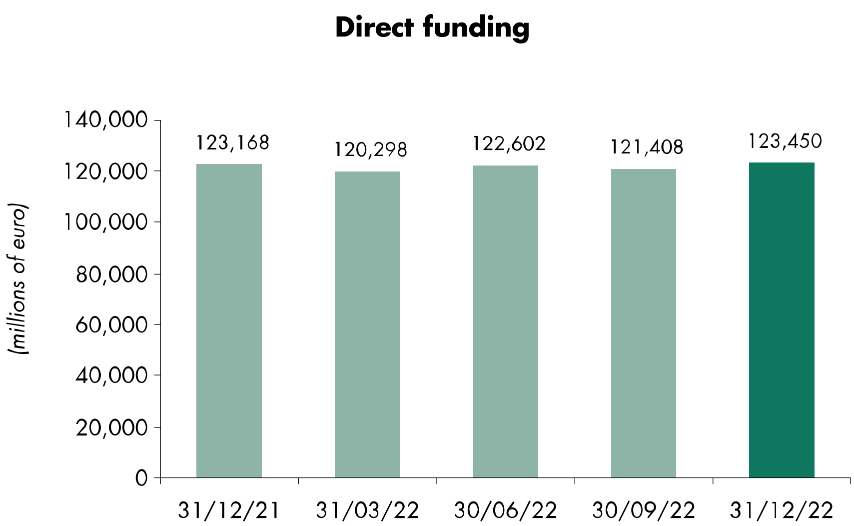
The main balance sheet and income statement items as at 31 December 2022 are illustrated below.

Consolidated balance sheet figures

Loan brokering activities

Direct funding

(thousands of euro)	31/12/2022	% impact	31/12/2021	% impact	Abs. Change	% Change
Current accounts and deposits	**103,699,276**	**86.0%**	**105,028,846**	**87.4%**	**(1,329,570)**	**(1.3%)**
- current accounts and demand deposits	103,410,941	85.7%	104,038,158	86.5%	(627,217)	(0.6%)
- fixed-term deposits and other restricted current accounts	288,335	0.2%	990,688	0.8%	(702,353)	(70.9%)
Securities	**12,941,380**	**10.7%**	**13,092,123**	**10.9%**	**(150,743)**	**(1.2%)**
- bonds and liabilities at fair value	12,933,380	10.7%	13,071,312	10.9%	(137,932)	(1.1%)
- certificates of deposit and other securities	8,000	0.0%	20,811	0.0%	(12,811)	(61.6%)
Repurchase agreements	**1,460,568**	**1.2%**	**627,845**	**0.5%**	**832,723**	**132.6%**
Loans and other payables	**2,537,859**	**2.1%**	**1,464,202**	**1.2%**	**1,073,657**	**73.3%**
Direct funding	**120,639,083**	**100.0%**	**120,213,016**	**100.0%**	**426,067**	**0.4%**
Direct funding without repurchase agreements	**119,178,515**		**119,585,171**		**(406,656)**	**(0.3%)**
Other funding (Protected capital certificates)	**4,270,993**		**3,582,874**		**688,119**	**19.2%**
Total direct funding without repurchase agreements with certificates	**123,449,508**		**123,168,045**		**281,463**	**0.2%**

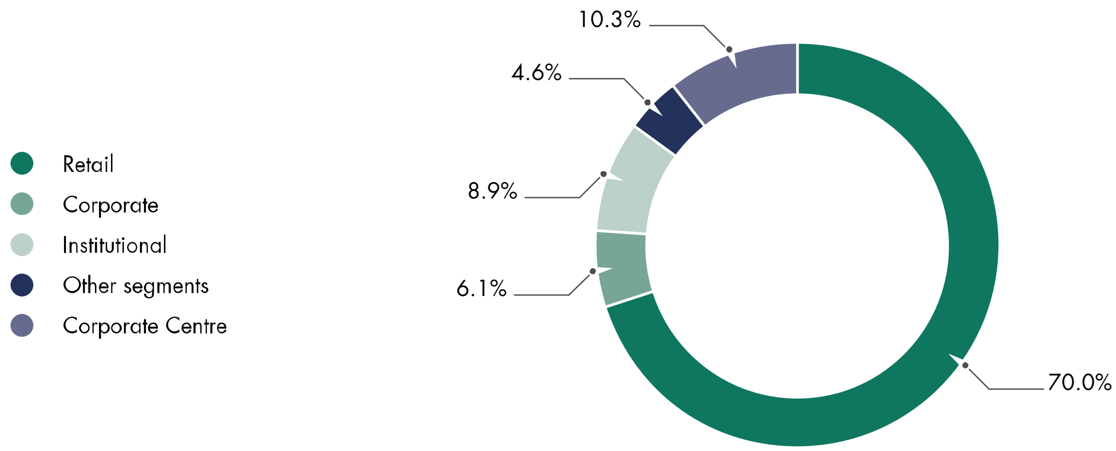


As at 31 December 2022, **direct bank funding**[1] totalled 123.4 billion, showing an increase compared to 31 December 2021 (+0.2%).
In more detail, during the year there was a decrease of 0.6 billion in the component represented by current accounts and demand deposits of the commercial network (-0.6%); in comparison with the third quarter of 2022, the aggregate in question instead showed an increase of 0.6%. As regards bonds issued, the stock as at 31 December came to 12.9 billion, down (-1.2%) compared to 31 December 2021.
Funding guaranteed by the stock of certificates with unconditional capital protection as at 31 December 2022 was 4.3 billion, compared to 3.6 billion as at 31 December 2021.

[1] For the sake of consistency with the criteria used to represent operating results, the aggregate of direct funding is represented by the sum of term and demand deposits and current accounts, bonds issued, certificates of deposit and other securities, loans and other payables, and protected capital certificates. Repurchase agreements are not included.

(thousands of euro)	31/12/2022	% impact	31/12/2021 restated (*)	% impact	31/12/2021	Abs. change on restated balances	% Change
Retail	86,389,032	70.0%	84,262,888	68.4%	84,398,631	2,126,145	2.5%
Corporate	7,516,615	6.1%	10,223,578	8.3%	10,136,351	(2,706,963)	(26.5%)
Institutional	11,047,043	8.9%	10,966,219	8.9%	10,926,181	80,824	0.7%
Private	2,871,378	2.3%	2,948,662	2.4%	2,935,264	(77,284)	(2.6%)
Investment Banking	2,858,602	2.3%	2,663,969	2.2%	2,663,969	194,633	7.3%
Leases	-	0.0%	-	0.0%	4,507	-	0.0%
Corporate Centre	12,766,837	10.3%	12,102,729	9.8%	12,103,142	664,108	5.5%
Total direct funding	**123,449,508**	**100.0%**	**123,168,045**	**100.0%**	**123,168,045**	**281,463**	**0.2%**

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to reflect the changes introduced to the breakdown of operating segments and to guarantee a like-for-like comparison with the profiling criteria used for 2022. For more details on the methods for restating the balances of the previous year, please refer to the next section "Results by business segment" of this Report on operations.



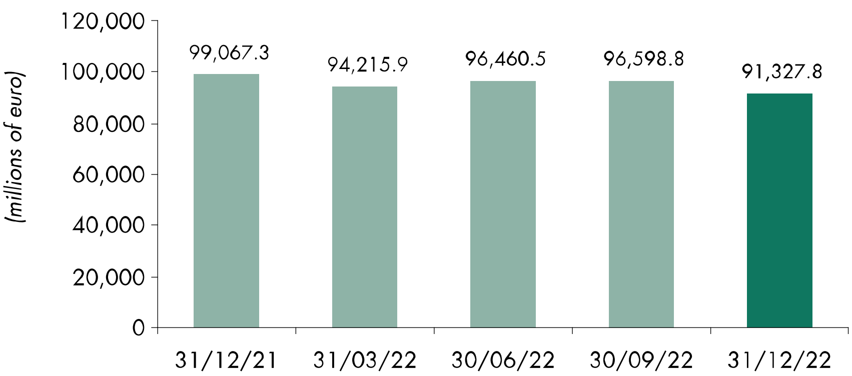
Overall, the Group's direct funding remained substantially in line with that of the previous year, standing at 123.4 billion. In detail, funding relating to the Commercial Network (Retail, Corporate, Institutional and Private) fell by 0.6 billion, although for the whole of 2022, it was on average higher than that of the previous year. Against a significant reduction in the stock of bonds placed by the Network (-753.8 million) and in the restricted component of direct funding (-728.0 million), there was a considerable increase in the Retail sector, of the non-restricted component of deposits, particularly the technical form of current accounts. This positive trend, which is just over 2 billion, only partially reflects the sharp decline in the Corporate segment, whose direct funding fell from 10.1 to 7.5 billion.
The direct funding of the Corporate Centre increased by 0.7 billion, in particular due to the return to issues in the institutional market, also to cover the early repayment of a 12.5 billion portion of TLTRO III.

The item **direct funding from insurance business and technical reserves** includes the aggregate comprised by insurance technical reserves, of 5.9 billion, represented by the mathematical reserves of 4.4 billion and financial liabilities pertaining to insurance companies measured at fair value of 1.4 billion.

Indirect funding

(thousands of euro)	31/12/2022	% impact	31/12/2021	% impact	Abs. Change	% Change
Managed assets	**59,408,707**	**62.5%**	**65,347,877**	**63.9%**	**(5,939,170)**	**(9.1%)**
mutual funds and SICAVs	39,916,578	42.0%	45,762,839	44.8%	(5,846,261)	(12.8%)
securities and fund management	3,969,419	4.2%	4,135,099	4.0%	(165,680)	(4.0%)
insurance policies	15,522,710	16.3%	15,449,939	15.1%	72,771	0.5%
Administered assets	**35,620,438**	**37.5%**	**36,840,066**	**36.1%**	**(1,219,628)**	**(3.3%)**
Total indirect funding	**95,029,145**	**100.0%**	**102,187,943**	**100.0%**	**(7,158,798)**	**(7.0%)**
Underlying funding for protected capital certificates	3,701,323		3,120,665		580,658	18.6%
Total indirect funding without certificates	**91,327,822**		**99,067,278**		**(7,739,456)**	**(7.8%)**

Indirect funding



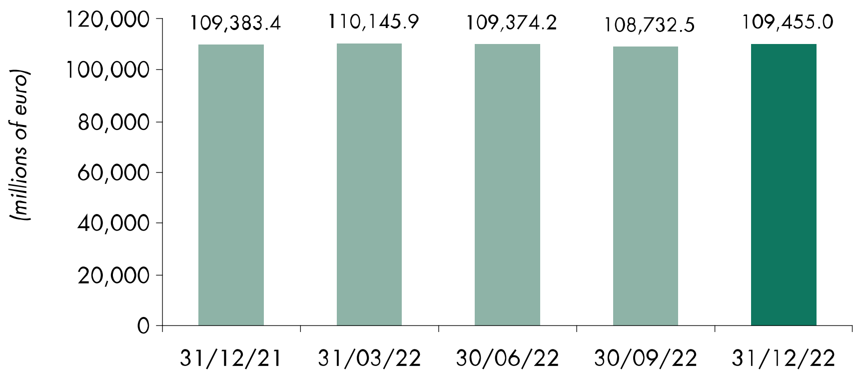
Indirect funding, net of protected capital certificates, and including insurance policies[1], was 91.3 billion, down 7.8% on an annual basis. This trend is exclusively attributable to the drop in the prices of financial assets.
The negative trend on the markets reflected both on the component of managed assets, which amounted to 59.4 billion, down compared to the figure of 65.3 billion as at 31 December 2021, and on administered assets, which stood at 31.9 billion, with a decrease of 1.8 billion (-5.3%) compared to the end of 2021.

[1] For consistency with the criteria for the representation of operating results, the aggregate of indirect funding is represented net of the underlying funding for protected capital certificates.

Loans to customers

(thousands of euro)	31/12/2022	% impact	31/12/2021	% impact	Abs. Change	% Change
Mortgage loans	82,019,769	74.9%	79,285,841	72.5%	2,733,928	3.4%
Current accounts	8,571,864	7.8%	8,542,637	7.8%	29,227	0.3%
Repurchase agreements	1,883,322	1.7%	3,658,922	3.3%	(1,775,600)	(48.5%)
Finance leases	780,186	0.7%	1,222,730	1.1%	(442,544)	(36.2%)
Credit cards, personal loans and salary-backed loans	967,941	0.9%	1,350,550	1.2%	(382,609)	(28.3%)
Other transactions	13,298,151	12.1%	13,025,142	11.9%	273,009	2.1%
Senior securities from sales of non-performing loans	1,933,727	1.8%	2,297,560	2.1%	(363,833)	(15.8%)
Total net loans to customers	**109,454,960**	**100.0%**	**109,383,382**	**100.0%**	**71,578**	**0.1%**

Net loans to customers



Net loans to customers[1] amounted to 109.5 billion as at 31 December 2022, stable with respect to the figure as at 31 December 2021, but with an increase of 1.0 billion in performing exposures (+0.9%), also thanks to a volume of new loans to households and businesses equal to 26.5 billion in the year. Non-performing loans recorded a decrease of 0.9 billion compared to the end of 2021 (-27.8%).

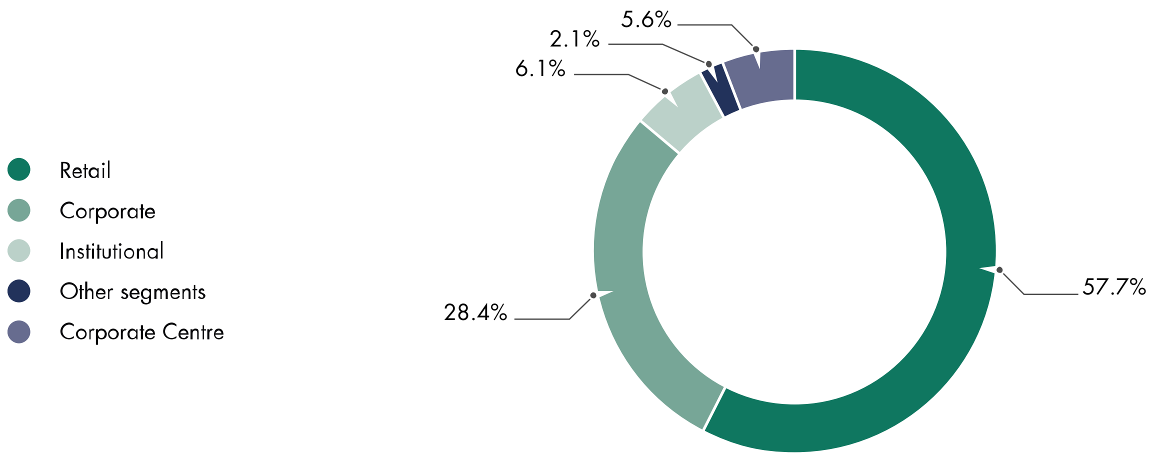
Information on direct risks with customers residing in Russia and the Ukraine or those indirectly related to Russian counterparties is provided in Part A - Accounting policies, Section 5 - Other aspects, Most significant aspects for 2022 financial statement valuations: Russia-Ukraine conflict, to which reference is made for further details.

Lastly, as regards the support measures implemented by the Group with regard to customers affected by the crisis following the Covid-19 pandemic, please refer to Part A - Accounting policies, Section 5 - Other aspects, Most significant aspects for 2022 financial statement valuations: Other aspects - summary of moratorium measures and other support measures granted in the context of the Covid-19 pandemic.

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

(thousands of euro)	31/12/2022	% impact	31/12/2021 restated (*)	% impact	31/12/2021	Abs. change on restated balances	% Change
Retail	63,164,637	57.7%	61,518,164	56.2%	61,625,508	1,646,473	2.7%
Corporate	31,092,530	28.4%	30,040,220	27.5%	29,936,846	1,052,310	3.5%
Institutional	6,704,832	6.1%	6,364,241	5.8%	6,488,818	340,591	5.4%
Private	542,448	0.5%	428,992	0.4%	428,751	113,456	26.4%
Investment Banking	1,773,022	1.6%	1,963,699	1.8%	1,963,699	(190,677)	(9.7%)
Leases	-	0.0%	-	0.0%	1,367,926	-	0.0%
Corporate Centre	6,177,491	5.6%	9,068,066	8.3%	7,571,834	(2,890,575)	0.0%
Total net loans	**109,454,960**	**100.0%**	**109,383,382**	**100.0%**	**109,383,382**	**71,578**	**0.1%**

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to reflect the changes introduced to the breakdown of operating segments and to guarantee a like-for-like comparison with the profiling criteria used for 2022. For more details on the methods for restating the balances of the previous year, please refer to the next section "Results by business segment" of this Report on operations.



The Group's loans amounted to 109.5 billion, stable compared to the previous year. In particular, the Corporate Centre recorded a decline, both due to the effect of the run-off of leasing and consumer credit loans (of the subsidiary ProFamily, merged into the Parent Company in 2021), and, above all, due to the decrease in the component of repurchase agreements with institutional counterparties. On the contrary, the Commercial Network grew considerably, reaching 101.5 billion (+3.2 billion). In detail, the Retail segment, which rose to 63.2 billion, increased by 1 billion due to short-term loans, while the Corporate segment, which stood at 31.1 billion, saw an increase of approximately 1.5 billion in the medium-long term component of loans to businesses.

Credit quality

<u>Loans to customers at amortised cost</u>

(thousands of euro)	31/12/2022		31/12/2021		Abs. Change	% Change
	Net exposure	% impact	Net exposure	% impact		
Bad loans	720,582	0.7%	906,482	0.8%	(185,900)	(20.5%)
Unlikely to pay	1,574,841	1.4%	2,309,437	2.1%	(734,596)	(31.8%)
Non-performing past-due exposures	60,084	0.1%	44,610	0.0%	15,474	34.7%
Non-performing loans	**2,355,507**	**2.2%**	**3,260,529**	**3.0%**	**(905,022)**	**(27.8%)**
Performing loans	105,165,726	96.1%	103,825,293	94.9%	1,340,433	1.3%
Senior securities from sales of non-performing loans	1,933,727	1.8%	2,297,560	2.1%	(363,833)	(15.8%)
Performing exposures	**107,099,453**	**97.8%**	**106,122,853**	**97.0%**	**976,600**	**0.9%**
Total loans to customers	**109,454,960**	**100.0%**	**109,383,382**	**100.0%**	**71,578**	**0.1%**

(thousands of euro)	31/12/2022				31/12/2021			
	Gross exposure	Total value adjustments	Net exposure	Coverage	Gross exposure	Total value adjustments	Net exposure	Coverage
Bad loans	2,047,001	(1,326,419)	720,582	64.8%	2,190,338	(1,283,856)	906,482	58.6%
Unlikely to pay	2,639,481	(1,064,640)	1,574,841	40.3%	4,126,107	(1,816,670)	2,309,437	44.0%
Non-performing past-due exposures	82,190	(22,106)	60,084	26.9%	59,733	(15,123)	44,610	25.3%
Non-performing loans	**4,768,672**	**(2,413,165)**	**2,355,507**	**50.6%**	**6,376,178**	**(3,115,649)**	**3,260,529**	**48.9%**
of which: forborne	***2,082,727***	***(885,947)***	***1,196,780***	***42.5%***	***3,346,651***	***(1,524,087)***	***1,822,564***	***45.5%***
Performing loans (*)	**107,520,221**	**(420,768)**	**107,099,453**	**0.39%**	**106,577,184**	**(454,331)**	**106,122,853**	**0.43%**
of which: Stage 1	*96,657,964*	*(153,013)*	*96,504,951*	*0.2%*	*94,887,670*	*(124,343)*	***94,763,327***	*0.1%*
of which: Stage 2	*10,862,257*	*(267,755)*	*10,594,502*	*2.5%*	*11,689,514*	*(329,988)*	***11,359,526***	*2.8%*
of which: forborne	***2,803,391***	***(95,342)***	***2,708,049***	***3.4%***	***3,224,400***	***(105,711)***	***3,118,689***	***3.3%***
Total loans to customers	**112,288,893**	**(2,833,933)**	**109,454,960**	**2.5%**	**112,953,362**	**(3,569,980)**	**109,383,382**	**3.2%**

(*) Includes senior securities from sales of non-performing loans for an amount of 1,933.7 million (of which 1,937.8 million in gross exposure and 4.1 million in value adjustments).

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

As illustrated in more detail in the paragraph entitled "Most significant aspects for 2022 financial statement valuations" in "Section 5 - Other aspects" of Part A and in paragraph "2.3 Measurement methods for expected losses" in Part E of the Notes to the consolidated financial statements, in 2022, 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, the situation of international political instability and the energy crisis. This process moreover envisaged a series of post model managerial adjustments, in order to factor in certain measurement elements not adequately intercepted by current models.
Furthermore, some changes were made to the criteria used to assess any Significant Increase in Credit Risk (SICR).
Following the above-cited changes, the gross exposures in the portfolio represented by loans to customers as at 31 December 2022, classified as Stage 2 amounted to 10.9 billion (10.1% of total performing exposures), down by 0.8 billion compared to the start of the year (when they totalled 11.0% of all performing exposures). In detail, the average coverage of Stage 2 exposures was 2.5%, compared to 2.8% as at 31 December 2021.

Net non-performing loans (bad loans, unlikely to pay and non-performing past due and/or overdue) amounted to 2.4 billion as at 31 December 2022.
An analysis of the individual items shows the following dynamics:

- net bad loans of 0.7 billion, with a decrease of 20.5% compared to 31 December 2021;
- net unlikely to pay loans of 1.6 billion, down by 31.8% compared the start of the year;
- net past due exposures amounting to 60 million (45 million as at 31 December 2021).

The percentage of non-performing exposures out of total loans, gross of value adjustments came to 4.2% compared to 5.6% at the start of the year.

The coverage rate for the entire non-performing loans aggregate was 50.6% (48.9% as at 31 December 2021).
More specifically, as at 31 December 2022, the coverage ratio was as follows:

- bad loans 64.8% (58.6% as at 31 December 2021);
- unlikely to pay loans 40.3% (44.0% as at 31 December 2021);
- past due exposures 26.9% (25.3% as at 31 December 2021).

The coverage ratio of performing loans came out at 0.39%, compared to 0.43% as at 31 December 2021.

Financial assets

(thousands of euro)	31/12/2022	% impact	31/12/2021	% impact	Abs. Change	% Change
Debt securities (*)	34,940,905	81.1%	30,671,735	84.4%	4,269,170	13.9%
Equity instruments	1,821,452	4.2%	1,927,416	5.3%	(105,964)	(5.5%)
UCIT units	1,220,222	2.8%	1,091,564	3.0%	128,658	11.8%
Total securities portfolio	**37,982,579**	**88.1%**	**33,690,715**	**92.7%**	**4,291,864**	**12.7%**
Derivative trading and hedging instruments	4,441,214	10.3%	2,122,530	5.8%	2,318,684	109.2%
Loans	669,748	1.6%	513,148	1.4%	156,600	30.5%
Total financial assets	**43,093,541**	**100.0%**	**36,326,393**	**100.0%**	**6,767,148**	**18.6%**

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

Bank **financial assets** were equal to 43.1 billion, up by 18.6% compared to 36.3 billion as at 31 December 2021. The increase was mainly concentrated in debt securities (+4.3 billion) and, in particular, in the segment of securities at amortised cost. As at 31 December 2022, the aggregate in question consisted of debt securities for 34.9 billion, equity instruments and UCIT units for 3.0 billion and derivative instruments and other loans for 5.1 billion.

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

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

(thousands of euro)	31/12/2022	% impact	31/12/2021	% impact	Abs. Change	% Change
Debt securities	340,093	4.1%	1,148,885	17.8%	(808,792)	(70.4%)
Equity instruments	1,535,604	18.7%	1,588,059	24.6%	(52,455)	(3.3%)
UCIT units	1,220,222	14.9%	1,091,564	16.9%	128,658	11.8%
Total securities portfolio	**3,095,919**	**37.7%**	**3,828,508**	**59.2%**	**(732,589)**	**(19.1%)**
Financial and credit derivatives	4,441,214	54.1%	2,122,530	32.8%	2,318,684	109.2%
Loans	669,748	8.2%	513,148	7.9%	156,600	30.5%
Overall total	**8,206,881**	**100.0%**	**6,464,186**	**100.0%**	**1,742,695**	**27.0%**

Financial assets measured at fair value through other comprehensive income

(thousands of euro)	31/12/2022	% impact	31/12/2021	% impact	Abs. Change	% Change
Debt securities	9,094,672	97.0%	10,335,722	96.8%	(1,241,050)	(12.0%)
Equity instruments	285,848	3.0%	339,357	3.2%	(53,509)	(15.8%)
Total	**9,380,520**	**100.0%**	**10,675,079**	**100.0%**	**(1,294,559)**	**(12.1%)**

Financial assets at amortised cost

(thousands of euro)	31/12/2022	% impact	31/12/2021	% impact	Abs. Change	% Change
Debt securities (*)	25,506,140	100.0%	19,187,128	100.0%	6,319,012	32.9%
Total	**25,506,140**	**100.0%**	**19,187,128**	**100.0%**	**6,319,012**	**32.9%**

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

Exposure to sovereign risk

The table below provides details of the total exposure in sovereign debt securities as at 31 December 2022, relating to the banking segment, broken down by country (amounts in thousands of euro):

Countries	Financial assets at fair value through profit and loss	Financial assets measured at fair value through other comprehensive income	Financial assets at amortised cost	Total debt securities	of which: Parent Company
Italy	20,871	1,728,801	9,177,677	10,927,349	10,624,510
Spain	-	985,887	3,695,515	4,681,402	4,681,402
Germany	1	824,977	2,362,036	3,187,014	3,187,013
France	-	1,373,067	5,025,799	6,398,866	6,398,866
Austria	-	-	273,445	273,445	273,445
Ireland	3	-	19,732	19,735	19,733
Other EU countries	9	104,230	218,629	322,868	322,858
Total EU countries	**20,884**	**5,016,962**	**20,772,833**	**25,810,679**	**25,507,827**
USA	1	1,548,919	2,231,314	3,780,234	3,780,234
Chile	-	12,133	2,048	14,181	14,181
China	-	54,402	39,838	94,240	94,240
Mexico	-	4,530	17,601	22,131	22,131
Hong Kong	-	20,191	-	20,191	20,191
Other countries	17	65,333	4,282	69,632	69,632
Total other countries	**18**	**1,705,508**	**2,295,083**	**4,000,609**	**4,000,609**
Total	**20,902**	**6,722,470**	**23,067,916**	**29,811,288**	**29,508,436**

Exposure is mainly concentrated within the Parent Company Banco BPM, which as at 31 December held a total of 29,508.4 million, of which 10,624.5 million relates to Italian government bonds.

Investments in sovereign debt securities are classified at 77.4% in the portfolio of financial assets at amortised cost, 22.6% in the portfolio of financial assets measured at fair value through other comprehensive income and 0.1% in the portfolio of financial assets at fair value through profit and loss as they are held for trading.
Out of this exposure, about 87% refers to securities issued by member states of the European Union; notably about 37% by Italy.
The Group has no exposures to debt securities of Russian or Ukrainian issuers.

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

Financial assets at fair value through profit and loss

Status	Maturing by 2023	Maturing between 2024 to 2028	Maturing between 2029 to 2033	Maturing beyond 2033	Total fair value as at 31/12/2022	Total fair value by hierarchy		
						LEVEL 1	LEVEL 2	LEVEL 3
Italy	197	19,416	275	983	20,871	20,871	-	-
Other EU countries	1	8	2	3	13	13	-	-
Total	**198**	**19,424**	**277**	**986**	**744,392**	**20,884**	**-**	**-**
of which Parent Company	24	6	4	-	34	34	-	-

Financial assets measured at fair value through other comprehensive income

Status	Maturing by 2023	Maturing between 2024 and 2028	Maturity between 2029 and 2033	Maturing beyond 2033	Total fair value as at 31/12/2022	Net reserve at FVTOCI	Value adjustments	Total fair value by hierarchy		
								LEVEL 1	LEVEL 2	LEVEL 3
Italy	172,397	521,523	754,677	280,204	1,728,801	(96,618)	-	1,728,801	-	-
Spain	49,521	409,369	526,997	-	985,887	(69,026)	-	985,887	-	-
France	-	-	1,373,067	-	1,373,067	(154,191)	-	1,373,067	-	-
Germany	-	-	824,977	-	824,977	(110,495)	-	824,977	-	-
Other EU countries	-	56,380	47,850	-	104,230	(1,210)	-	104,230	-	-
Total	**221,918**	**987,273**	**3,527,568**	**280,204**	**5,016,962**	**(431,540)**	**-**	**5,016,962**	**-**	**-**
of which Parent Company	221,918	705,273	3,527,568	280,204	4,734,962	(424,111)		4,734,962		

Financial assets at amortised cost

Status	Maturing by 2023	Maturing between 2024 to 2028	Maturing between 2029 to 2033	Maturing beyond 2033	Total book value as at 31/12/2022	Total fair value	Total fair value by hierarchy		
							LEVEL 1	LEVEL 2	LEVEL 3
Italy	2,600,992	5,240,634	1,157,976	178,075	9,177,677	8,956,135	8,956,135	-	-
Spain	189,104	1,717,406	1,789,006	-	3,695,515	3,553,867	3,553,867	-	-
France	590,827	2,660,470	1,774,503	-	5,025,799	4,831,605	4,831,605	-	-
Ireland	-	19,732	-	-	19,732	19,145	19,145	-	-
Germany	-	983,408	1,378,628	-	2,362,036	2,228,234	2,228,234		
Other EU countries	-	294,561	197,513	-	492,074	458,044	458,044	-	-
Total	**3,380,923**	**10,916,210**	**6,297,626**	**178,075**	**20,772,833**	**20,047,029**	**20,047,029**	**-**	**-**
of which Parent Company	3,380,923	10,916,209	6,297,624	178,075	20,772,831	20,047,026	20,047,026		

Financial assets pertaining to insurance companies amounted to 5.9 billion and included financial assets mandatorily measured at fair value for 2.4 billion, mainly represented by UCIT units for 2.3 billion, and financial assets measured at fair value through other comprehensive income of 3.4 billion.

Net interbank position

Loans to banks

(thousands of euro)	31/12/2022	% impact	31/12/2021	% impact	Abs. Change	% Change
Loans to central banks	**1,297,716**	**31.1%**	**10,036,899**	**84.5%**	**(8,739,183)**	**(87.1%)**
Loans to other banks	**2,880,177**	68.9%	**1,840,979**	15.5%	**1,039,198**	**56.4%**
Fixed-term deposits	113,414	2.7%	154,496	1.3%	(41,082)	(26.6%)
Repurchase agreements	792,744	19.0%	293,490	2.5%	499,254	170.1%
Other loans	1,974,019	47.2%	1,392,993	11.7%	581,026	41.7%
Total loans (A)	**4,177,893**	**100.0%**	**11,877,878**	**100.0%**	**(7,699,985)**	**(64.8%)**

Due to banks

(thousands of euro)	31/12/2022	% impact	31/12/2021	% impact	Abs. Change	% Change
Due to central banks	**26,332,411**	**80.7%**	**39,041,403**	**85.5%**	**(12,708,992)**	**(32.6%)**
Refinancing operations	26,332,411	80.7%	38,756,200	84.8%	(12,423,789)	(32.1%)
Other payables	-	0.0%	285,203	0.6%	(285,203)	
Due to other banks	**6,303,394**	**19.3%**	**6,643,629**	**14.5%**	**(340,235)**	**(5.1%)**
Current accounts and demand deposits	250,742	0.8%	421,964	0.9%	(171,222)	(40.6%)
Fixed-term deposits	279,818	0.9%	398,035	0.9%	(118,217)	(29.7%)
Repurchase agreements	4,526,453	13.9%	5,062,398	11.1%	(535,945)	(10.6%)
Other payables	1,246,381	3.8%	761,232	1.7%	485,149	63.7%
Total payables (B)	**32,635,805**	**100.0%**	**45,685,032**	**100.0%**	**(13,049,227)**	**(28.6%)**
Mismatch loans/payables (A) - (B)	**(28,457,912)**		**(33,807,154)**		**5,349,242**	**(15.8%)**
Due to central banks: refinancing operations	**(26,332,411)**		**(38,756,200)**		**12,423,789**	**(32.1%)**
Interbank balance (excl. refinancing operations)	**(2,125,501)**		**4,949,046**		**(7,074,547)**	
Mismatch towards central banks (excl. refinancing operations)	**1,297,716**		**9,751,696**		**(8,453,980)**	**(86.7%)**
Interbank balance towards other banks	**(3,423,217)**		**(4,802,650)**		**1,379,433**	**(28.7%)**

Net interbank exposure as at 31 December 2022 amounted to -28,457.9 million, compared to the balance of -33,807.2 million at the end of last year.
Amounts due to central banks came to 26,332.4 million, and refer to TLTRO III long-term refinancing operations with the European Central Bank.
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 -3,423.2 million (-4,802.6 million as at 31 December of last year).

Interests in associates and joint ventures

Interests in companies subject to significant influence as at 31 December 2022 amounted to 1,453.9 million, compared with 1,794.1 million as at 31 December 2021.

The decrease recorded in the year of -340.2 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 +157.5 million;
- the effects of the reduction in the equity, following the distribution of dividends of Agos Ducato (-85.4 million), Anima Holding (-20.0 million), Vera Assicurazioni (-10.5 million), Banco BPM Vita (-5.0 million), Gardant Liberty Servicing (-1.8 million), Etica SGR (-1.5 million) and Selmabipiemme (-1.3 million);
- the net changes pertaining to the Group of valuation reserves and other reserves of associates (-210.2 million);

- the transfer of the investee Banco BPM Vita, consolidated on a line-by-line basis as from 1 July 2022 (-87.6 million).

In addition, 35% of the company Factorit (-75 million) was sold in March.

Property, plant and equipment

(thousands of euro)	31/12/2022	31/12/2021	Abs. Change	% Change
Property, plant and equipment used in operations	**2,079,406**	**2,172,466**	**(93,060)**	**(4.3%)**
- at cost	714,887	795,374	(80,487)	(10.1%)
- at fair value	1,364,519	1,377,092	(12,573)	(0.9%)
Property, plant and equipment held for investment purposes	**955,283**	**1,105,779**	**(150,496)**	**(13.6%)**
- at fair value	955,283	1,105,779	(150,496)	(13.6%)
Total property, plant and equipment (item 90)	**3,034,689**	**3,278,245**	**(243,556)**	**(7.4%)**
Property, plant and equipment held for sale (item 120)	**132,993**	**106,028**	**26,965**	**25.4%**
Total property, plant and equipment	**3,167,682**	**3,384,273**	**(216,591)**	**(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	31/12/2022	31/12/2021
Owned assets	**74,386**	**1,364,519**	**1,438,905**	**1,464,093**
- land	-	994,246	994,246	1,004,302
- buildings	-	317,304	317,304	322,690
- other	74,386	52,969	127,355	137,101
Rights of use acquired through leases	**640,501**	**-**	**640,501**	**708,373**
- buildings	605,978	-	605,978	698,160
- other	34,523	-	34,523	10,213
Total	**714,887**	**1,364,519**	**2,079,406**	**2,172,466**

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	31/12/2022	31/12/2021
Owned assets	**-**	**955,283**	**955,283**	**1,105,779**
- land	-	670,863	670,863	791,671
- buildings	-	284,420	284,420	314,108
Total	**-**	**955,283**	**955,283**	**1,105,779**

As at 31 December 2022, the total property, plant and equipment held by the Group amounted to 3,167.7 million (3,384.3 million last 31 December) and included assets held for sale of 133.0 million (106.0 million as at 31 December 2021), referring to properties for which sales agreements were defined.
The fair value measurement of properties as at 31 December 2022 led to the recognition of capital losses of 108.3 million. These adjustments are attributable to the valuation process carried out annually on properties and mainly refer to properties held for investment purposes.

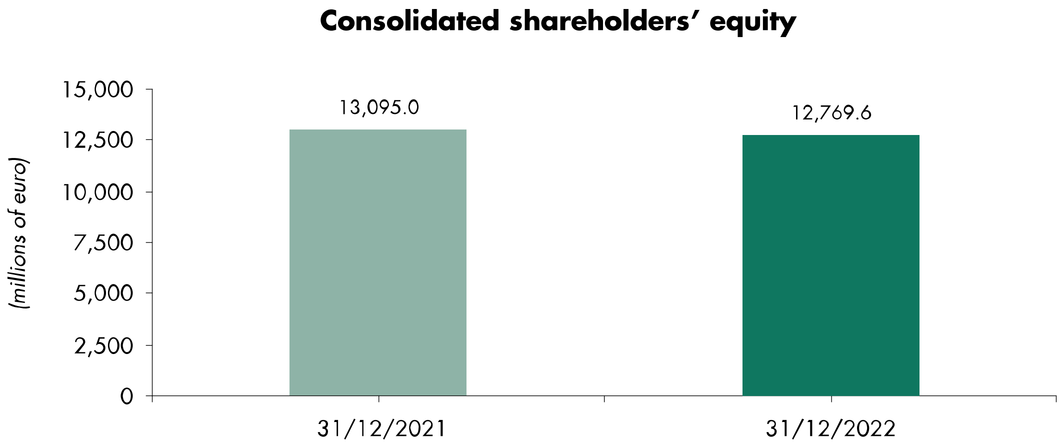
Liability provisions

As at 31 December, liability provisions amounted to 988.9 million (1,196.9 million last 31 December) and included the provisions for employee severance pay of 258.5 million (320.3 million at the end of last year), pension funds of 99.3 million (124.9 million as at 31 December 2021), allocations against commitments and guarantees given of 144.2 million (131.1 million at the end of the previous year) and other provisions of 486.9 million (620.7 million at the end of 2021).

The latter included provisions for personnel expenses of 263.5 million (382.6 million as at 31 December 2021), mainly related to the charges envisaged for the use of the extraordinary provisions of the Solidarity Fund and for early retirement incentives, and provisions for legal and tax disputes of 83.7 million (99.4 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 regard to the main pending legal proceedings, as well as disputes with the Tax Authorities and disputes and complaints involving customers.

Shareholders' equity and solvency ratios



The Group's consolidated shareholders' equity as at 31 December 2022, including equity instruments, valuation reserves and profit for the year, amounted to 12,769.6 million, compared to the figure at the end of 2021 of 13,095.0 million.
The change, negative by 325.4 million, derives, for -288.3 million, from the allocation of the result for 2021 approved by the Shareholders' Meeting of 7 April 2022, for -63.3 million from the payment of coupons on Additional Tier 1 instruments and, for -16.0 million, from the purchase of own shares by the Parent Company in connection with employee incentive plans. In April the issue of a nominal 300 million in Additional Tier 1 instruments was also concluded, recognised in the financial statements for an amount of 297.0 million (equal to the consideration received less transaction costs) under item "140. Equity instruments". Finally, other negative changes were recorded for a total of -254.8 million mainly referring to the contribution of the comprehensive income recorded in the year. The latter was negative by 247.7 million due to a net profit for the year of 702.6 million and a negative change in valuation reserves of -950.3 million, the latter mainly generated by the significant reduction in the fair value measurements of securities classified as financial assets measured at fair value through other comprehensive income.

The following table shows the breakdown of valuation reserves:

(thousands of euro)	31/12/2022	31/12/2021
Financial assets measured at fair value through other comprehensive income	(712,267)	66,536
Property, plant and equipment	375,712	375,335
Foreign investment hedges	(1,475)	(603)
Cash flow hedges	(27,655)	(16,416)
Exchange rate differences	16,369	13,998
Financial liabilities designated at fair value through profit and loss (changes to its own credit risk)	(13,977)	(5,609)
Actuarial gains/(losses) on defined benefit pension plans	(60,315)	(100,693)
Share of valuation reserves related to interests in associates and joint ventures carried at equity	(200,403)	6,498
Special revaluation laws	-	2,314
Total	**(624,011)**	**341,360**

Valuation reserves as at 31 December 2022 were negative and amounted to -624.0 million, compared with the positive figure of 341.4 million as at 31 December 2021. The most significant change was seen in the reserves on Financial assets measured at fair value through other comprehensive income, which recorded a decrease of 778.8 million referring mainly to reserves on Italian and foreign government securities of 670.7 million and in the reserve relating to interests in associates and joint ventures carried at equity, which recorded a decrease of 206.9 million against 2021. These changes are mainly justified by the reduction in the fair value of the securities following the significant increase in interest rates.

For further details, please refer to the statement of changes in consolidated shareholders' equity contained in the consolidated financial statements.

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

(thousands of euro)	Shareholders' equity	Net profit (loss) for the year
Balance as at 31/12/2022 as per the Parent Company's financial statements	**12,576,376**	**523,604**
Impact of the valuation at equity of associated companies	204,596	157,483
Cancellation of dividends received during the year by associated companies	-	(125,530)
Other consolidation adjustments	(11,420)	147,032
Balance as at 31/12/2022 as per the consolidated financial statements	**12,769,551**	**702,589**

Solvency ratios - reference legislation and standards to follow

With its communication of 22 November 2022, the Bank of Italy confirmed Banco BPM Banking Group as an Other Systemically Important Institution (O-SII) for 2022. The O-SII reserve, which for 2021 was equal to 0.19%, amounts to 0.25% starting from 1 January 2022.

With its communication of 30 September 2022, the Bank of Italy has confirmed the Countercyclical Capital Buffer ratio for exposures to Italian counterparties at zero per cent also for the fourth quarter of 2022.

On 15 December 2022, the European Central Bank (ECB) communicated to Banco BPM the SREP decision for the year 2023, bringing the Pillar 2 capital requirement (P2R) to 2.57%, essentially unchanged compared to that of the previous year net of the effects of the release of the deduction calculated pursuant to Art. 3 of the CRR (EU Regulation 575/2013), whose positive effects on the capital ratios and on the MDA buffer were calculated starting from the situation as at 31 December 2022.
Therefore, also considering the countercyclical capital buffer established by the competent national authorities for exposures to the countries in which the Group operates, (equal to 0.011%), the minimum requirements that Banco BPM is required to meet for 2023 until further notice, are as follows:

- CET 1 ratio: 8.71%;
- Tier 1 ratio: 10.69%;
- Total Capital ratio: 13.33%.

Transitional arrangements

Banco BPM exercised the option for the full application of the transitional arrangements envisaged by Article 473 bis 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 share decreases over time over a timeframe of five years, running from 2018 to 2022. The percentage share applicable to the period from 1 January 2022 until 31 December 2022 stands at 25% and will decline to zero as of 1 January 2023.

From 1 January 2023 the impact from the first-time adoption of IFRS 9 will therefore 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 no. 873/2020 to Article 473 bis in relation to increased provisions allocated for losses on performing loans in relation to the amount of the same as at 1 January 2020.

On 20 June 2022, Banco BPM communicated to the ECB, pursuant to Art. 1 paragraph 6 of Regulation no. 873/2020, its intention to make use of the temporary treatment, applicable in the period from 1 January 2020 to 31 December 2022, governed by Article 468 of the Regulation (EU) no. 575/2013 (CRR)[1]. By virtue of this temporary derogation, it is permitted to remove from CET 1 items part of the unrealised gains and losses accumulated starting from 31 December 2019, recognised as changes in the fair value reserves of the exposures to debt instruments issued by central governments, regional governments or local authorities referred to in Article 115 (2) of the CRR and public sector entities referred to in Article 116 (4), provided that such exposures are not classified as impaired financial assets. For the period from 1 January 2022 to 31 December 2022, the portion of unrealised gains and losses that can be excluded is 40% and amounts, as at 31 December 2022, to 237.3 million net of tax effects.

Group capital ratios

Banco BPM Group’s capital solidity is fully confirmed as at 31 December 2022, as it far exceeds said prudential requirements, both with reference to the effective ratios calculated in accordance with the phased-in criteria in force for 2022, and considering the capital ratios calculated on the basis of the criteria in place when fully phased.

The phased-in Common Equity Tier 1 ratio is 14.3%, the phased-in Tier 1 ratio is 16.6%, while the Total Capital ratio is 19.6%.

Excluding the impacts of transitional rules, the Group's fully phased capital ratios as at 31 December 2022 were as follows:

- CET 1 ratio 12.8%;
- Tier 1 ratio 15.2%;
- Total Capital ratio 18.1%.

The capital ratios as at 31 December 2022 shown above were calculated by including the net economic result achieved by Banco BPM Group as at 31 December 2022, net of the proposed dividends and other allocations of profit.

As regards the consolidation of the insurance companies following the acquisition of Banco BPM Vita, note that, under the premise that Banco BPM Group will be recognised as a financial conglomerate (as defined by Art. 3 of Legislative Decree no. 142 of 30 May 2005), acknowledged in the ECB letter dated 7 March 2023, Banco BPM had already submitted a petition for the application of Art. 49 (1) of Regulation (EU) no. 575/2013 (CRR). Based on this regulatory provision, Banco BPM expects to obtain authorisation to not have to deduct the book value of the interest in Banco BPM Vita from CET 1 Capital. In this instance, the equity interest not deducted from own funds will be considered an exposure to credit risk to be weighted in compliance with the CRR (so-called Danish Compromise).

[1] Article amended by Regulation (EU) no. 2020/873 (CRR “Quick fix”).

Including the positive effect of the application of the above-cited Art. 49 (1) of Regulation (EU) no. 575/2013 (CRR)[1], the fully-phased Common Equity Tier 1 ratio of the Group as at 31 December 2022 would be 13.3%.

Liquidity position and leverage

On 1 October 2015, Delegated Regulation (EU) no. 61/2015 entered into force, which requires that banks maintain a specific level of liquidity measured with regard to a short-term time horizon (Liquidity Coverage Ratio, "LCR"). As at 31 December 2022, Banco BPM Group had a consolidated LCR of 191% with respect to the regulatory limit of 100%.

Effective from 30 June 2021, the NSFR, the regulatory structural liquidity indicator, which measures the ratio of stable sources of funding and stable financing requirements, constitutes a regulatory requirement with a minimum of 100%. As at 31 December 2022, Banco BPM Group had a NSFR index of 131%.

Lastly, as regards the leverage ratio, the value as at 31 December 2022 was 5.21% calculated with the temporary definition of CET 1. The ratio calculated on the basis of the fully-phased rules is equal to 4.76%.

Consolidated income statement figures

The main income statement items for 2022 are illustrated below.

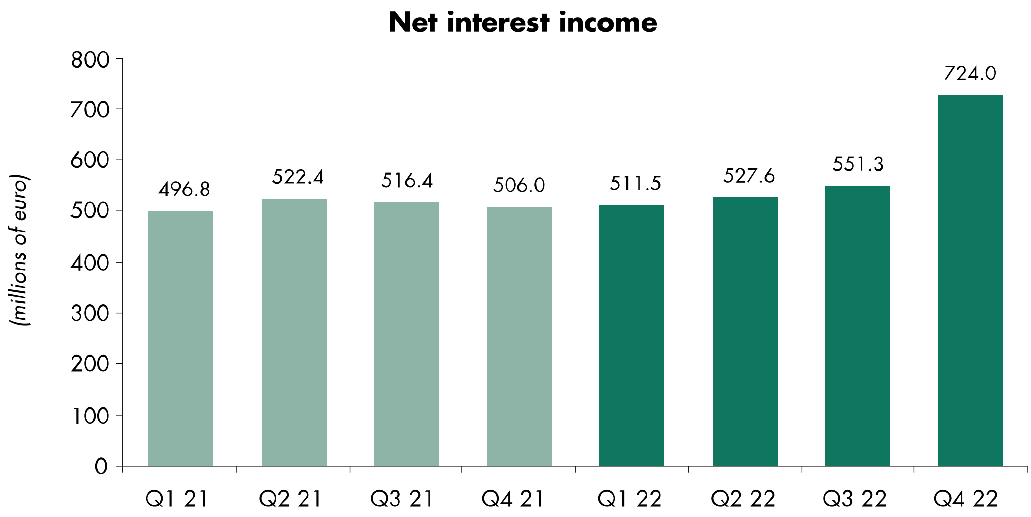
[1] This regulatory provision is also known as "Danish compromise".

Operating income

Net interest income

(thousands of euro)	2022	2021	Abs. Change	% Change
Financial assets (securities)	413,529	413,712	(183)	0.0%
Net interest due to customers	1,939,065	1,686,905	252,160	14.9%
Net interest due to banks	58,548	(4,735)	63,283	
Securities issued and other financial liabilities at fair value	(253,759)	(251,662)	(2,097)	0.8%
Hedging derivatives (net balance) (*)	1,715	(97,077)	98,792	
Net interest on other assets/liabilities	155,311	294,485	(139,174)	(47.3%)
Total	**2,314,409**	**2,041,628**	**272,781**	**13.4%**

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

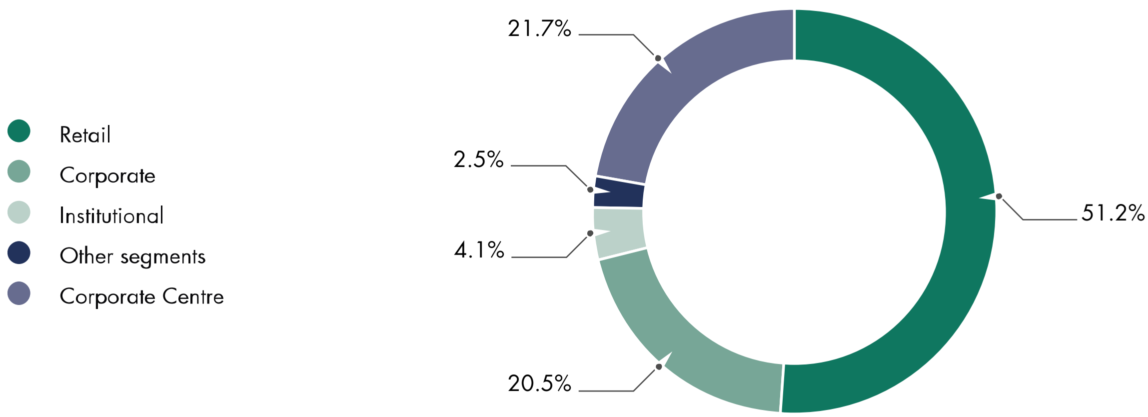


Net interest income amounted to 2,314.4 million, up by 13.4% compared to the 2021 figure (equal to 2,041.6 million), mainly thanks to the increase in the commercial spread following the rise in market rates. In the first half of the year, net interest income also benefited from the contribution made by TLTRO III financing operations which, in consideration of the net lending objectives reached by the Group, envisaged, starting from 23 June 2022, the payment of special interest, equal to -0.50%, in addition to the rate applicable for the entire duration of the loan[1]. In the second half of the year, on the other hand, there was a lower contribution due to the elimination of the favourable remuneration mechanisms illustrated above and the increase in interest rates. For further details, please see the paragraph "Other significant aspects relating to Group accounting policies" in "Section 5 - Other aspects" in Part A.

[1] The amount of eligible loans was significantly higher than the target levels set out in the regulations. This result guaranteed the application to the TLTRO III refinancing operations for the period from 24 June 2020 to 23 June 2022 ("special interest period") of a special interest rate equal to -0.50% in addition to the average rate applicable to deposit facilities (-0.50%).

(thousands of euro)	2022	2021 restated (*)	2021	Reclassifica-tions	Abs. change on restated balances	% Change
Retail	1,183,947	1,037,171	1,041,503	(4,332)	146,776	14.2%
Corporate	474,250	472,695	472,599	96	1,555	0.3%
Institutional	94,552	51,165	51,219	(54)	43,387	84.8%
Private	4,091	(2,417)	(2,557)	140	6,508	
Investment Banking	56,509	53,830	53,830	-	2,679	5.0%
Insurance	(39)	(1,352)	-	(1,352)	1,313	(97.1%)
Strategic Partnerships	(1,961)	(3,185)	(4,919)	1,734	1,224	(38.4%)
Leases	-	-	22,228	(22,228)	-	0.0%
Corporate Centre	503,060	433,721	407,725	25,996	69,339	16.0%
Total	**2,314,409**	**2,041,628**	**2,041,628**	**-**	**272,781**	**13.4%**

(*) 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 2022. For more details on the methods for restating the balances of the previous year, please refer to the next section "Results by business segment" of this Report on operations.



The positive net interest income trend is largely attributable to the business lines relating to the Commercial Network, where the Retail segment recorded growth of 146.8 million compared to 2021. In detail, the positive trend in question was significantly impacted by the growth in net loans of the Commercial Network (+1.6 billion Retail and +1.1 billion Corporate), also in relation to direct funding, which has always been at significantly higher levels than those recorded in the previous year, decreasing only in the last quarter, bringing volumes down by around 0.6 billion, especially due to the effect of the non-restricted funding of the Corporate segment (-2.7 billion). The recovery in interest rates considerably influenced the trend of all the business lines of the Commercial Network, with the repricing of loans that more than offset the higher cost of funding. Lastly, note the lower contribution made by the allocation of a part of the benefit deriving from TLTRO III (-84.1 million) to the Network following the end of the so-called "special interest period".

The Investment Banking margin (56.5 million), represented by Banca Akros, did not show particular differences compared to the previous year, up by 2.7 million.

With reference to the Corporate Centre, despite an increase in its contribution to the Group's net interest income, the securities portfolio showed a decline, if considered together with the cost of funding to finance it, especially in the dollar component. In fact, the gradual increase in interest rates also had an impact on the higher cost of institutional bond issues, also due to a massive return of the Group on the bond market, with issues totalling 5 billion.

This last aspect must be considered together with the decision to repay the 12.5 billion of TLTRO III in advance in December 2022. In particular, the decisions made by the ECB, both to increase rates and to change the mechanism for calculating the rate applied to the TLTRO, generated an increase in interest expense of 170.8 million, only partially offset by the re-use of liquidity in the Deposit Facility.

However, overall, the Corporate Centre recorded an increase of 69.3 million, both as a result of higher loans with institutional counterparties and following the non-retrocession to the Commercial Network of the benefit deriving from the special interest period of TLTRO III.

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

(thousands of euro)	2022	2021	Abs. Change	% Change
Agos Ducato	104,754	156,033	(51,279)	(32.9%)
Anima Holding	35,192	43,226	(8,034)	(18.6%)
Vera Vita	(2,210)	9,207	(11,417)	
Vera Assicurazioni	6,381	2,684	3,697	137.7%
Bipiemme Vita	1,227	7,430	(6,203)	(83.5%)
Factorit	-	6,386	(6,386)	
Other investee companies	12,139	6,974	5,165	74.1%
Total	**157,483**	**231,940**	**(74,457)**	**(32.1%)**

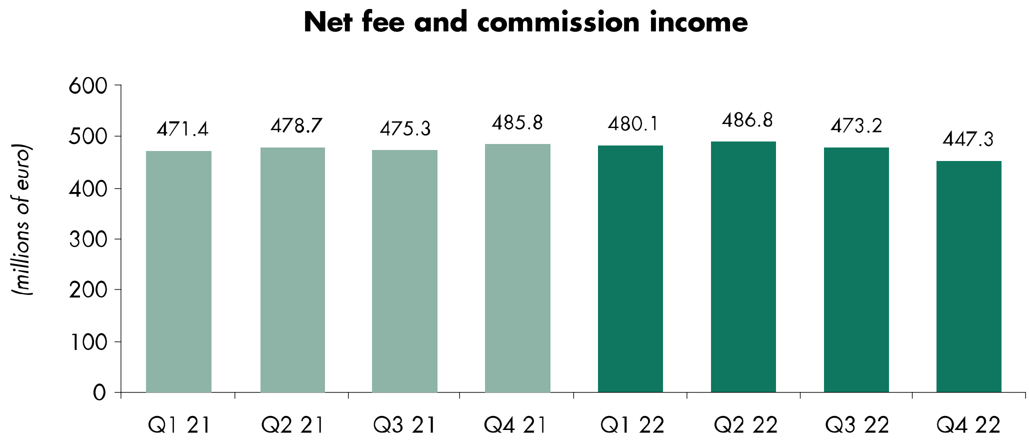
The **gains on interests in associates and joint ventures carried at equity** amounted to 157.5 million, compared to the figure for the previous year (equal to 231.9 million), which included a non-recurring positive component relating to an investee (42.1 million), the contribution of Factorit (sold in 2022) and the contribution of Banco BPM Vita for the first half of 2022 (fully consolidated from 1 July 2022).
The main contribution to the item in question was provided by consumer credit channelled from the equity interest held in Agos Ducato, amounting to 104.8 million, as well as the contribution of the associated company Anima Holding [1], amounting to 35.2 million.

In terms of business segment, the decrease in the item in question is essentially due to the Strategic Partnerships business line, where Agos Ducato decreased from 156.0 million in 2021 (which included the extraordinary contribution deriving from the exercise by the associate of the option to realign the tax value of goodwill) to 104.8 million in 2022, Anima Holding decreased by 8.0 million and Factorit no longer makes a contributions, as it was sold in the first quarter of the year.
The contribution of the Insurance business line was also down, which, in this item, was affected by the contribution of Banco BPM Vita and Banco BPM Assicurazioni only for the first six months of the year.
The contribution of the other interests in associates and joint ventures that are part of the Corporate Centre was substantially stable.

Net fee and commission income

(thousands of euro)	2022	2021	Abs. Change	% Change
Management, brokerage and advisory services	892,743	939,038	(46,295)	(4.9%)
Savings products and policies	703,170	781,911	(78,741)	(10.1%)
- Placement of financial instruments	37,026	19,849	17,177	86.5%
- Distribution and portfolio management	528,825	624,866	(96,041)	(15.4%)
- Bancassurance	137,319	137,196	123	0.1%
Consumer credit	48,965	34,672	14,293	41.2%
Credit cards	69,697	48,354	21,343	44.1%
Trading of securities and currencies and order collection	60,905	65,822	(4,917)	(7.5%)
Other	10,006	8,279	1,727	20.9%
Keeping and management of current accounts and loans	656,161	644,419	11,742	1.8%
Collection and payment services	183,644	169,206	14,438	8.5%
Guarantees given and received	49,642	69,343	(19,701)	(28.4%)
Other services	105,132	89,197	15,935	17.9%
Total	**1,887,322**	**1,911,203**	**(23,881)**	**(1.2%)**

[1] The contribution to the consolidated income statement for 2022 also includes the profit resulting from the investee in the final quarter of 2021, equal to 11.8 million pro-rata. Please recall that, for the preparation of the 2021 financial statements, it was not possible to recognise the contribution of the fourth quarter, as Anima Holding approved its draft financial statements on 1 March 2022 and therefore subsequent to Banco BPM.

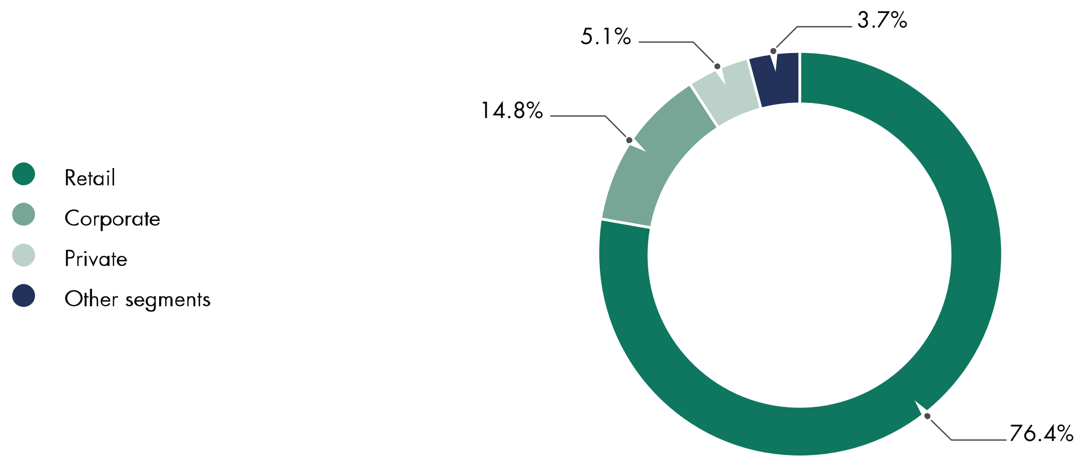


Net fee and commission income in 2022 totalled 1,887.3 million, down by 1.2% compared to the previous year.

This trend is attributable to the decrease in the contribution of management, brokerage and advisory services (-4.9% compared to 31 December 2021), while the contribution of the commercial banking services sector and that of collection and payment services show growth by 1.8% and 8.5% respectively compared to 31 December 2021.

(thousands of euro)	2022	2021 restated (*)	2021	Reclassifica-tions	Abs. change on restated balances	% Change
Retail	1,442,055	1,474,605	1,475,885	(1,280)	(32,550)	(2.2%)
Corporate	278,601	245,198	243,007	2,191	33,403	13.6%
Institutional	50,118	42,596	42,585	11	7,522	17.7%
Private	97,177	100,748	100,394	354	(3,571)	(3.5%)
Investment Banking	50,237	43,424	43,424	-	6,813	15.7%
Leases			(362)	362	-	0.0%
Corporate Centre	(30,866)	4,632	6,270	(1,638)	(35,498)	
Total	**1,887,322**	**1,911,203**	**1,911,203**	**-**	**(23,881)**	**(1.2%)**

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to reflect the changes introduced to the breakdown of operating segments and to guarantee a like-for-like comparison with the profiling criteria used for 2022. For more details on the methods for restating the balances of the previous year, please refer to the next section "Results by business segment" of this Report on operations.

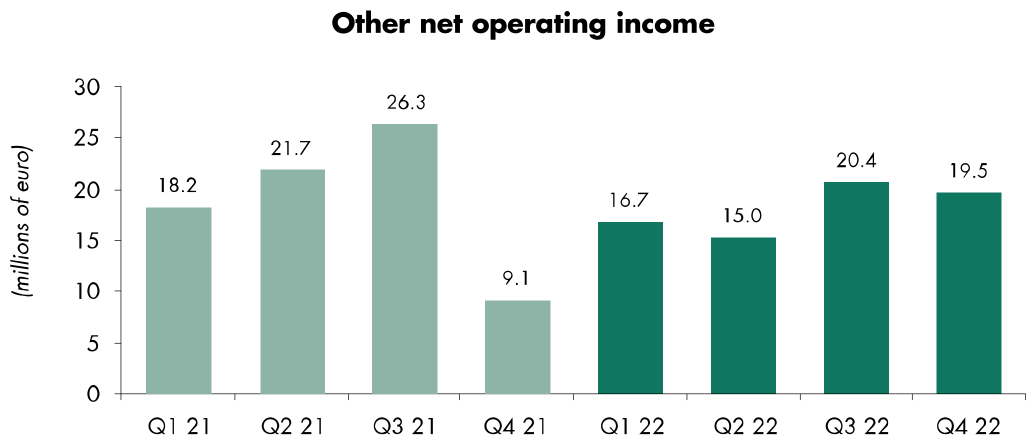


The decrease recorded in net fee and commission income (-23.9 million), compared to the previous year, is largely due to the Corporate Centre, where the new synthetic securitisation transactions, given the benefit of a reduction in risks for the Group, impacted the item in question by approximately 25.0 million, compared to 4.3 million in 2021.

The Investment Banking business line grew (+6.8 million), thanks to the structuring of the certificates issued by the Group.
With reference to the Commercial Network, the Retail segment was negatively affected by the trend in fee and commission income from assets under management (-87.1 million), not entirely absorbed by the growth in those on transactional banking services (+33.1 million), consumer credit (+14.3 million) and those related to foreign transactions (+9.2 million). Significant performances were recorded by the Corporate (+33.4 million) and Institutional (+7.5 million) business lines, due to higher loans granted to businesses.

Other net operating income

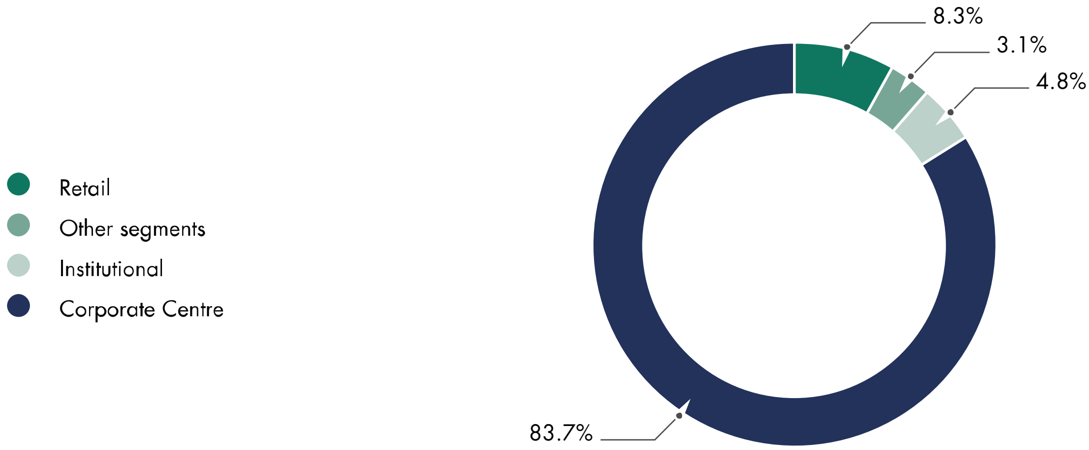
(thousands of euro)	2022	2021	Abs. Change	% Change
Income on current accounts and loans	6,398	5,309	1,089	20.5%
Rental income	36,878	33,885	2,993	8.8%
Expenses on leased assets	(14,343)	(26,173)	11,830	(45.2%)
Other income and charges	42,669	62,259	(19,590)	(31.5%)
Total	**71,602**	**75,280**	**(3,678)**	**(4.9%)**



Other net operating income totalled 71.6 million, compared to 75.3 million in 2021.

(thousands of euro)	2022	2021 restated (*)	2021	Reclassifica-tions	Abs. change on restated balances	% Change
Retail	5,965	5,166	5,167	(1)	799	15.5%
Corporate	58	62	61	1	(4)	(6.5%)
Institutional	3,470	3,504	3,504	-	(34)	(1.0%)
Private	5	5	5	-	-	0.0%
Investment Banking	962	1,126	1,126	-	(164)	(14.6%)
Insurance	1,219	-		-	1,219	
Leases		-	(15,985)	15,985	-	0.0%
Corporate Centre	59,923	65,417	81,402	(15,985)	(5,494)	(8.4%)
Total	**71,602**	**75,280**	**75,280**	**-**	**(3,678)**	**(4.9%)**

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to reflect the changes introduced to the breakdown of operating segments and to guarantee a like-for-like comparison with the profiling criteria used for 2022. For more details on the methods for restating the balances of the previous year, please refer to the next section "Results by business segment" of this Report on operations.

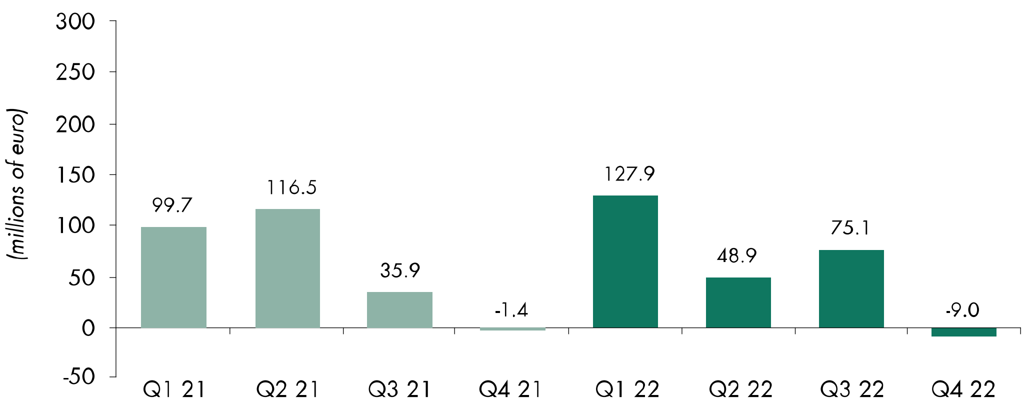


Other net operating income amounted to 71.6 million, with a slight decrease compared to the previous year. In fact, given the absence of a number of extraordinary positive components from the previous year, the Corporate Centre benefited from lower charges for the relocation of leased assets (+11.8 million) and higher income linked to the activities of the subsidiary Tecmarket (+4.9 million).

Net financial result

(thousands of euro)	2022	2021	Abs. Change	% Change
Net trading income	202,342	111,728	90,614	81.1%
Gains/losses on disposal of financial assets	47,790	119,046	(71,256)	(59.9%)
Dividends and similar income on financial assets	21,101	13,091	8,010	61.2%
Gains/losses on repurchase of financial liabilities	(3,343)	(74)	(3,269)	not indicated
Fair value gains/losses on hedging derivatives	1,402	(848)	2,250	0.0%
Result of assets and liabilities at fair value	(26,309)	7,752	(34,061)	0.0%
Total	**242,983**	**250,695**	**(7,712)**	**(3.1%)**

Net financial result



The **net financial result**[1] for 2022 was equal to 243.0 million substantially in line with the figure of 250.7 million recorded as at 31 December 2021.
The result in 2022 comprises +202.3 million from trading activities (+111.7 million as at 31 December 2021), -26.3 million from changes recorded in the measurement of assets and liabilities at fair value (+7.8 million as at 31

[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 7.2 million in income for the year (+6.5 million as at 31 December 2021).

December 2021) and +47.8 million from sales of financial assets (+119.0 million in 2021). Specifically, the figure as at 31 December 2022 is influenced by the fair value measurement of the equity interest in Nexi of -84.0 million (-25.8 million as at 31 December 2021).

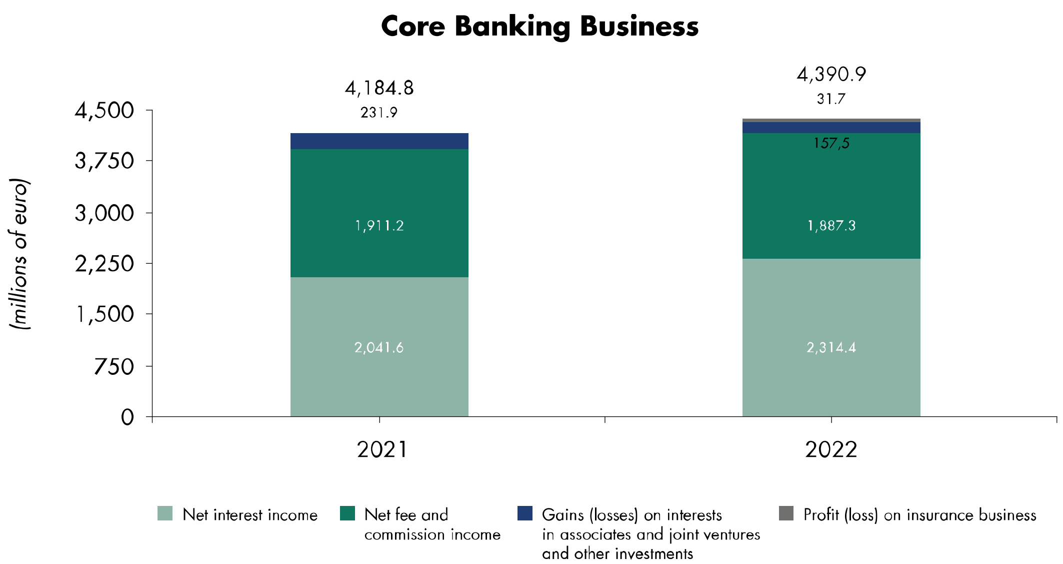
(thousands of euro)	2022	2021 restated (*)	2021	Reclassifica-tions	Abs. change on restated balances	% Change
Retail	(7,529)	2,978	4,010	(1,032)	(10,507)	
Corporate	(18,338)	21,920	22,373	(453)	(40,258)	
Institutional	(466)	(455)	(420)	(35)	(11)	11.0%
Private	(429)	(289)	(283)	(6)	(140)	51.6%
Investment Banking	13,278	13,414	13,414	-	(136)	(1.0%)
Corporate Centre	256,467	213,127	211,601	1,526	43,340	21.2%
Total	**242,983**	**250,695**	**250,695**	**-**	**(7,712)**	**(3.1%)**

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to reflect the changes introduced to the breakdown of operating segments and to guarantee a like-for-like comparison with the profiling criteria used for 2022. For more details on the methods for restating the balances of the previous year, please refer to the next section "Results by business segment" of this Report on operations.

In terms of business segment, the Corporate Centre recorded an increase of +43.3 million, benefiting from capital gains deriving from the sale of a portion of the securities portfolio and from higher trading profits. The latter more than offset the negative impact of the valuation of some securities held by the Group, in particular the Nexi share, down by 84.0 million compared to the previous year.
The contribution of the Commercial Network was also down, in particular the Corporate segment (-40.3 million), both in the component of hedging derivatives entered into with companies and, above all, following the valuation of loans that do not exceed the so-called "SPPI test" and which are therefore measured at fair value through profit and loss. The Retail business line was also down, particularly due to the placement of certificates.

The **profit on insurance business** was 31.7 million. That item comprises the contribution for the second half of 2022 of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni, following the acquisition of control over them.

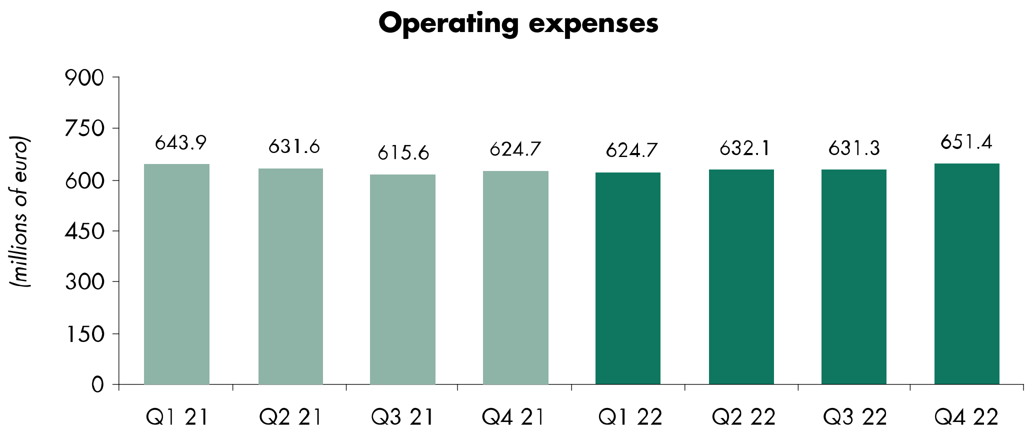
As a result of the trends described, the total **operating income** therefore amounted to 4,705.5 million, up compared to the 4,510.7 million recorded last year (+4.3%).



Taking only revenues from the core business into account, represented by the sum of the aggregates relating to net interest income, net fee and commission income, gains (losses) on interests in associates and joint ventures carried at equity and profit (loss) on insurance business, the 2022 figure reached 4,390.9 million, up 4.9% compared to the figure for the previous year.

Operating expenses

(thousands of euro)	2022	2021	Abs. Change	% Change
Personnel expenses	**(1,608,901)**	**(1,667,799)**	**58,898**	**(3.5%)**
Other administrative expenses	**(650,380)**	**(601,151)**	**(49,229)**	**8.2%**
- Taxes and duties	(313,178)	(320,133)	6,955	(2.2%)
- Services and consulting	(301,483)	(289,066)	(12,417)	4.3%
- Property	(85,453)	(66,155)	(19,298)	29.2%
- Postal, telephone and stationery	(21,076)	(22,773)	1,697	(7.5%)
- Maintenance and fees for furniture, machines and systems	(95,273)	(86,709)	(8,564)	9.9%
- Advertising and entertainment	(13,453)	(9,501)	(3,952)	41.6%
- Other administrative expenses	(91,028)	(89,333)	(1,695)	1.9%
- Expense recoveries	270,564	282,519	(11,955)	(4.2%)
Value adjustments to property, plant and equipment and intangible assets	**(280,088)**	**(246,825)**	**(33,263)**	**13.5%**
- Value adjustments to property, plant and equipment	(180,771)	(165,990)	(14,781)	8.9%
- Value adjustments to intangible assets	(92,265)	(78,825)	(13,440)	17.1%
- Net write-downs for impairment	(7,052)	(2,010)	(5,042)	250.8%
Total	**(2,539,369)**	**(2,515,775)**	**(23,594)**	**0.9%**



Personnel expenses, equal to 1,608.9 million, decreased by 3.5% compared to 1,667.8 million in 2021. The figures are not immediately comparable as both 2022 and 2021 include positive non-recurring components (equal to +11.9 million in 2022 and +14.4 million in 2021); in addition, the figure as at 31 December 2022 includes the charges (relating to the second half of 2022) of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni amounting to 7.9 million. On a like-for-like basis (excluding insurance company expenses and one-off components), personnel expenses amounted to 1,612.8 million, down 4.1% year-on-year. This performance reflects the savings deriving from the reduction in the workforce implemented from last year, as part of the programme that envisaged the use of the Solidarity Fund for the industry. The total number of employees was 20,157 as at 31 December 2022 (of which 143 pertaining to the insurance companies), compared to 21,663 at the start of 2021.

Other administrative expenses[1], at 650.4 million, grew by 8.2% compared to 2021, when they totalled 601.2 million. Also in this case, the item includes the charges relating to the insurance business, which amounted to 6.4 million. Net of that component, the aggregate in question grew by 7.1%, also due to the inflationary trends under way, which specifically impacted energy consumption.

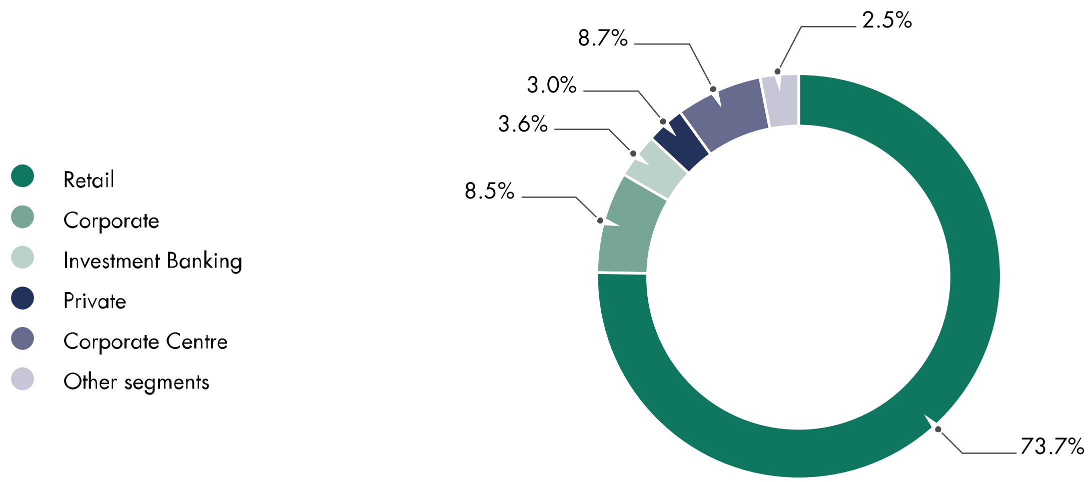
[1] The aggregate does not include the "banking industry charges", represented by the contributions to the Resolution Funds and the Interbank Deposit Guarantee Fund, reported in a separate item of the reclassified income statement, net of the relative tax.

Net value adjustments to property, plant and equipment and intangible assets totalled 280.1 million (of which 0.9 million referring to the insurance business), compared to the figure of 246.8 million as at 31 December 2021. The item includes adjustments of 7.1 million relating mainly to write-downs of software.

Total **operating expenses** therefore amounted to 2,539.4 million, up by 0.9% compared to 2,515.8 million in the previous year. Excluding the effects relating to the insurance companies Banco BPM Vita and Banco BPM Assicurazioni, totalling 15.3 million, as well as the impact of non-recurring items, the aggregate was substantially in line with the previous year.
The cost/income ratio for the year was 54.0%, an improvement compared to 55.8% in 2021.

(thousands of euro)	2022	2021 restated (*)	2021	Reclassifica-tions	Abs. change on restated balances	% Change
Retail	(1,872,511)	(1,901,966)	(1,901,966)	-	29,455	(1.5%)
Corporate	(215,750)	(199,363)	(199,363)	-	(16,387)	8.2%
Institutional	(45,604)	(41,907)	(41,907)	-	(3,697)	8.8%
Private	(75,919)	(75,285)	(75,285)	-	(634)	0.8%
Investment Banking	(90,438)	(91,922)	(91,922)	-	1,484	(1.6%)
Insurance	(15,559)	(212)	-	(212)	(15,347)	0.0%
Strategic Partnerships	(2,400)	(2,434)	(2,646)	212	34	(1.4%)
Leases	-	-	(31,817)	31,817	-	0.0%
Corporate Centre	(221,188)	(202,686)	(170,869)	(31,817)	(18,502)	9.1%
Total	**(2,539,369)**	**(2,515,775)**	**(2,515,775)**	**-**	**(23,594)**	**0.9%**

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to reflect the changes introduced to the breakdown of operating segments and to guarantee a like-for-like comparison with the profiling criteria used for 2022. For more details on the methods for restating the balances of the previous year, please refer to the next section "Results by business segment" of this Report on operations.



In terms of business segment, it should be noted that the aggregate of operating expenses, which amounted to 2,539.4 million, is not fully comparable with that of the previous year, where the contribution of Banco BPM Vita and Banco BPM Assicurazioni, consolidated at equity, was absent.
Considering all the above, there was a significant decrease in personnel expenses (-58.9 million), thanks to the savings resulting from the reduction of the workforce. In particular, the Corporate Centre recorded a decrease of 42.3 million and the Retail segment of 23.5 million.
On the other hand, the trend of other administrative expenses and amortisation/depreciation worsened, up by 49.2 million and 33.3 million respectively, due to the increases in energy costs and the higher investments made.

Profit (loss) from operations

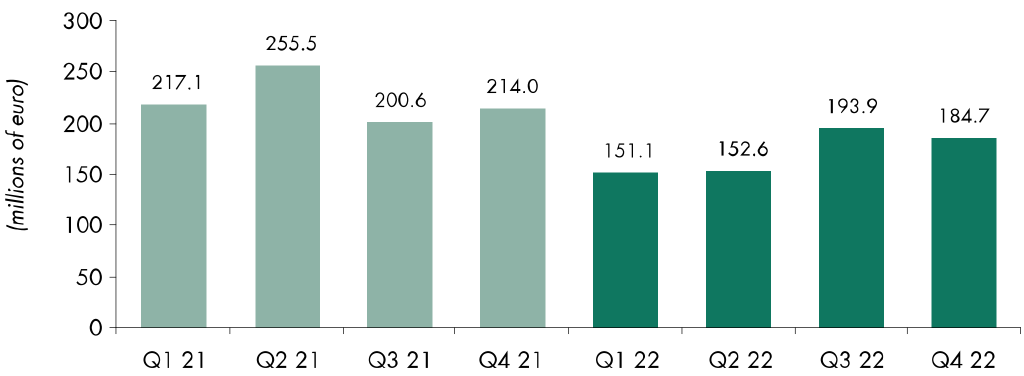
The **profit from operations** as at 31 December 2022 stood at 2,166.1 million, up (+8.6%) compared to € 1,995.0 million in the previous year.

Adjustments and provisions

(thousands of euro)	2022	2021 (*)	Abs. Change	% Change
Net adjustments to loans at AC to customers	**(473,692)**	**(630,626)**	**156,934**	**(24.9%)**
Stage 3	(446,088)	(584,983)	138,895	(23.7%)
Stage 2	43,130	(29,613)	72,743	
Stage 1	(32,768)	33,064	(65,832)	
Acquired or originated impaired	(37,966)	(49,094)	11,128	(22.7%)
Gains (losses) on disposal of loans	**(210,302)**	**(248,052)**	**37,750**	**(15.2%)**
Gains (losses) from contractual modification without derecognition	**1,713**	**(8,521)**	**10,234**	
Total	**(682,281)**	**(887,199)**	**204,918**	**(23.1%)**

(*) 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 reporting criteria used as at 31 December 2022.

Net adjustments to loans to customers



Net adjustments to loans to customers as at 31 December 2022, at 682.3 million, showed a 23.1% decrease compared to the previous year. Net adjustments in 2022 included the impact deriving from the increase in the targets for the sale of non-performing loans following the change in the non-performing loan management strategy, for a total of 112.7 million; as at 31 December 2021, the equivalent impact came to 194.0 million.
As at 31 December 2022, the cost of credit, measured by the ratio of net value adjustments on loans to net loans, was 62 bps. Excluding the extraordinary impacts due to the increase in the sale targets of non-performing loans approved by the Group, the cost of risk would come to 52 bps as at 31 December 2022.

The result of **fair value gains (losses) on property, plant and equipment** as at 31 December 2022 reported losses of -108.3 million compared to -141.6 million last year. These adjustments are attributable to the valuation process carried out annually on properties and mainly refer to properties held for investment purposes.

The item **net adjustments to securities and other financial assets** includes net losses of -9.1 million (-0.3 million as at 31 December 2021).

Net provisions for risks and charges in the year amounted to -57.2 million (-26.0 million as at 31 December 2021). The item includes the estimated costs that are expected to be incurred for the rationalisation of the branch network for 8.5 million as well as the provisions relating to the estimated costs for certain contractual commitments for 18.3 million.

As at 31 December 2022, **gains on disposal of interests in associates and joint ventures and other investments** amounted to 2.3 million, referring to sales of properties. In 2021, the item in question, amounting to -18.8 million, included the effect deriving from the impairment recognised on a shareholding.

Due to the trends described, the **profit before tax from continuing operations** was equal to 1,311.5 million compared to 921.0 million in 2021, marking an increase of 42.4%.

Other revenue and cost items

The **taxation charge related to profit or loss from continuing operations** was -408.9 million (-253.8 million as at 31 December 2021).

Profit after tax from continuing operations was therefore equal to 902.5 million, an increase of 35.3% compared to 667.2 million in the previous year.

Charges related to the banking system, net of taxes were also charged to the income statement for the year, amounting to 151.9 million (145.0 million in 2021) relating to the ordinary contribution to the Single Resolution Fund (110.5 million before tax, compared to 87.8 million as at 31 December 2021) and the Interbank Deposit Protection Fund (114.6 million before tax compared to 98.4 million as at 31 December 2021). In the previous year, additional contributions were also charged, paid to the National Resolution Fund for 28.6 million, gross.

The comparison with the recoverable value of intangible assets led to the recognition of **goodwill impairment** of 8.1 million.

In the year, the **change in own credit risk on Certificates issued by the Group, net of taxes**, generated income of 4.8 million (7.2 million before taxes). In 2021, income of 4.4 million (6.5 million before tax effects) was recorded.

The **Purchase Price Allocation net of taxes** represents the overall economic impact, net of the relative tax effect, of the 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. In addition, starting from the second half of 2022, the effects relating to the business combination of Banco BPM Vita and Banco BPM Assicurazioni were also recognised, including the remeasurement at fair value of the interest held previously on the basis of the provisions of IFRS 3 for the aggregations carried out in several phases (so-called step acquisition).
In greater detail, the impact on the consolidated income statement for 2022 was -13.7 million on net interest income (in connection with the evolution of the different valuations of the loans purchased), and -38.1 million on other net operating income (due to the amortisation of the intangibles recognised in the PPA); in addition, the impact of -10.7 million resulting from the remeasurement at fair value of the 19% share previously held in Banco BPM Vita has to be considered. Net of the related tax effects, the overall impact recognised in the item "Purchase Price Allocation net of taxes" in the reclassified income statement for 2022 amounted to -45.5 million (the figure for 2021 was -39.5 million).

Considering the share of profit attributable to non-controlling interests, 2022 closed with **net profit** equal to 702.6 million (569.1 million as at 31 December 2021).

The figure net of non-recurring items was 886.3 million, up on the previous year (710.1; +24.8).