

## RESULTS BY BUSINESS SEGMENT

### Introduction

According to IFRS 8, companies must provide information enabling users of financial statements to assess the nature and the effects on the financial statements of their business activities and the economic contexts in which they operate.

Therefore, it is necessary to highlight the contribution of the various operating segments to the formation of the Group's income.

The identification of the "operating segments" of this Section is consistent with the procedures adopted by Company Management to make operating decisions and is based on internal reporting, used for allocating resources to the various segments and analysing their performance. In that view, also to improve the representation of the Group's profitability, operating segments that are below the quantitative thresholds put forward in paragraph 13 of IFRS 8 are also highlighted.

For 2021, the operating segments taken as a reference to provide the disclosure in question are as follows:

- Retail;
- Corporate;
- Institutional;
- Private;
- Investment Banking;
- Strategic Partnerships;
- Leases;
- Corporate Centre.

The justification for identifying Leases as an operating segment lies in the need to provide separate evidence of a run-off activity, whose economic contribution indicated is represented solely by the result deriving from the management of the progressive reduction in assets and liabilities of the former Banca Italease (today incorporated into Banco BPM) and the subsidiary Release.<sup>1</sup>

It should also be noted that the Investment Banking operating segment also encompasses the contribution of the subsidiary Oaklins Italy S.r.l., acquired by Banca Akros in May 2021.

A brief illustration of the breakdown of the various segments is provided below:

- the "Retail" segment includes the management and marketing of banking and financial products/services and loan brokering, which are mainly aimed at private customers and small businesses. These activities are for the most part carried out by the Parent Company's Commercial Network;
- the "Corporate" segment includes the management and marketing of banking and financial products/services and loan brokering, which are mainly aimed at medium and large-sized companies. These activities are for the most part carried out by the Parent Company's Commercial Network;
- the "Institutional" segment includes the management and marketing of banking and financial products/services and loan brokering, which are mainly aimed at bodies and institutions (UCITs, SICAVs, insurance companies, pension funds and banking foundations). Those activities are conducted in an equal amount by the Commercial Network of the Parent Company, for "local institutional" counterparties, and by specialised branches, for "systemically-important institutional" counterparties;
- the "Private" segment includes the management and marketing of banking and financial products/services and loan brokering, which are mainly aimed at private customers with assets that, individually and/or within their business, amount to at least 1 million euro. These activities are carried out by the subsidiary Banca Aletti;
- the "Investment Banking" segment includes the structuring of financial products, access to regulated markets, support and development of specialised financial services. These activities are carried out by Banca Akros and by Oaklins Italy;
- the "Strategic Partnerships" segment includes the contribution of shares held in Agos Ducato, Vera Vita, Vera Assicurazioni, Bipiemme Vita, Factorit, Alba Leasing, SelmaBipiemme Leasing, Gardant Liberty Servicing and Anima Holding;

<sup>1</sup> Incorporated into the Parent Company on 21 February 2022, with accounting and tax effect from 1 January 2022.

- the “Leases” segment includes data relating to activities connected to the Group’s leasing business, the scope of which encompasses:
  - activities relating to the contracts of the former Banca Italease;
  - Release;
- the “Corporate Centre” segment, in addition to governance and support functions, includes the portfolio of owned securities, the treasury and the Group’s Asset and Liability Management, the stock of bond issues placed on institutional markets, equity interests not allocated between Strategic Partnerships and companies operating in the real estate sector. Lastly, all the consolidation entries are included in this residual segment.

The table below provides the key income statement and balance sheet figures, broken down by segment, referring to 2021 compared with those as at 31 December 2020.

Note that the figures of the previous year have been restated as compared to those published in the 2020 Annual Report, as a result of the reallocation of several customers among the various business lines, made on the basis of sales logic to achieve profiling that better reflects the characteristics of customers.

	Group	Retail	Corporate	Institutional	Private	Investment Banking	Strategic Partnerships	Leases	Corporate Centre
<b>Operating income</b>									
2021	<b>4,510,746</b>	2,526,565	738,040	96,888	97,559	111,794	224,689	5,881	709,330
2020 (*)	<b>4,151,817</b>	2,237,380	701,533	99,868	90,771	125,444	131,279	21,004	744,538
<b>Operating expenses</b>									
2021	<b>(2,515,775)</b>	(1,901,966)	(199,363)	(41,907)	(75,285)	(91,922)	(2,646)	(31,817)	(170,869)
2020 (*)	<b>(2,430,067)</b>	(1,843,966)	(156,707)	(37,801)	(73,138)	(84,591)	(2,566)	(33,831)	(197,467)
<b>Profit (loss) from operations</b>									
2021	<b>1,994,971</b>	624,599	538,677	54,981	22,274	19,872	222,043	(25,936)	538,461
2020 (*)	<b>1,721,750</b>	393,414	544,826	62,067	17,633	40,853	128,713	(12,827)	547,071
<b>Profit (loss) for the year</b>									
2021	<b>569,068</b>	18,178	85,743	21,417	11,268	10,654	205,857	(125,982)	341,933
2020 (*)	<b>20,880</b>	(330,064)	3,343	20,104	3,922	24,212	132,295	(91,010)	258,078
<b>Net loans (including senior securities from sales of non-performing loans)</b>									
2021	<b>109,383,382</b>	61,625,508	29,936,846	6,488,818	428,751	1,963,699	-	1,367,926	7,571,834
2020 (*)	<b>109,334,985</b>	58,868,234	31,563,990	6,537,033	335,172	695,414	-	1,639,209	9,695,934
<b>Direct funding (without repurchase agreements with certificates)</b>									
2021	<b>123,168,045</b>	84,398,631	10,136,351	10,926,181	2,935,264	2,663,969	-	4,507	12,103,142
2020 (*)	<b>120,141,065</b>	79,507,051	11,490,306	9,956,785	2,983,412	3,584,917	-	6,669	12,611,925

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

To guarantee a more immediate comparison with the figures presented in Part L – Segment reporting in the Notes to the consolidated financial statements, the table below shows a comparison with the figures presented in the Annual Financial Report of the previous year.

	Group	Retail	Corporate	Institutional	Private	Investment Banking	Strategic Partnerships	Leases	Corporate Centre
<b>Operating income</b>									
2021	<b>4,510,746</b>	2,526,565	738,040	96,888	97,559	111,794	224,689	5,881	709,330
2020	<b>4,151,817</b>	2,254,223	693,040	99,932	90,912	125,444	132,255	21,434	734,577
<b>Operating expenses</b>									
2021	<b>(2,515,775)</b>	(1,901,966)	(199,363)	(41,907)	(75,285)	(91,922)	(2,646)	(31,817)	(170,869)
2020	<b>(2,430,067)</b>	(1,843,966)	(156,707)	(37,801)	(73,138)	(84,591)	(2,566)	(33,050)	(198,248)
<b>Profit (loss) from operations</b>									
2021	<b>1,994,971</b>	624,599	538,677	54,981	22,274	19,872	222,043	(25,936)	538,461
2020	<b>1,721,750</b>	410,257	536,333	62,131	17,774	40,853	129,689	(11,616)	536,329
<b>Profit (loss) for the year</b>									
2021	<b>569,068</b>	18,178	85,743	21,417	11,268	10,654	205,857	(125,982)	341,933
2020	<b>20,880</b>	(319,352)	2,023	17,107	4,025	24,212	113,872	(90,626)	269,619
<b>Net loans (including senior securities from sales of non-performing loans)</b>									
2021	<b>109,383,382</b>	61,625,508	29,936,846	6,488,818	428,751	1,963,699	-	1,367,926	7,571,834
2020	<b>109,334,985</b>	58,679,546	30,952,448	6,498,443	335,172	694,825	-	1,639,209	10,535,342
<b>Direct funding (without repurchase agreements with certificates)</b>									
2021	<b>123,168,045</b>	84,398,631	10,136,351	10,926,181	2,935,264	2,663,969	-	4,507	12,103,142
2020	<b>120,141,065</b>	79,521,550	11,475,745	9,956,749	2,983,412	3,584,917	-	6,669	12,612,023

A description of the individual segments is given below, focusing first on the performance of the income statement and then providing a more detailed analysis of the main activities conducted, both commercial and otherwise, divided in a manner that is in line with the internal organisation of the segment in question.

## Retail

	2021	2020 (*)	absolute change	% change
Net interest income	1,041,503	921,288	120,215	13.0%
<b>Financial margin</b>	<b>1,041,503</b>	<b>921,288</b>	<b>120,215</b>	<b>13.0%</b>
Net fee and commission income	1,475,885	1,292,761	183,124	14.2%
Other net operating income	5,167	9,238	(4,071)	(44.1%)
Net financial result	4,010	14,093	(10,083)	(71.5%)
<b>Other operating income</b>	<b>1,485,062</b>	<b>1,316,092</b>	<b>168,970</b>	<b>12.8%</b>
<b>Operating income</b>	<b>2,526,565</b>	<b>2,237,380</b>	<b>289,185</b>	<b>12.9%</b>
Personnel expenses	(1,069,629)	(1,012,069)	(57,560)	5.7%
Other administrative expenses	(722,089)	(703,243)	(18,846)	2.7%
Net value adjustments to property, plant and equipment and intangible assets	(110,248)	(128,654)	18,406	(14.3%)
<b>Operating expenses</b>	<b>(1,901,966)</b>	<b>(1,843,966)</b>	<b>(58,000)</b>	<b>3.1%</b>
<b>Profit (loss) from operations</b>	<b>624,599</b>	<b>393,414</b>	<b>231,185</b>	<b>58.8%</b>
Net adjustments to loans to customers	(438,667)	(685,375)	246,708	(36.0%)
Net provisions for risks and charges	(14,978)	(7,533)	(7,445)	98.8%
<b>Profit (loss) before tax from continuing operations</b>	<b>170,954</b>	<b>(299,494)</b>	<b>470,448</b>	
Taxation charge related to profit or loss from continuing operations	(61,690)	82,361	(144,051)	
<b>Profit (loss) after tax from continuing operations</b>	<b>109,264</b>	<b>(217,133)</b>	<b>326,397</b>	
Charges related to company restructuring, net of taxes	-	(123,265)	123,265	
Charges related to the banking system, net of taxes	(92,946)	(89,604)	(3,342)	3.7%
Impact of the realignment of tax values to book values	29,967	126,124	(96,157)	(76.2%)
Purchase Price Allocation net of taxes (**)	(28,107)	(26,186)	(1,921)	7.3%
<b>Parent Company's profit (loss) for the year</b>	<b>18,178</b>	<b>(330,064)</b>	<b>348,242</b>	

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

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

## Economic performance of the segment

Total operating income amounted to 2,526.6 million, up by 12.9% on the previous year. Within this aggregate, net interest income improved by 120.2 million, given the allocation to the Commercial Network and in particular to the Retail segment, of part of the benefit generated by the TLTRO III, partly reduced by the impact of the so-called liquidity buffer cost, namely the share of the cost allocated to the Network due to the Group's need to hold a liquidity buffer to cover unexpected cash outflows. Despite a decrease in the spread of loans in the short-term segment, the increase is due to the positive impact of funding, the non-restricted component of which showed a substantial improvement.

Net fee and commission income, corresponding to 1,475.9 million, recorded an increase (+183.1 million), both as regards investment products (+57.6 million), and indirect funding (+42.4 million); increases were also recorded by current accounts and deposits (+52.7 million) and Transactional Bank services (+31 million).

Other net operating income was down, due to a fall in fast track fees (*commissioni di istruttoria veloce*); the net financial result also decreased, relating to hedge products placed and to the issue of Certificates.

Operating expenses, amounting to 1,902.0 million, recorded an increase of 58.0 million: within said aggregate, the increase in personnel expenses and in other administrative expenses was partly offset by a reduction of value adjustments.

Net adjustments to loans to customers fell to 438.7 million (compared to 685.4 million recorded in 2020), benefiting from the lower risk of the portfolio, also linked to the reduction of the stock of non-performing loans.

Allocations to provisions for risks and charges amounted to 15.0 million compared to 7.5 million recorded last year, and refer to clawbacks and legal disputes.

Net banking industry charges amounted to 92.9 million (against 89.6 million last year).

The positive impact resulting from exercising the option to realign tax values to book values for property, plant and equipment used in operations was recognised under the item of the same name and amounted to 30.0 million.

Instead, the contribution of the PPA (Price Purchase Allocation) of -28.1 million.

Due to the above, the Retail segment closed 2021 with a profit of 18.2 million.

As illustrated in the introduction, the “Retail” segment includes the management and marketing of banking and financial products/services and loan brokering, which are mainly aimed at private customers and small businesses.

More information on the activities managed by the business segment in question are provided below.

## Private Customers

### Introduction

2021 saw an increase in the opportunities for interaction between the Bank and Customer: in particular digital identity and the offer of online products and services.

The creation of digital identities means that the Bank can enable customers to sign contracts digitally, therefore eliminating paper and ensuring that transactions are secure right from the start.

Therefore, the online offer process enables customers to have the bank close to hand in complete safety, as transactions are controlled remotely.

In addition, the development and implementation of the digital platforms (public websites, YouWeb, YouBusinessWeb, YouApp, YouBusinessApp) have continued, which has enabled customers to always be up to date as regards the emergency situation.

### Private Customers

“Private” customers of Banco BPM include all private parties - natural persons, with the exception of Private Banking customers, who are divided into “Personal” and “Universal” customers.

In December 2021, Private customers broke down as follows:

Segment	no. of customers with current account	% of customers with current account
Universal	2,663,492	80.3%
Personal	606,178	18.3%
Other Retail segments	48,509	1.4%
<b>Total Retail customers with a current account (including card accounts)</b>	<b>3,318,179</b>	<b>100.0%</b>

## Products, services and loans for private Retail customers

### Current accounts

During 2021, Banco BPM updated the range of current accounts offered to the Consumer target through the marketing of the new Conto You (You Account).

Conto You is aimed at customers with an omnichannel profile, willing to use online services, but also interested in the network’s advisory service. The account can be opened both at a Branch or online, through a dedicated onboarding process, which is self-managed and paperless.

The account is part of a fully omnichannel approach, and therefore is an interesting opportunity both in terms of acquiring new current account holders, and of the customer’s experience in using it, and updates the catalogue of products and services with regard to the spread of digital services.

Conto You has been enhanced with new features, such as the online renewal of ATM (Azienda Trasporti Milano) subscriptions and the MyBank service, extending the range of services available to customers.

Conto You is convenient for young people as there is no annual fee, and discounted fees are envisaged for employees and pensioners.

With a view to encouraging the acquisition of customers in the latter part of the year, an advertising campaign was launched for this new product.

Close collaboration with the commercial network is always very intense and enables support to be provided through training sessions/specific information.

### *New Public Websites*

The modernisation of the digital ecosystem of public websites - which led to the release of the new commercial ([www.bancobpm.it](http://www.bancobpm.it)) and institutional ([www.gruppo.bancobpm.it](http://www.gruppo.bancobpm.it)) websites in December 2019 - continued in 2021. Work to develop and manage content continued, focusing in particular on topics relating to the financial education found in the magazine area, which led to the production of over 120 articles, as well as the continuous update of communications relating to the health emergency. In parallel to the above, also the updates to align the management of technical cookies and of profiling to the Privacy Authority provisions were completed during the year, in compliance with the deadlines dictated by law. In February, in order to highlight the Bank's proximity to the local community, a new section of products was created for third sector companies, that can be directly accessed from the home page of Banco BPM's commercial website. The usage figures for the public websites recorded an increase in visitors of 37% compared to last year. At the end of the year, the integration of the CRM platforms with the architecture of the public websites was completed. This development will enable the browsing experience of users that have stated their consent, to be personalised, featuring purchase paths that are increasingly in line with the characteristics and needs identified.

Based on the positive and consolidated experience of this ecosystem, a workshop was opened at Banco BPM which, by borrowing the same technologies and architecture, resulted in the renewal of the Banca Akros ([www.bancaakros.it](http://www.bancaakros.it)) website, with its new look online from June.

### *Transfer of tax credit originating from Ecobonus and Superbonus schemes - private customers*

Also in 2021, private customers, as well as businesses and condominiums again had the opportunity to transfer tax credit originating from work to improve the energy efficiency of buildings (Ecobonus and Superbonus). The tax credit transfer transaction is offered through the platform in partnership with Cherry 106 – Banco delle Tre Venezie. During 2021, over 13,000 applications were received from private customers, while the distribution of the applications saw a share of 20% for the Superbonus scheme and 80% relating to other tax bonuses.

In this regard, note that on 27 January 2022, Italian Decree Law no. 4 "Urgent measures regarding support to businesses and economic operators for labour, health and territorial services, related to the Covid-19 emergency, as well as to contain the effects of price increases in the electricity sector" - so-called "DL Sostegni Ter" [DL Support 3]. Article 28 "Measures to counter fraud in the sector of tax and economic subsidies" envisaged, with reference to Italian Decree Law no. 34 of 19 May 2020, converted, with amendments, into Italian Law no. 77 of 17 July 2020, so-called "Relaunch Decree", which from 7 February 2022, stated that there would no longer be the option for multiple sales of the tax credits accrued relating to Superbonus 110 and Other Construction Tax Bonuses (which included, for example, the Renovation Bonus, Facades Bonus, etc.).

The introduction of the limit of a single transfer of tax credit temporarily suspended the "indirect" operating business model adopted by the Bank for Retail customers relating to the purchase of tax credit. This model, activated through the Distribution Agreement" signed in 2020 with Cherry 106 (now B.T.V. S.p.A.), envisaged the purchase by the bank, through Cherry 106, of the "Superbonus" tax credits and "Other Tax Credits" relating to private customers, condominiums and businesses.

On 25 February 2022, Italian Decree Law 13/2022 "Measures to counter fraud in construction and on the electricity produced by plants from renewable sources" was published in the Official Gazette (so-called "Anti-Fraud Decree"), which in Article 1, amended Art. 28 of the previous "DL Support 3", re-introducing the option for multiple sales of tax credits accrued and relating to Superbonus 110 and Other Construction Tax Bonuses, on condition that they were sold to banks and financial intermediaries.

Therefore, the reason that had originally suspended the application of the "indirect" operating model adopted by the Bank was no longer valid, thus allowing Cherry 106 to resume with the purchase of tax credits relating to documentation already contractualised and to finalise transactions that had been suspended due to the operating block cited above. The new legislative context also permits the purchase of new tax credits within the assigned ceiling.

The cited Decree also extended the suspension of payments of instalments of mortgage loans and loans, relating to urgent work for the population hit by seismic events that occurred in 2016 in Central Italy to 31 December 2022, restricted to economic and production activities. For private customers, the suspension is envisaged for mortgage loans relating to the main place of residence, which is unusable or was destroyed, located in the "red area".

### *Omnichannel services*

During the course of 2021, efforts continued to develop the range of digital products and services addressed to private and business customers.

In 2021, projects relating to platforms dedicated to private customers focused on completing the roll-out plan of the services “enabling” online transactions, which started in 2020, and from March 2021, the new Digital Identity Contract has been available for the entire Banco BPM network.

The Digital Identity regulates, harmonises and integrates the online services, the Digital signature and the graphometric signature, and is offered both for “new activations” and for those already subscribed to online services, reaching around 380 thousand subscriptions by the end of the year.

It represents a fundamental element to be able to work in paperless and digital mode, at the branch or through the online channels, and is required to access the new online Offer process, by means of a virtual room in which documents are exchanged and signed, accessed from the web.

The “Signature Room” is a feature that enables a sales proposal to be made through the Online Offer channel, and allows the Bank to forge new and effective dialogue with its customers which, by adopting a web collaboration approach and through the use of the digital signature, can execute contracts for products/services.

The “Signature Room” plays an increasingly central role in interactions with customers, therefore the development will soon be extended to the app and to Business customers.

From September 2021, the online financial advisory service has been available, which enables customers to see and sign proposals for financial advice directly through the web platform by signing digitally.

In line with the development of the digital service model defined in the Business Plan, in 2022, the Online Offer will be progressively extended, offering an increasingly higher number of products and services, such as the Nexi Credit Card and the Agos Loan.

During 2021, the new Onboarding You was completed, addressed to private customers who intend to open a Banco BPM current account at a local branch. From the website published by the bank, the customer accesses the new onboarding digital process to open a Conto You and has the option of requesting a debit card. The Conto You also envisages creating a digital identity.

The process can be carried out independently and has four macro steps in order to permit the online current account contract to be signed digitally:

- management of personal data and uploading documents;
- request Digital Identity;
- choose branch and request Conto You;
- request debit card (optional).

One of the new features is the upload of documents using the OCR (Optical Character Recognition) service, which, through specific algorithms is able to identify the components that represent text from inside an image.

In 2021, in addition to the integration of the online ATM channel with the CRM, a new feature was released for customers, which gives them the option of changing the predefined mobile phone number of You or Webank services through an ATM. Instead, customers who do not have Internet banking services can add a new mobile phone number, which the Bank can use for any communications.

From a legislative perspective, the PSD2 required the introduction of Strong Customer Authentication, also for online payments with payment cards, to increase the safety of electronic payments and reduce the risk of fraud (article 97), which has affected merchants, circuits, issuers and acquirers. Banco BPM Group, which also acts in the capacity of issuer, has set out an activity plan and a series of communication initiatives to facilitate the migration towards new “PSD2 compliant” safety instruments.

In 2021, projects were launched for the transition of payment services to 3DS, as required by law. In June 2020, 49% of K card customers possessed a compliant token. 12 months later, thanks to action taken in the field, this percentage has risen to 81%. The percentage of customers who make online transactions has reached 92%.



With regard to the developments of the digital channels enabled by new European PSD2 legislation, another project was undertaken during the year, which regarded the payment account aggregation service (AISP).

The digital service (which can be used through YouAPP and Webank App), enables private customers with Digital Identities and Remote Digital Signatures (FDR) to see the balance and movements of payment accounts held with other payment service providers. In this way, customers can have an overview of their financial situation, analyse their spending habits and their future financial requirements.

During 2021, the release of the new APP, for private customers, which started in 2020, was completed. The APP has been continuously developed from a Mobile First perspective, and its use by customers has recorded a continuous increase. The main features released include:

- sale of the Amex card in self mode (also available on Web);
- privacy dashboard and management of commercial contacts;
- improvement of virtual and voice assistance;
- mortgage loan simulator, which envisages an appointment in the branch for You customers and sending a request to the Virtual Branch for Webank customers;
- Call Me Back feature to be phoned by the Contact Centre;
- subscription to Remote Digital Signature for Webank customers during the AISP request process.

Again in 2021, the web platforms were made more efficient through a revision of existing features, an update of the insurance product (Cattolica and Covèa) and loan product (mortgage loans for young people) catalogue, and the release of new tools and services, such as, for example, the sale, in self mode, of Amex cards, the sale of the BPM Mp5 policy through an online offer and the option to display personal policy portfolios.

In 2021, the projects developed on the platforms for private customers as regards trading and investments were focused on:

- completing the process of making the channels more efficient through the Technological Convergence of the trading and investment services. This activity, completed in October 2021, has extended the work performed on front-end services, concluded in 2020, to back-end services, by completing the construction of an infrastructure that maximises synergies between the WeBank and YouWeb services, to exploit the significant benefits in terms of the optimisation of developments and maintenance, as well as reducing costs;
- launch of the project to migrate the trading of derivatives listed on regulated markets through the Webank channel from Intesa San Paolo to Banca Akros.

During the second half of 2021, the first markets were migrated to the group trader (in July Euronext - LIFFE, in November IDEM); the project will be completed during the course of the first quarter of 2022 with the migration of EUREX and CME Globex markets.

This project to insource all trading transactions made by customers through online trading into Banco BPM Group, maintaining external brokerage services just as a back-up, will enable group synergies to be optimised, generating substantial benefits in terms of cutting costs, improving the service provided to customers and increasing Banca Akros' market share in the third party trading segment.

During 2021, the activities dedicated to Banca Aletti, which began at the end of 2020 with the release of the new App, intensified. More specifically, the focus areas were as following:

- personalisation and improvement of the experience of using Web and App channels by Banca Aletti's customers, which now benefits from a logo, identifying colours, specific features of the services made available by Banca Aletti, dedicated catalogue of funds and SICAVs;
- introduction of new profiled information sections for Banca Aletti customers, such as menus dedicated to "Cards" (App and Web) and to the world of "Insurance" (Web);
- the opportunity to use the Web Advisory service from the App, enabling customers to browse the advisory proposals provided through the Web Advisory service in responsive mode.

With regard to business customers, the main projects undertaken in 2021 are illustrated below:

- in the last quarter of the year, the new App called "YouBusiness App" was released, an application for smartphones and tablets entirely dedicated to the Business world. The project was designed on the basis of the main requirements stated by customers, and for this reason, the application has been configured by



including the transactions that are most used on the Web platform in it. YouBusiness App also represents a new channel for customer contact, therefore becoming an important component of the bank's omnichannel asset. The next objectives are to increase the number of mobile transactions available on the YouBusiness App and to migrate customers to the token app, therefore optimising the customer's user experience, cutting business costs and improving the bank's ESG rating;

- the increase in online transactions thanks to the enabling service of the "signature room" for business customers. This activity, which is nearing completion, will enjoy full application in 2022, facilitating the digital transformation of commercial processes in the branch and on the online channels;
- the development of the Smart Lending service, which now features the full digitalisation of the loan application process, with the objective of achieving the online signature of loan agreements online (fully digital) in 2022;
- the process of optimising the web channel which, thanks to constantly listening to customers through surveys and requests to the Contact Centre, has led to a further improvement in the services offered, in particular F24, salary payments, payment and collection results, request for advances in invoices.

Furthermore, efforts to achieve alignment with ICB (Interbank Corporate Banking) standards continue, such as the development of XML Statements for ICB debit connections and Financial Monitoring.

With regard to business customers, at the end of the year, another important development was introduced: the BFM (Business Financial Management) service, which is offered to all customers with access to the YouBusiness Web platform, and is a useful tool which enables customers to use important new features such as:

- categorisation of transactions;
- automatic invoice reconciliation;
- forecasting of future income and expenses (through a graph);
- management of recurring transactions and of budgets assigned to company projects.

Through the BFM service, businesses, particularly small ones, can manage company cash flows independently, therefore freeing up resources and time for higher added value activities.

In 2021, Banco BPM significantly increased the levels of digital adoption in all major customer segments, due to the increase of access authorisation and the growth in services that can be used specifically on mobile devices. The figures show that the introduction of the new App for Private customers further boosted the use of the mobile channel for both information purposes and to perform transactions, making it increasingly central to relations between the Bank and Customer.

The table below outlines the trend for customers with omnichannel services:

<b>Product/Service</b>	<b>End of 2021 figures</b>	<b>End of 2020 figures</b>	<b>% Change</b>
No. of Customers with the Home Banking service	2,032,457	1,984,599	+ 2.41%
No. of Customers with Digital Identity	386,659	2,996	not indicated
No. of Customers with Telephone Banking	1,963,091	1,899,869	+ 3.33%
No. of Pure digital Customers (WeBank)	250,886	250,715	not indicated

  

<b>% Customers making transactions</b>	<b>End of 2021 figures</b>	<b>End of 2020 figures</b>	<b>% Change</b>
% Customers making online transactions against total customers making transactions	52.6%	49.3%	+ 3.30%
% Customers making mobile transactions against total customers making online transactions	68.0%	60.3%	+7.70%

### Contact Centre

During 2021, the Customer Support and Development department further consolidated its collaboration with the Network channel.

More specifically, with regard to the Super Bonus 110 service, it developed and fully managed a customer assistance and relations service, which proved to be extremely important to the success of the project. The interest

demonstrated by the various customer segments within the scope (private customers, businesses and condominiums) in the new Service and the deadlines dictated by the law, led to a progressive and steady rise in contact volumes.

In line with the objectives stated in the 2021/2024 Business Plan, with regard to business development, efforts to support cross-selling in various business areas were further boosted, in synergy with the Omnichannel Customer Journey.

Again with a view to working with the Network, the Customer Support and Development department extended its reach by adopting a proactive approach and contacting customers selected by the Customer Journeys to set an appointment at the branch: during 2021, the percentage of Retail and Private customers contacted by the department for commercial and care purposes more than doubled with respect to 2020.

Furthermore, in order to encourage customer digitalisation, mostly in the Retail segment, in the latter part of the year, new and impressive outbound telephone schemes were identified.

Within the scope of providing customer support, this was actively managed both through traditional telephone channels (toll-free numbers with operator and Interactive Voice Response - IVR, new call-back service available in the App and website for a customer bracket) and written channels (email messages) as well as through a virtual assistant (web and mobile) and social media channels; the main areas of operations, in addition to the Superbonus 110, were as follows, in continuity with 2020:

- assistance and navigation support to customers using home banking services, both for private Banco BPM customers and WeBank digital customers and companies using remote banking services (YouBusiness Web);
- the management of telephone banking services (direct banking and trading operations) both for private Banco BPM customers and WeBank digital customers;
- customer support during the before- and after-sales steps of the Webank online service, for all the products and services offered, in partnership with the virtual branch (representing the only communication channel between the bank and the customer);
- support to private WeBank and Banco BPM customers on topics relating to cards.

#### *E-Money - Payment cards*

During 2021, Banco BPM innovated its set of Debit and Prepaid Cards, by equipping them with a Token feature and enabling the Digitalisation of its own Payment Cards in the main Digital Wallets: Samsung Pay, Google Pay, Garmin Pay, Fitbit Pay and Xiaomi Pay.

Our Bank, which has always focused on innovating the services offered to its Customers, has entered into agreements with Third Parties (OTT), providers of specific payment applications, which make it possible to manage the Digital Wallet in which the card can be registered in virtual format, and used through enabled mobile instruments such as Smartphones, Smartwatches and wearables.

The Digitalisation of Payment Cards enables the Cardholder to use his/her Mobile Device to perform Payment Transactions through the Digital Wallet at POS equipped with NFC technology, on Websites or on e-trade Applications of authorised Merchants, who display the logos of the payment circuits indicated on the Card.

Banco BPM was one of the first banks in Italy to enable the digitalisation of the National component (PagoBANCOMAT), as well as the International one (Maestro), for co-badged Debit cards, permitting its customers that use Samsung Pay to be able to choose which circuit to make payments from, also digitally.

During the year, customers showed considerable willingness as regards digital services and the use of electronic payments: people that have traditionally been distrustful of cashless services for years have now changed their minds after having to use them in the pandemic emergency; the measures implemented by the legislator were also fundamental, increasingly oriented towards promoting means of payment other than cash.

To seize this opportunity, Banco BPM innovated its products to meet the requests of its customers, not just through the Digital Wallets of the main OTT providers for payments with Digitalised Cards, as well as through BANCOMAT Pay® for money transfers between individuals and for payments through Mobile phone numbers.

BANCOMAT Pay® is a digital means of payment which allows you to pay at all affiliated merchants, on e-commerce and mobile-commerce websites and to send or receive money in real time 7 days a week, 24 hours a day, without knowing the IBAN of the beneficiary but with the mobile phone number, directly debiting or crediting your current account instantly.

In 2022, Banco BPM will continue along the path of Digital Innovation, by making Apple Pay available in the first few months of the year and completing the digitalisation process by also enabling Cartimpronta Credit cards.

### *Private mortgage loans*

The effects of the pandemic that broke out in 2020 were also partly carried through into 2021. Nevertheless, in 2021, a noticeable increase in loan disbursement volumes was recorded. The final figure, just over 4 billion, recorded an increase of around 30% compared to the previous year.

Banco BPM's efforts in this area continued in 2021, entailing the streamlining of the range of products and services sold through direct channels and by commercial partners, maintaining its benchmark status among the major national competitors. The catalogue of products and services was extended with the launch of "Green Mortgage Loans" with a view to encouraging the energy efficiency of buildings. Furthermore, given the market's increasing focus on the target of young people, again as regards Green products, a version called "Young People's Mortgage Loan" was released, guaranteed by the presence of the CONSAP First Home Guarantee Fund.

In 2021, the Bank also confirmed its commitment to maintaining and pursuing measures to support customers experiencing difficulties in paying their loan instalments due to the effects of the Coronavirus, both as regards employees and the sphere of the self-employed and professionals.

As in previous years, also in 2021, Banco BPM immediately applied all of the legislative moratoria offered by the Government, adding its own schemes to these entailing the complementary suspension of household mortgages and loans. Overall the moratoria granted to private customers in 2021 regarded just over 10,700 loans.

### *Consumer credit*

In 2021, new personal loans disbursed amounted to 970 million, returning close the pre-Covid-19 levels. Almost all of the personal loans were disbursed by Agos Ducato, a consumer credit company, whose products are distributed exclusively by Banco BPM. Furthermore, in the first half of the year, personal loans continued to be sold online, to meet the needs of private customers who were unable to come to a branch to start the loan application process.

With the intention of maintaining its focus on the segment of Young people, Banco BPM extended the range of products and services offered to this customer target through specific schemes.

In fact, in the latter part of the year, emphasis has been placed on a product called "Prestito Giovani con Garanzia Fondo per il Credito a Giovani" (Young People Loan Guaranteed by the Young People Credit Fund). The loan was targeted at students aged between 18 and 40, who wish to enrol on a series of study courses and benefits from the presence of the guarantee of the "Young People Credit Fund", established by the Government and managed by CONSAP, for 70% of the amount of the loan granted.

Furthermore, in November and December, young people aged under 36 had the opportunity to apply for an Agos personal loan not linked to a specific purpose (or without any obligation on how it should be used) through a dedicated offer, as well as the payment of the first instalment in the following year.

Lastly, to emphasise that it really understands the needs of households and help them during the recovery following the difficult emergency situation, in 2021, Banco BPM sponsored schemes relating to Agos personal loans, under which the customers interested were able to benefit from advantageous conditions, including postponing the payment of the first instalment.

### *Advances on severance pay for employees of the Public Administration*

In 2021, considerable efforts were made to promote this product which, also due to the signature of new agreements, enabled Banco BPM to be the market leader for this type of product.

The fruitful cooperation between Banco BPM and the leading Italian Institutions and Professional associations continues, confirming the significant attention that the bank pays to professionals and the Bodies and Military corps of the Italian state.

Overall, in 2021, 1,700 advances were granted.

### *Investment products*

In 2021, funding volumes for asset management were mainly focused on flexible and share products, characterised by asset diversification.

To ensure the widest range of products, we have continued to work closely with the most prestigious investment houses and one of the group's main partners continues to be Anima SGR.

Banco BPM Group places particular emphasis on ESG criteria, and with this in mind, products that comply with Art. 8 of EU Regulation on Sustainability and Finance were distributed.

In accordance with this, the range of asset management products has been extended with specific ESG products, including the Anima Gender Equality 2026 Multi Asset flexible fund - a product that invests in companies who stand out due to their focus on gender equality - and, the new system of Comunitam Funds, which envisages a structured analysis of ESG factors and the criteria included in the guidelines of the Conferenza Episcopale Italiana (CEI) in the investment process.

In 2021, an alternative closed-end ELTIF investment fund (European Long Term Investment Fund) was placed in collaboration with Anima SGR, called Anima ELTIF Italia 2026, to align the range of products offered and to propose an alternative channel for the funding of long-term projects set in place by SMEs, by enabling them to exploit the tax benefits confirmed by the Relaunch Decree.

In 2021, the Group continued to distribute insurance products through the joint-ventures established with Vera Vita, Vera Financial and with Bipiemme Vita.

In this regard, customers showed a preference for the range of Multi-line policies. These products enabled customers to combine savings protection solutions with solutions able to grasp the best yield opportunities offered by the markets. With regard to insurance investment products, Unit-linked products, through placements in temporary windows, with investments that meet ESG criteria were also offered.

As regards ESG, the commitment of Vera Financial is worth noting, which, with the subscription of the Futuro Sostenibile 2.0 policy, made a donation to plant and grow a tree.

In 2021, the Group continued to issue certificates and, in keeping with customer preferences, the products maintained a financial structure that protects capital (Equity Protection).

The use of various European sector indices as the underlying indices of the certificates (e.g. Eurostoxx Oil&Gas, Eurostoxx Insurance, Eurostoxx Banks, Eurostoxx Utilities) and multiple European and World market stock indices enabled good diversification.

As regards Supplementary pensions, the Group proposed a commercial initiative to promote two dedicated products in the range, the "Arti & Mestieri" pension fund by Anima SGR and the Piano Individuale Pensionistico [Individual Pension Plan] by Vera Vita.

#### *Bancassurance Protection*

In 2021, given the continuation of the Covid-19 pandemic, and with a view to pursuing an omnichannel approach also for non-life insurance products, the Bank continued to develop services and products for the online channel.

An online user can consult their policies in the portfolio, that have been issued by the two main insurance partners, BPM Vita Group and Vera companies (both life and non-life), from their online banking profile.

Vera Assicurazioni's range of online products was extended with the addition of the Legal Protection policy, which previously had only been available at an agency.

To protect the numerous condominiums that exploited the huge state tax incentives to renovate buildings, a policy to cover catastrophic events was created within Vera Assicurazioni's commercial range.

Given the greater need for health protection products, also due to insecurities generated by the continuation of the pandemic, a newly-conceived modular and full multi-guarantee health policy was created in both commercial ranges.

With a view to rationalising the product catalogue, this new policy replaced some old ones that envisaged similar guarantees.

To provide better consumer protection, and to complete the transposition of the Insurance Distribution Directive (IDD) and the relative IVASS Regulations, in particular Regulation 40/2018, a new IDD questionnaire was created, which further analyses insurance needs, while always checking consistency with the products in the catalogue.

This new feature, which mainly protects the consumer, also helps the manager when the range of non-life products is presented.

Furthermore, specific initiatives were set in motion with Partner Insurance Companies, with a view to facilitating access to insurance cover, and offering real benefits, such as a month of free insurance cover or specific discounts if the policy is purchased independently by the customer online.

### *Listening to customers*

Also in 2021, listening to customers and surveying their satisfaction were of primary importance, both aimed at improving the service provided.

In 2021, the relational Customer Experience, or Customer Satisfaction was conducted, and involved around 187 thousand Retail, Private and SME customers.

In 2021, of the 187 thousand interviews, around 20% were with the CAWI method - Computer Assisted Web Interview (40 thousand), while the remaining 80% were by phone.

Satisfaction is measured using TRI\*M, a numeric score ranging from 0 to 100 provided by the assessments that customers provide regarding overall satisfaction, level of recommendation, likelihood of repurchase and economic convenience of Banco BPM. Another indicator used to measure satisfaction is the Net Promoter Score (NPS), which monitors how likely a Customer is to recommend Banco BPM. The Customer Satisfaction surveys also investigate satisfaction with the products, reputation, Branch services, web channels and any problems encountered. With a view to continuously monitoring the level of service perceived by our customers, all results and insights of the satisfaction surveys were published and made available to colleagues in a portal dedicated to the company Intranet. In 2021, all of the satisfaction indicators measured recorded an improvement over the previous year. Banco BPM's TRI\*M index is 68 (+1 compared to 2020), while the NPS index is 23 (+3 compared to 2020). To monitor the quality provided, over 2,500 visits were made to Group Branches, using the "Mystery shopping" technique. The visits confirmed a good level of service at branches, with particular regard to the relational aspect.

In 2021, the tools available to actively listen and oversee the Experience as a whole were also further developed. In fact, Banco BPM has continued with the integration of the Customer Feedback Management (CFM) platform, to collect feedback in real time regarding the customer's experience of products, services and processes. Introduced in 2020, to date the Platform has enabled around 160,000 instantaneous feedbacks to be collected within the Group's Digital Services (YouWeb, Webank, YouBusiness Web, YouApp and Webank App) and through Direct Mailing after specific transactions have been completed (e.g. opening a current account, applying for a mortgage, buying and selling securities, taking out policies, etc.).

This feedback has enabled Banco BPM to introduce innovative working processes, aimed at "closing the loop", namely the opportunity, based on the feedback received from customers, to improve and implement products/services or even provide feedback to the customer. For example, in 2021, a pilot was launched for Business customers, which envisaged the Contact Centre recontacting the customer within 48 hours of any feedback received from the YouBusiness Web platform. The initial results show that being recontacted has a positive effect on customers, which leads to better feedback with respect to that previously given.

### *Research*

In addition to the previously mentioned Customer Experience survey, in 2021, around 15 customised Research projects were conducted for the Group, with a view to addressing topics which, during the year, needed to be examined in more depth. More specifically, these projects focused on verifying User Experiences as regards the Group's Digital Platforms, contributing to identifying potential areas for improvement and providing support for the strategy and design of the same. Numerous surveys were also conducted to support Group departments and regarded ESG topics and the development of new products and services and the improvement of existing ones. As well as involving specific customer targets, these surveys also made use of the "Insquadra" [Inteam] Community Panel, which has represented another channel to encourage listening to customers since 2019, and which involves around 2,000 Private customers and 500 Business customers. Customers that participate in Banco BPM research activities contribute to the Group's decision-making process, by providing ideas and sharing experiences and impressions. In addition to the above, whenever Business customers participate in a survey, they contribute to the donations made to the AIRC Foundation (Foundation for Cancer Research), therefore supporting the partnership between our Group and AIRC. In 2021, thanks to the participation of Insquadra, it was also possible to contribute funding for a study grant for young researchers.

### *Long Term Rental*

Within the scope of the commercial partnership with Alphabet (BMW Group), which offers customers the long-term rental of cars and industrial vehicles, from November 2021, customers of Webank and Youweb services had the opportunity to receive an estimate and sign a rental agreement directly online. The innovation enabled both the

visibility of the range of products offered to be considerably increased, and, consequently, the number of commercial network customers interested.

The previously-described features are also due to be released on the APP channel, with a view to capturing the interest of customers who prefer this method of communication with the Bank.

In addition, again completely online, another feature has been added, which enables the customer to request a replacement vehicle whilst awaiting the delivery of the one ordered. In this way, customers can access mobility within 48-72 hours of their request, significantly reducing the waiting times previously recorded.

## Business Customers

There were approximately 470 thousand Business customers with a current account as at 31 December 2021, of which:

Segment	no. customers with current account	% compared to total businesses
Small Business Operators	157,028	33.5%
Businesses	140,954	30.1%
Companies	43,403	9.3%
Condominium Associations	82,296	17.6%
Other businesses	44,725	9.5%
<b>Total</b>	<b>468,406</b>	<b>100.0%</b>

The distribution of customers (unique customers with current accounts) by turnover level confirms the significant concentration in the class of up to 25 million (approximately 99%) already recorded in previous years, attesting to the vocation of Banco BPM Group in its relations with medium-sized companies.

Regarding the breakdown of customers by production sector, commercial activities, ore extraction and manufacturing activities continued to represent the most significant area, followed by those related to construction and property, catering and the agricultural sphere.

As mentioned above, the distribution of Business customers includes a significant proportion of small and medium enterprises, for which the Group further strengthened its activities in 2021, thereby confirming its role as the bank of reference and support for the entrepreneurial fabric in the main areas served.

More specifically, this entailed the offer of dedicated products and services, illustrated below.

### *Collection and payment services*

The proportion represented by the transactional services component in the breakdown of the bank's net income from services is increasingly larger, with an increasingly higher percentage represented by online channels (especially that represented by YouApp) to the detriment of more traditional channels, such as branches.

Both bank transfers (especially "urgent" and "instant" transfers) and payment transactions through the "PagoPA" circuit recorded particularly lively growth trends, the latter boosted by a legislative obligation which, from 1 March 2021, binds Public Administration entities (including investee companies) to adopt this system to manage their collections.

This increase was accompanied both by a series of direct marketing campaigns mainly addressed to customers with a high level of digitalisation, and by a continuous training process on the topic addressed to Network colleagues, also with the involvement of Transactional Product Specialists.

### *E-money - POS*

POS payments are today one of the safest payment methods, as goods and services can be paid for by credit cards, debit cards and cashpoint cards.



For 2021, Banco BPM confirmed all of its merchants' current promotions, both at fixed and mobile terminals, contactless or with tokens in digital wallets, and launched a "Special" promo for online purchases, which have grown exponentially during the time of the Covid emergency.

From 1 January 2021, Banco BPM also decided not to charge any commission for the next 2 years for PagoBancomat transactions of less than 5 euro made with its current and new affiliated merchants, and thanks to the "Bonus POS" scheme of the Legislator, which increased the tax credit on the commission charged for electronic payments made at POS from 30% to 100%, this contributed to increasing the amounts transacted, especially of small merchants and the small business segment.

In operational terms, during the current year, Banco BPM adapted the terminals of its merchants to the new limits for contactless payments without having to enter a PIN, from 25 to 50 euro. A prompt response to market requirements which, worn down by the pandemic, wants simple and infection-free payment instruments.

One of the new schemes that Banco BPM set in motion, in partnership with Nexi, made added-value services available to its merchants, by extending the luncheon vouchers accepted to new Companies and by introducing the commercialisation of the Bancomat Pay® circuit for digital payments at all merchants with e-commerce websites.

Lastly, it laid the foundations for the Innovative Digital Omnichannel Sales project for the online autonomous supply and sale of POS products, which will be made available during the course of next year.

### *Loans and lending*

The lending products that comprise the various Catalogues, unique to Banco BPM Group, seek to meet their main and most frequent requirements: investment, working capital, liquidity, expansion, advances, cash flexibility, unsecured loans.

Given the economic/financial difficulties experienced by Businesses due to the continuation of the state of emergency due to the Covid-19 pandemic, work continued to improve and update the types of loans, with a view to guaranteeing a Catalogue of Lending Products that is always able to meet market needs and at the same time can be successfully distributed by the Commercial Network.

With a view to proposing operational solutions and financial support schemes to its customers - and at the same time seize the opportunities offered by legislation issued on "tax credit" - the Bank continued to work with Cherry 106 S.p.A. now Banco delle Tre Venezie S.p.A. (hereinafter B.T.V.), distributing tax credit purchase products, operating in full digital mode, and continued to offer - with products designed specifically for this purpose - financial coverage for the time between the start of works on site and their completion (at progress of work or overall) with the consequent monetisation of the tax credit transferred.

In particular:

- "Anticipo Superbonus Consumatori" (Advance of Superbonus to Consumers) designed to offer consumers, Individuals and Condominiums financial coverage for the time between the start of works on site and their completion (at progress of work or overall) with the consequent monetisation of the tax credit transferred to B.T.V.;
- unsecured loans to Condominiums - "Credito Condominio" (Condominium Credit), "Credito Condominio Energy Efficiency Italia" (Condominium Credit Energy Efficiency Italy), envisaging the opportunity to fund building upgrade and energy efficiency costs, also for the part of the works that will be paid for by using the consideration resulting from the transfer of said tax credit to Cherry 106, alongside the existing opportunity to fund the cost of the works up to 100%, including VAT, net of the tax credit sold to the enterprise through "discount on invoice";
- "Anticipo Contratti Riqualificazione Edifici" (Advances on Building Upgrade Contracts), addressed to businesses, through which they can obtain financial coverage for the time between the start of works on site and their completion (at progress of work or overall) with the consequent monetisation of the tax credit transferred to the intermediary, the Bank's commercial partner.

During 2021, work continued on the projects to design accessible financial solutions to support SMEs in their energy transitions and investments in renewable energy systems, relating to the topic of Sustainable Linked Loans.

These new products are part of the larger context of the guidelines and strategies on lending policies adopted by the bank. They are intended to become the main offer that the bank makes available to businesses that want to embark on a virtuous path towards sustainability, with less impact on the environment (Environmental), inclusion policies and supporting the local community (Social) and organisational enhancement (Governance).



The first solution which fulfils the “Sustainability Linked Loan Principles” (SLLP) provided by the Loan Market Association, an international association recognised by the financial markets, regards the “Unsecured Business Loan with ESG Factor”.

The product’s added value is given by the innovative opportunity offered to the customer to include a “ESG covenant”, which enables the pricing performance of the loan to be linked to the company achieving or maintaining measurable sustainability objectives.

#### *Smart Lending*

At the beginning of 2021, remote banking “YouBusiness Web” customers were able to directly apply to the Bank for the subsidies related to the emergency resulting from the Covid-19 pandemic through this channel, with regard to:

- the granting of loans secured by the Guarantee Fund for Small and Medium Enterprises, as set forth in Decree Law no. 23 of 8 April 2020 (Liquidity Decree), as amended.;
- the suspension of the payments of loan instalments rather than extend Short-Term debts.

Again through the online channel, during 2021, customers were offered short-term loans to be paid in instalments to support business liquidity or to facilitate the payment of taxes/wages.

Furthermore, to improve access to financial services by businesses, an activity plan was launched with a view to extending receivables transactions that they might request through Remote Banking.

With this project, which will be completed over the coming months, business customers will be able to carry out all of the Bank’s short-term commercial transactions (both for Italy and Foreign transactions) also online, further simplifying the Bank/Customer relationship in terms of day-to-day operations.

#### *Other activities to support and increase business loans*

The Bank has continued its commitment to find ways to support businesses, also considering the continuing emergency situation resulting from the Covid-19 pandemic.

The schemes implemented in 2021 in this regard mostly entailed arrangements required to promptly implement the support measures and subsidies dictated by a series of laws, such as Decree Laws and ABI Agreements.

Specifically, the following were gradually updated and made available:

- loans secured by the Guarantee Fund for Small and Medium Enterprises (pursuant to the “Liquidity” Decree, as amended);
- loans with the SACE for Mid Cap companies (known as the “MidCap SACE guarantee”);
- suspension of the payment of mortgage and unsecured loan instalments (pursuant to the “Heal Italy” Decree and subsequent amendments);
- suspension of the payment of mortgage and unsecured loan instalments and extension of short-term loans pursuant to the 2019 Credit Agreement and subsequent Addenda signed by ABI and Trade Associations.

#### *Agrifood*

The “agrifood” segment plays an increasingly important role in the commercial strategies of Banco BPM Group and to provide support to the network during the period in which they are contacting and visiting businesses in this sector, it dedicated a team of resources comprised by 15 commercial Agriculture specialists.

During 2021, the performance of this sector was still significantly conditioned by Covid, and focused, above all, on making the Guarantee Fund for SMEs accessible to the whole primary segment.

As regards the Rural Development Programmes (RDP), even within the limitations imposed by the Covid pandemic, in 2021 Banco BPM continued to pursue and support business opportunities resulting from the implementation of the Rural Development Programmes (RDP) envisaged for 2014-2020. In addition, the important commercial scheme called “RDP - We are with you 100%” was confirmed, with a view to offering the financial support for the investments that business intend to make, benefiting from RDP Contributions.

In this regard, we draw attention to the fact that in 2020, the European Parliament decided to extend these programmes until 31 December 2022, using the economic resources of the 2021-2027 programming.

The RDP and related state contributions envisaged for agricultural and agrifood companies represent an exclusive and powerful engine for investments in the agriculture sector and, consequently, an important opportunity for Banco BPM, which has decided to provide financial support through both short-term products (dedicated to different options of anticipating the state contribution) and medium-long term products (dedicated to supporting investment).

Lastly, loans were created for the Supply Chain and District Projects, using CDP-MIPAAF funds (IV Tender), a topic that the Bank had never approached, and loans with EIB funds addressed to the Agrifood segment, with an upper limit for young farmers and climate.

In 2021, the use and maintenance of the credit assessment procedure for agricultural enterprises was consolidated (Due Diligence of Agricultural Enterprises).

These transactions, together with the presence of specialised professionals and the range of "Semina" lending products, make Banco BPM one of the Italian banks with the most focus on the development of the Agrifood segment.

#### *Subsidised Financing and Guarantee Bodies*

In 2021, Banco BPM continued to disburse loans to Small and Medium Enterprises and to enterprises with low capitalisation, as well as to households, with a view to (i) facilitating access to credit and/or (ii) to reduce the cost of the latter. These loans feature (i) public guarantees (e.g. Guarantee Fund for SMEs, ISMEA Guarantee Funds, European Investment Fund-EIF, SACE, Guarantee Fund for the First Home, etc.), or (ii) are granted by the Bank using funds obtained at advantageous conditions (e.g. the funds of the European Investment Bank (EIB) or of the Cassa Depositi e Prestiti (state controlled fund and deposit institution)).

During the year, the most significant initiatives were as follows:

- EIB funding for a total of 500 million, used to grant medium and long-term loans to support investment programmes of Italian SMEs and Mid CAPS and, for a share of 100 million, to companies in the agricultural sector with specific focus on young farmers and on actions to combat climate change;
- EIF Innovfin guarantee agreement, which by enabling the Bank to benefit from a new guarantee line to cover the loans already granted to Italian SMEs and Small Mid Caps, will allow the disbursement of new further loans amounting to around 500 million to businesses with a strong focus on research and development and/or technological innovation.

Lastly, note that in December, the Bank signed a new "synthetic securitisation" transaction with the EIB and EIF, comprised by a Retrocession Agreement with the EIB and a Guarantee Agreement with the EIF.

Under said Agreement, the Bank has committed to establishing a "New Portfolio" (not guaranteed by the EIF) of medium/long-term loans, to be disbursed by the deadline of 30 June 2023, to businesses that are eligible for EIB support, consisting of an assessment of transactions whose average level of risk and duration is higher than those assumed by the Bank beyond the EIB/EGF.

#### *Guarantee instruments for enterprises*

Considering the importance of guarantees in facilitating access to credit, especially by SMEs, Banco BPM has given the utmost impetus to guarantee operations, which are ancillary to the disbursement of credit, by subscribing/adhering to specific agreements and contracts with the managers and providers of guarantees.

Banco BPM is also active in the main national subsidised guarantee instruments, including:

- Guarantee Fund for Small and Medium Enterprises, specialised in protecting bank loans granted to support business financial needs;
- ISMEA (the Italian Institute for Services for the Agricultural Food Market), formerly the SGFA (the Italian Agricultural and Food Management Fund), dedicated to issuing direct or subsidiary guarantees, co-guarantees and counter-guarantees to agricultural companies;
- SACE, in the form of the "Italy Guarantee", "Mid Cap" and "SACE Green" guarantees, the latter to meet the parameters envisaged in the European Regulation and Taxonomy of "green" activities (Reg. EU no. 852/2020).

The above-mentioned Funds benefit from the ultimate guarantee of the State, which allows the Bank to lower the production costs of lending and to apply special terms to loans guaranteed by the same.

The aforementioned guarantee instruments were developed with the aim of providing support to businesses in the current emergency situation due to the Covid-19 pandemic.

These interventions entailed adapting to the laws issued on each occasion, starting from Italian Decree Law no. 23 of 8 April 2020 ("Liquidity" Decree Law), which strengthened the aforementioned public guarantee instruments to support businesses damaged by the pandemic event.

To complete the offer to businesses in the coming months, the bank will extend the SMEGF guarantee to new short-term loans and unsecured loans, actually implementing a legislative provision already covered for some time by the Operating Provisions of the SMEGF and allowing a more extended use of the direct SMEGF guarantee.

Considerable efforts were also addressed to operations with Confidi (mutualistic entities created to facilitate access to credit for SMEs), both for the full adoption of the new version of the Convention in view of the 2019 reform of the SMEGF, and to extend collaboration with these enterprises during this emergency period given the more extensive support of the counter-guarantee provided to them by the SME Guarantee Fund (SMEGF).

The Bank also continued to work with various Foundations, by virtue of agreements entered into over time, which regulate operations as regards measures to contrast usury with regard to the funds allocated by Italian Law 108/96 "Anti-Usury Law". Thanks to their guarantee issued to Banco BPM, also the liquidity requirements of individuals with overt economic difficulties and problems accessing credit, can be met.

#### *Other State subsidies for businesses*

With regard to other schemes that benefit SMEs, Banco BPM also participates in different initiatives that envisage tax relief (interest rate subsidies or non-repayable grants/plant and equipment grants) dictated by various national and regional regulations, thus confirming its close deep-rooted relationship with the local communities served.

#### *Long Term Rental*

Through its Partnership with Alphabet, further schemes are being developed to boost sustainable mobility by offering vehicles that are mostly or exclusively fuelled by "green" energy, with specific reference to the need to convert company fleets into sustainable ones.

#### *Partnership with TeamSystem*

In 2021, developments continued as regards the partnership with TeamSystem, which makes management systems for companies. More specifically, the new interface via API of the company management system with the Bank's internet portal for business customers "YouBusiness Web" was released; this innovation has enabled customers to substantially improve their user experience for the service of importing invoices from the management system and facilitating their payment and/or funding.

In addition, new important agreements were signed to offer TeamSystem customers current account and internet banking products at advantageous conditions, as well as the opportunity to transfer tax credit (Ecobonus and Superbonus) through the Bank's channels.

With regard to the transfer of tax credit, collaboration with the platform made available by the TeamSystem Group continued, which enabled significant commercial results to be achieved (around 300 million in credit transferred to the Bank); substantial improvements were made to the platform to increase its user-friendliness for the customers in question.

#### *Transfer of tax credit originating from Ecobonus and Superbonus schemes - businesses and condominiums*

In 2021, customers belonging to the businesses and condominiums segment again had the opportunity to transfer tax credit originating from work to improve the energy efficiency of buildings (Ecobonus and Superbonus), in the same way as private segment customers. For the retail channel, as regards the segments in question, during 2021, over 12,000 applications were submitted with an equivalent credit value of over 1 billion, and an average amount of around 155 thousand euro per application for businesses and around 378 thousand euro for condominiums. The distribution of business applications saw a share of 52% for the Superbonus scheme and 48% relating to other tax bonuses, while for condominiums, the share was 9% for Superbonus and 91% for other tax bonuses.

## Corporate

	2021	2020 (*)	absolute change	% change
Net interest income	472,599	463,178	9,421	2.0%
<b>Financial margin</b>	<b>472,599</b>	<b>463,178</b>	<b>9,421</b>	<b>2.0%</b>
Net fee and commission income	243,007	215,379	27,628	12.8%
Other net operating income	61	101	(40)	(39.6%)
Net financial result	22,373	22,875	(502)	(2.2%)
<b>Other operating income</b>	<b>265,441</b>	<b>238,355</b>	<b>27,086</b>	<b>11.4%</b>
<b>Operating income</b>	<b>738,040</b>	<b>701,533</b>	<b>36,507</b>	<b>5.2%</b>
Personnel expenses	(76,023)	(71,015)	(5,008)	7.1%
Other administrative expenses	(118,711)	(80,797)	(37,914)	46.9%
Net value adjustments to property, plant and equipment and intangible assets	(4,629)	(4,895)	266	(5.4%)
<b>Operating expenses</b>	<b>(199,363)</b>	<b>(156,707)</b>	<b>(42,656)</b>	<b>27.2%</b>
<b>Profit (loss) from operations</b>	<b>538,677</b>	<b>544,826</b>	<b>(6,149)</b>	<b>(1.1%)</b>
Net adjustments to loans to customers	(390,234)	(504,727)	114,493	(22.7%)
Net provisions for risks and charges	(5,242)	(10,802)	5,560	(51.5%)
<b>Profit (loss) before tax from continuing operations</b>	<b>143,201</b>	<b>29,297</b>	<b>113,904</b>	<b>388.8%</b>
Taxation charge related to profit or loss from continuing operations	(48,316)	(8,057)	(40,259)	499.7%
<b>Profit (loss) after tax from continuing operations</b>	<b>94,885</b>	<b>21,240</b>	<b>73,645</b>	<b>346.7%</b>
Charges related to company restructuring, net of taxes	-	(8,649)	8,649	
Charges related to the banking system, net of taxes	(11,159)	(9,346)	(1,813)	19.4%
Impact of the realignment of tax values to book values	1,850			
Purchase Price Allocation net of taxes (**)	167	98	69	70.4%
<b>Parent Company's profit (loss) for the year</b>	<b>85,743</b>	<b>3,343</b>	<b>80,550</b>	<b>not indicated</b>

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

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

### Economic performance of the segment

The Corporate segment recorded a total operating income of 738.0 million, up by 36.5 million (+5.2%) compared to last year.

Within this aggregate, net interest income was 472.6 million, up by 9.4 million against 2020 (+2%), benefiting, despite a slight reduction of the volume of loans, from lower funding costs, with regard to which the non-restricted component improved significantly. Attention should also be drawn to the benefit resulting from the allocation of part of the economic effects of the TLTRO III, partly mitigated by the negative impact of the so-called liquidity buffer cost, namely the share of the cost allocated to the Network due to the Group's need to hold a liquidity buffer to cover unexpected cash outflows.

Net fee and commission income, amounting to 243.0 million, increased (+27.6 million), due to the effect, in particular, of the higher contribution made by other services to businesses (+18.6 million), while the net financial result of 22.4 million did not undergo any significant changes.

Operating expenses recorded an increase of 42.7 million, both in terms of personnel expenses and other administrative expenses, while the cost of credit fell significantly, amounting to 390.2 million (504.7 million in 2020), benefiting from the lower risk of the portfolio.

In addition, charges related to the banking system, net of taxes were booked to the segment, amounting to 11.2 million, against 9.3 million in 2020, which brought the net result of the business line to 85.7 million, compared to 3.3 million last year.

As illustrated in the introduction, the "Corporate" segment includes the management and marketing of banking and financial products/services and loan brokering, which are mainly aimed at medium and large-sized companies.

More information on the activities managed by the business segment in question are provided below.

## Introduction

Banco BPM's Corporate function is the organisational structure that manages medium and large-sized corporate customers, through the centralised management of activities with a high specialist content and in areas with high added value and directly oversees the Corporate Commercial Network.

The Corporate Commercial Network is organised on a territorial basis according to a model developed and consolidated over the past few years, which has proven to be able to guarantee efficient and effective commercial and territorial oversight through:

- a central structure which directly handles business governance;
- 5 Corporate Markets, broken down, in turn, into Corporate Centres;
- over 150 managers who, together with dedicated analysts, assist companies in their operations, with a strong focus on business development;
- a Large Corporate structure, with several local offices, which focuses on serving customers with a turnover exceeding 1 billion.

## Corporate customers

The Corporate segment includes Mid and Large Corporate companies.

Segment	no. of customers with current accounts (*) or with loans (**) as at 31/12/2021
Mid Corporate	approx. 9,800
Large Corporate	approx. 1,200
<b>Total companies</b>	<b>approx. 11,000</b>

(\*) commercial current accounts, excluding technical accounts.

(\*\*) Customers who have a loan (excluding credit limits, credit lines for derivatives and technical credit lines for usage limits)

The breakdown of Corporates, considering Customers and Groups, is as follows:

Corporate Customers	Total	of which, holders of current accounts	of which, those with loans
Number of customers	approx. 11,000	approx. 10,600	approx. 7,600
Number of Groups	approx. 3,200	approx. 3,100	approx. 2,960

The data on loans (progressive 2021 data, average annual balances - Source RDB) is as follows:

<b>(in millions of euro)</b>	<b>35,362</b>
<b>Performing loans</b>	
Cash + Bonds	30,695
Unsecured	4,667
<b>Direct Funding</b>	<b>10,445</b>

## Corporate business strategy for 2021

The ever-changing economic context in 2021 and its volatile market scenario, both domestic and international, which are still characterised by the on-going emergency situation, have led Corporate business strategy to adopt two macro-approaches: the first focused on the relaunch of the country through support to businesses and the other, instead, project-based, focused on defining the guidelines for development illustrated in the 2021-2024 Business Plan.

### *The operational approach to support customers*

Support for corporate customers, at a time when the market is particularly complex, was provided by sponsoring investment projects whose objective is the relaunch, both on the domestic and international fronts, with particular attention to solutions able to contribute to meeting climatic and environmental risk mitigation targets. In addition to this, companies were assisted in rebuilding their stocks of raw materials, in a market characterised by a substantial increase in the prices of raw materials.

Banco BPM, also through the choices it has made over the past year, intends to consolidate its role as a leader in the process of transition of the business models of its Corporate customers.

Through its commercial activities, the Corporate segment is actively involved in reaching many of the SDGs (Sustainable Development Goals) established by the United Nations. The year that has just ended saw numerous companies launch sustainable ESG projects, with a view to gaining a competitive advantage in a market that is highly sensitive to these issues.

*The development guidelines contained in the 2021-2024 Business Plan*

The strategic ambition for Corporate is to further strengthen its role as a key market player, leveraging the greater strategic focus and synergies of the Group. There are four main guidelines underpinning said ambition:

- to increase activities with high added value;
- to exploit the opportunities generated by the NRRP;
- to exploit Group synergies;
- to optimise the risk-return variables, although through new analysis tools.

The following paragraphs describe the specific areas of activities relating to the strategic approaches identified.

### **Focus on a range of dedicated products and services to provide support to Corporate customers**

Banco BPM maintains its benchmark role for operators, at national level, as it has a specific vocation in managing the needs of companies in the Corporate segment. Its consolidated experience gained in supporting this specific segment, combined with its deep roots in local areas, contribute to the constant consolidation of the bank-business relationship, with continuously significant market shares in the specific business segment.

Maintaining constant oversight of relations with companies, in a context as complex as the current one, characterised by periods of strong economic recovery alternated by other periods of complications due to the pandemic, has been one of the main objectives, with a view to providing better support to Corporate customers. The role of customer relationship managers was once again extremely important to provide support to customers in the recovery phases. Commercial Network and Central Management, also thanks to the consolidated use of digital instruments and media, were able to quickly and efficiently handle customer requests.

#### Main commercial initiatives

2021 contributed to further consolidating the bank's role as a benchmark for Italian Mid-Caps. The Corporate structure continued its efforts to focus and rationalise its activities, with a view to further increasing its market share, share of business and its overall positioning to serve its customers, also by exploiting new market opportunities (e.g. Superbonus 110%). The above does not exclude the constant monitoring of aspects of creditworthiness, along with activities targeted to monitoring the risk-return ratio.

Its collaboration and synergy with Banca Akros continues to be significant, the latter specialising in Capital Markets (hedging) and Investment Banking (Equity Capital Markets, Debt Capital Markets, M&A, Securitisation and Advisory segments). In 2021, Banca Akros confirmed its status as a benchmark player in terms of the derisking plans implemented in the frameworks of medium-sized Italian banks, acting as Arranger in important securitisation transactions.

In 2021, the initiatives relating to the allocation of a fund of 5 billion, called "2020-2023 Sustainable Investments", were set in motion, announced by the Group in December 2020 to encourage the green transition. The fund is a tangible response to the issues emerging in the ESG dimension, which increasingly represent a key element for the development of business customers.

Alongside the fund, the development of dedicated products and schemes continues, with a view to providing targeted and structured support to the green projects and investments of Corporate customers, both that regard transactions with highly personalised structures (developed with the support of Structured Finance), and that regard more standardised transactions developed directly by the Corporate Commercial Network.

In 2021, the use of the "Sales4Change" commercial interaction platform became fully operational; the platform works like a community, where colleagues share their know-how and work together to develop the best solutions to propose to corporate customers.

The concepts of the circularity and the sharing of ideas represent the drivers to optimise customer service, in a context of digital innovation.



During the year, other new features were introduced, which enabled the platform to be increasingly effective, to the benefit of the Network and Corporate Customers. Project work is continually evolving and will continue in the near future as well, with a view to achieving a fully integrated digital ecosystem.

### **Hedging financial risk**

In 2021, Banco BPM Group reaffirmed its activity of providing specialised support to corporate customers in managing interest rate, exchange rate and commodity risks, through the Corporate & Institutional Banking structure of Banca Akros. This activity is directed towards companies that feature the aforementioned risk hedging needs in relation to their operational management or the structure of their financial statements.

Customers are assisted by a group of sales advisors and specialists, located in different geographical areas, equipped with superior technical and commercial skills.

During the year, the Group continued to develop new products and services, continuing to strengthen its role as a benchmark for its customers in terms of innovation. One of the most recent innovative activities worth mentioning is the hedges on ESG rates, which therefore comply with sustainability parameters.

In 2021, this sector stood out for the increase in both interest rate and exchange and commodity hedges. Through its sales staff and specialists, the structure has forged solid relationships with its customers, by continuing to provide services with high added value, even in an increasingly challenging market context.

### **Purchase of trade and tax receivables without recourse**

During 2021, Banco BPM extensively developed services relating to the purchase of trade and tax receivables and incentives, the latter also held vis-à-vis the Public Administration, including tax credit relating to Decree Law 34/2020 (so-called "Super Ecobonus") from its customers without recourse.

The activities performed in this regard seek, first and foremost, to support the production chains using an instrument that in recent years has proven to be particularly effective in optimising a company's working capital.

The experience acquired by Banco BPM in this area is demonstrated above all by its ability to enter into customised agreements with leading companies that wish to optimise the opportunities available to manage supply credit/debt, while at the same time offering effective financial services to their suppliers.

An important market position was achieved in the purchase of tax credit originating from the so-called "Super Ecobonus", an activity which enabled both private and business customers to be able to fully utilise the significant tax subsidies envisaged by this decree.

Consolidating its leadership position in this specific market has been possible also due to an initial phase in which internal procedures were innovated by developing a dedicated platform able to facilitate operating aspects in the bank-customer relationship, a platform that will be the subject of an important development plan to achieve operational digitalisation by 2023.

### **Origination**

Through Senior Bankers, specialised by Industry, and with the support of dedicated Business Analysts, in 2021 the quality of relationships with business owners and the management of companies served was improved; the benefits included increased perceived satisfaction, cross-selling of Corporate and Investment Banking products and overall profitability of relations with corporate customers.

The Origination Unit then succeeded in further strengthening Strategic Coverage activities for the more complex Corporate customers, also thanks to the implementation of systematic Capital Structure Analysis & Solutions activities. A similar approach has been adopted for the medium-sized business segment.

### **Structured finance**

In 2021, the activity of the Structured Finance department maintained its role in the Group in assisting customers with regard to more sophisticated lending transactions, made with institutional and industrial counterparties which, as regards the purpose of the loan and/or its amount, require a specialised approach. Due to the pandemic, this activity has received growing interest from customers.

The economic performance recorded in 2021 was a net improvement on the previous year, even though many economic areas were damaged by the continuing effects of the pandemic. In any event, in general, also due to the maintenance of credit subsidies linked to the pandemic, Structured Finance recorded an improvement for all performance, capital, economic and operational parameters.



More specifically, the Corporate Lending activity also involved in the scheme of loans secured by the SACE guarantee, recorded a significant increase in the number of transactions made, as well as the commission collected. The activity performed for Financial Sponsors, an area in which the Bank boasts a leadership position in the segment of leverage with SMEs, enjoyed a particularly successful year, thanks to the maintenance of the market conditions established in 2020, characterised by a high number of primary transactions, plus secondary transactions, which had been lacking the previous year.

Project Finance activity recorded a substantial increase in terms of performance data, thanks to the consolidation of relations with several operators, and the participation in several very important transactions. The launch of projects relating to the NRRP is expected to have a positive impact in the coming years.

Real Estate activity maintained the business levels recorded in the two-year period 2019-2020, thanks to the continuing interest that institutional, and international, operators continue to have in areas in which the Bank boasts long-standing expertise. The activity enjoys a very interesting backlog, partly linked to the most important projects in the Milan area.

Over 200 Structured Finance transactions were concluded in 2021, for a total resolved amount of around 6.5 billion. Of these, over 100 transactions (for over 4 billion in approved credit lines), relate to Corporate Lending. The following categories, in terms of numbers and relative volumes, are Leveraged transactions (58 transactions, for over 900 million in approved credit lines), Real Estate transactions (around 30 transactions, for over 800 million in approved credit lines), and Project Finance transactions (over 20, for a total of around 570 million in approved credit lines).

Lastly, in general, Structured Finance confirmed its role as an important driver in the development of more dynamic and sophisticated customer relations, with the service model adopted allowing for systematic specialised support to be given to the commercial networks during their development, negotiation and consolidation of customer relationships.

## **Foreign Operations and Trade Finance**

The paragraphs below illustrate the activities related to internationalisation processes and the promotion of imports/exports which, even in an economic context of unprecedented complexity, recorded significant growth in 2021 as well.

### *Dedicated network and foreign goods unit*

Banco BPM Group assists its customers via a dedicated commercial network, made up of more than 60 reference specialists across Italy who have superior technical and commercial skills and are, therefore, able to best support companies in their internationalisation activities.

In addition, in terms of operational support, the Group also has foreign-goods units located throughout the country, more specifically in Milan, Legnano, Verona, Modena, Bergamo and Lucca.

The above units handle operations relating to documentary credits and documented remittances, while those regarding international guarantees are handled by a dedicated unit based in Milan.

The common objective is to provide customers with a high-added value service that guarantees consistent returns in terms of commission income, while at the same time carefully and promptly monitoring the considerable technical-operational risks.

As a whole, the Operations structure currently has 100 resources.

2021 was characterised by a strong recovery of international trade and the dedicated Foreign Operations and Trade Finance structure was able to exploit this growth, significantly increasing its market share and providing constant and proactive support to its customers.

### *Financial Institutions*

Also in 2021, despite the constraints imposed by the health emergency, the Financial Institutions Group (FIG) oversaw the main foreign markets with the primary purpose of guaranteeing adequate credit lines to support customers' import and export business.

To support the export business, adequate trade credit lines have been implemented and renewed, both ongoing and temporary, for foreign banks; with regard to imports, as the usual targeted international missions in the main countries of interest for customers could not be undertaken, in any event, also in 2021, it maintained regular contact with foreign correspondent banks, by organising video calls and managed to maintain existing credit lines and implement new ones.

For the purpose of providing suitable coverage for trade finance operations with countries/banks considered risky or problematic, the Financial Institutions Group renewed its participation in the respective trade facilitation programmes of the main supranational banks: EBRD, IFC, ADB.

By managing the foreign Representative Offices in Mumbai and Hong Kong, the entity has helped customers who operate, or intend to operate, in the areas of responsibility of these offices.

To support new asset acquisitions, FIG confirmed its membership of BAFT (Bankers' Association for Foreign Trade) and ITFA (International Trade and Forfeiting Association).

#### Foreign Products and Services

Also in 2021, Banco BPM provided significant assistance to companies operating in foreign markets, responding to the changed financial requirements of business operators by working with institutional entities and implementing the measures made available by the Government to provide financial support to Italian exports.

Given the growing importance of offering digital services, 2021 saw Banco BPM continue to integrate new cutting-edge channels, with both information and order functions, for companies that operate or intend to operate abroad, one of these is "Banco BPM Trade World, your ally abroad", which enables access to international markets and contact with selected trade partners thanks to the YouWorld and YouLounge platforms.

YouWorld is an information platform to support foreign trade; it also provides details of potential suppliers or foreign customers organised by country, type of good or services handled. A total of around 1000 companies were using the service at December 2021.

YouLounge is the B2B platform to promote its own products/services through a virtual showcase. It can be accessed through Banco BPM's e-banking. Together with a further 13 leading international partner banks, it participates in the Trade Club Alliance which covers 60 countries and includes over 22,000 selected companies worldwide. As at December 2021, over 1,550 corporate customers participated in YouLounge.

In 2021, YouLounge was enhanced with a new feature: "Opportunities", which gives importers the opportunity to publish posts to inform the community about their search for specific products/services, specifying their characteristics, timing and other useful information.

With regard to Foreign operations, the digital offer is completed by a third portal, YouTrade Finance, which enables goods operations to be managed online (international guarantees - already operational, documentary credits, operational for the import phase), simplifying and optimising the bank-customer relationship, and able to guarantee maximum safety (i.e. the use of digital signatures) through guided procedures.

#### Agreements with leading institutions

In order to expand the support to customers that operate in the complex field of internationalisation, Banco BPM has joined numerous associations through its managers specialised in Foreign Operations and Trade Finance, or has agreements in place with leading institutions (including ICC Italia International Chamber of Commerce, Credimpex Italia, German-Italian Chamber of Commerce, De International Italia and the previously mentioned SACE). All of this has been done to offer its customers professional support based on in-depth knowledge of regulatory techniques and methods, instruments and rules relating to the world of international trade.

Regarding relations with the Chambers of Commerce, in 2021 Banco BPM maintained its collaboration with the German-Italian Chamber of Commerce (CCIG), the Russian-Italian Chamber of Commerce, as well as with DE International Italia. This company, which belongs to the CCIG, offers a wide range of services for the internationalisation and promotion of forms of cooperation (business days, B2B meetings between Bank customers and foreign operators) with a particular focus on the German area, a region of Europe of particular interest for exporting Italian companies.

#### Trade and Export Finance

In 2021, the new Trade and Export Finance Department was created, which groups all export finance activities with SACE/SIMEST, the Group's international structured finance and commodity finance operations with leading international industrial groups and Trade Finance operations such as supplier's credit, bank risk coverage relating to the issue of international guarantees, as well as the risk relating to the confirmation of credit letters (coverage by SACE and other counterparties). The development of the desk was focused on strengthening the Group in bilateral operations with new large international customers, on the syndicated market in partnership with international banks, also focusing on trade finance operations aimed at boosting the exports of Bank customers.

In 2021, the desk was able to rely on a balanced increase in operations as regards buyer's credit, SACE Push strategy and supplier's credit to support exports of its Italian corporate network, and concluded several important international operations as regards commodity finance and international corporate finance, creating new trade

relations with industrial groups active in the US, Mexican, German, Chinese, Indian, Australian and African markets. In 2021, the desk also participated in a couple of lending transactions with ESG KPIs, formalising the entrance of foreign loans in the market sustained by sustainability KPIs.

The “advanced foreign trade” segment includes the following solutions (products and activities):

- Loans secured by an Export Credit Agency, in particular SACE:
  - ECA Buyer’s Credit - supplier’s credit with the support of the SACE policy;
  - SACE Push Strategy - loans secured by the SACE financial guarantee to facilitate future trade opportunities between Italy and foreign markets;
- Commodity Trade Finance:
  - Pre-Export and Pre-payment Finance - Loans for medium or long-term commodity trading with foreign counterparties;
  - Borrowing Base Financing – Revolving Credit Facilities Secured on stock and trade receivables;
- Foreign Borrowers:
  - Corporate & Acquisition Loans - extraordinary operations with international corporate customers that operate in Italy;
  - Revolving Credit Facilities - standard revolving credit operations not secured by stock or trade receivables;
- Traditional Trade Finance:
  - Supplier’s Credit with transfer of ECA policy, secured by a corporate or banking guarantee (SBLC), to facilitate the export of Italian machinery and technologies abroad;
  - Issue of contractual guarantees with SACE coverage to support international trade operations, including large-scale ones;
  - Confirmation of credit letters covered by SACE.

In 2021, a total of 68 operations were concluded, consolidating its role as a highly specialised desk, serving the expansion of Italian exports and of large foreign customers with market shares in Italy.

### **Culture of sustainable finance for customers**

In 2021, the increased attention paid to the area of sustainability continued to inspire projects, also as regards educating customers.

In fact, in June, the third “Lounge Banca Akros and Banco BPM Elite” took place, an edition focusing on sustainability and ESG issues. The event, held digitally, involved companies from different Italian regions and operating in various industrial sectors.

The purpose of this high-level training is to accompany businesses in the transformation of their visions of growth into sustainable strategic plans and real results, boosting development potential, promoting ESG projects and facilitating their access to available forms of funding, including public and private capital markets.

## Institutional

	2021	2020 (*)	absolute change	% change
Net interest income	51,219	56,662	(5,443)	(9.6%)
<b>Financial margin</b>	<b>51,219</b>	<b>56,662</b>	<b>(5,443)</b>	<b>(9.6%)</b>
Net fee and commission income	42,585	40,024	2,561	6.4%
Other net operating income	3,504	3,056	448	14.7%
Net financial result	(420)	126	(546)	
<b>Other operating income</b>	<b>45,669</b>	<b>43,206</b>	<b>2,463</b>	<b>5.7%</b>
<b>Operating income</b>	<b>96,888</b>	<b>99,868</b>	<b>(2,980)</b>	<b>(3.0%)</b>
Personnel expenses	(12,972)	(8,499)	(4,473)	52.6%
Other administrative expenses	(28,186)	(28,423)	237	(0.8%)
Net value adjustments to property, plant and equipment and intangible assets	(749)	(879)	130	(14.8%)
<b>Operating expenses</b>	<b>(41,907)</b>	<b>(37,801)</b>	<b>(4,106)</b>	<b>10.9%</b>
<b>Profit (loss) from operations</b>	<b>54,981</b>	<b>62,067</b>	<b>(7,086)</b>	<b>(11.4%)</b>
Net adjustments to loans to customers	(8,054)	(22,836)	14,782	(64.7%)
Net provisions for risks and charges	(149)	(415)	266	(64.1%)
<b>Profit (loss) before tax from continuing operations</b>	<b>46,778</b>	<b>38,816</b>	<b>7,962</b>	<b>20.5%</b>
Taxation charge related to profit or loss from continuing operations	(15,439)	(10,675)	(4,764)	44.6%
<b>Profit (loss) after tax from continuing operations</b>	<b>31,339</b>	<b>28,141</b>	<b>3,198</b>	<b>11.4%</b>
Charges related to company restructuring, net of taxes	-	(1,035)	1,035	
Charges related to the banking system, net of taxes	(10,726)	(9,180)	(1,546)	16.8%
Impact of the realignment of tax values to book values	842	2,200	(1,358)	(61.7%)
Purchase Price Allocation net of taxes (**)	(38)	(22)	(16)	72.7%
<b>Parent Company's profit (loss) for the year</b>	<b>21,417</b>	<b>20,104</b>	<b>1,313</b>	<b>6.5%</b>

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

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

## Economic performance of the segment

Total operating income for the Institutional segment came to 96.9 million, down by 3.0 million compared to the previous year (-3.0%).

Within this aggregate, net interest income fell by 5.4 million, due mainly to the impact of the so-called liquidity buffer cost, namely the share of the cost allocated to the Network due to the Group's need to hold a liquidity buffer to cover unexpected cash outflows, which reduces the increase of commercial net interest income; on the contrary, net fee and commission income recorded an increase of 2.6 million. Operating expenses increased overall, and amounted to 41.9 million (+4.1 million against 2020), in particular due to higher personnel expenses, which recorded an increase of 4.5 million.

Net adjustments to loans to customers fell significantly to 8.1 million, compared to 22.8 million recorded last year, due to the substantial reduction of the cost of risk resulting from the lower risk of the portfolio.

Charges related to the banking system, net of taxes were booked to the income statement for the year amounting to 10.7 million (9.2 million in 2020). 2021 closed with a net profit of 21.4 million, compared to 20.1 million recorded last year.

More information on the activities managed by the business segment in question are provided below.

2021 was a crucial year, characterised by phenomena that had a significant impact:

- the "economic" management of the Covid 19 pandemic, in parallel with its health management, which entailed further financial support from the Banking System to the country's real economy, after that introduced in the first year of the pandemic;
- the assessment of the opportunities for economic recovery originating from the NRRP (National Recovery and Resilience Plan), over 70% of whose economic resources will be channelled through the Public Administration;

- the growing importance attributed to the effects of climatic change and to the assessment of the social impact of financial investments (focus on the SDGs of the 2020-30 UN Agenda), which has required greater efforts of the Bank, through the launch of the ESG (Environmental, Social & Governance) project, in which the Third Sector plays a fundamental role, in terms of the rationale behind determining the “social” value of investments.

The coordination and commercial support relating to Institutional customers, the Public Administration, Religious Entities, the Third Sector and Centralised Alliances, has been entrusted to the Institutional Customers, Entities and Third Sector Function, which manages the product range offered, developing suitable distribution channels, evolving the service model and developing dedicated products.

The “business” offices that the Institutional Customers, Entities and Third Sector Function is comprised by, are as follows:

- Institutional;
- Centralised Partnerships with Alliances External to the Group;
- Entities and the Public Administration;
- Third Sector and Religious Entities.

## Institutional

Institutional Counterparties are the main “supervised” parties such as Insurance companies and Non-banking finance companies, asset management companies (SGRs), SIMs, open and closed-end Mutual Funds, Bank Foundations, Social Security and National Insurance entities and Pension Funds. Furthermore, Institutional Counterparties also encompass the State, Constitutional Bodies, Central State Entities and several Companies part-owned by the Central Public Administration, in addition to Regional Authorities, Healthcare Organisations and Hospitals and Large Municipalities.

Relations with the Institutional Counterparties are monitored by the Structure of the same name through a complete service model, which includes managers and specialised employees and a dedicated branch.

Institutional Customers are broken down by type of SAE (Sector of Economic Activity) as follows (figures as at 31 December 2021):

Type of Entity by SAE (*)	% Breakdown
Mutual Investment Funds, Pension Funds and UCITs	19%
SIMs, SGRs and trust companies	8%
Non-banking (Leasing, Factoring) and Consumer Credit companies	5%
Regions, Healthcare Companies, Large Municipalities and Companies Co-owned by the Public Administration	8%
Insurance companies	6%
Bank foundations	2%
Central Government and Constitutional Bodies	2%
Social Security and Social Welfare Entities	2%
Other companies and financial intermediaries	48%
<b>Total</b>	<b>100%</b>

(\*) Group companies are not included

The office which handles Institutional Counterparties also manages the operations performed for Banco BPM Group Companies.

With a view to achieving greater efficiency in the management of relationships, the services offered have been harmonised and commercial partnerships have been developed with Banca Akros and Banca Aletti to make the range of services offered to this particular type of customer more complete and specialised.

More specifically, in 2021, the following activities were launched:

- purchase of senior notes by Banco BPM as part of the project on the securitisation of Retail customer loans, with a view to providing greater support to the real economy and boosting the increase of loans;
- granting of the first ESG loans to support specific initiatives of the Alternative Investment Fund (i.e. loans to Real Estate Funds to build nursing homes, with significant social impact).

## Commercial partnerships with allies external to the Group

The Institutional Customers, Entities and Third Sector Function is also tasked with supervising and coordinating the structure dedicated to centrally managing commercial alliances with partners external to Banco BPM Group.

These alliances are regulated by specific commercial partnership agreements, which envisage a range of products addressed exclusively to the customers of the external alliance, through a dual distribution channel:

- “off-site” offer, through external financial advisors;
- branch sales, through dedicated branches, in the financial shops of the commercial ally.

Centralised commercial management takes the form of a dedicated structure, included within the Institutional Customers, Entities and Third Sector Function, which has 18 branches spread across Italy.

Direct supervision through a wholly dedicated structure enables commercial agreements to be constantly developed in view of legislative changes as well as better economic returns and better supervision of operational risks especially as regard Anti-Money Laundering Legislation. In collaboration with the “allies”, we serve around 40,000 current accounts.

The market for the off-site offer of banking products and services through the networks of financial advisors belonging to groups that do not have banks within their perimeter represents an area with strong potential and the organisational model specifically adopted and the know-how acquired to date by Banco BPM have laid the groundwork for the strong possibility of the further development of constantly growing business on the market.

## Entities and the Public Administration

Pursuant to EU Regulation no. 549/2013 on the European system of national and regional accounts, Entities and Public Administration, or also “Public Sector” Customers consist of:

- Public Administrations, which in turn include the Central Administrations (State and Constitutional Bodies, Ministries and relative Departments, etc.), Territorial Administrations (Regions and Autonomous Provinces) and Local Administrations (Provinces and Municipalities) and Social Security and National Insurance entities;
- Public Companies, namely parties that produce goods and/or services for sale, or which are a public corporation or which are controlled directly or indirectly by the Public Administrations, under specific laws, decrees or regulations.

The Public Sector function is responsible for managing the segment from a commercial, regulatory and administrative perspective. The activity, in relation to the acquisition of relationships and the management of the Public Administration, is conducted with particular focus on the commitments and critical issues that arise, on the limitations of operational risks, of image, of credit and from a commercial perspective.

Banco BPM holds UNI EN ISO 9001:2015 quality certification for the management of treasury and cash services and loans to the Public Administration.

Commercial activities in 2021 focused on the gradual recovery following the Covid-19 pandemic, providing Public Sector counterparties with products and services able to meet their specific needs. In this regard, increasing attention was paid to activities performed by public investee companies in the water and waste disposal cycle sector, due to the clear environmental impacts, based on ESG logic.

The NRRP was the subject of specific focus, as well as the key role that the Public Sector will play in this context.

Entities and P.A. Customers are broken down by type of SAE (Sector of Economic Activity) as follows (figures as at 31 December 2021):

Type of Entity by SAE	% Breakdown
Municipalities - Unions of municipalities	35%
Schools and Universities	23%
Companies Co-Owned and Production Companies of Public Services	26%
Other entities	16%
<b>Total</b>	<b>100%</b>

### Third Sector and Religious Entities

The customers belonging to the Third Sector and Religious Entities are represented by Associations, Foundations, Socially Useful NPOs, Cooperatives and Social Enterprises and other “non-profit” Organisations envisaged by the Law Reforming the Third Sector (Legislative Decree 117/17), in addition to dioceses, parishes, congregations and religious orders. The segment also includes trade unions and political parties.

Third-Sector customers and Religious Entities are broken down by type of SAE (Sector of Economic Activity)/Legal nature as follows (figures as at 31 December 2021):

Type of Entity by legal nature	% Breakdown
Associations	45%
Foundations	2%
Religious Entities (parishes)	13%
Social Cooperatives	4%
Other entities with or without legal status	36%
<b>Total</b>	<b>100%</b>

The Third Sector and Religious Entities represent a “central” customer segment in terms of interest in ESG issues, and Banco BPM has strengthened its sales efforts towards these customers through a dedicated structure, with specialists in each geographical area of action of Banco BPM.

The most important initiatives of 2021 included:

- the economic support measures to counter the effects of the Covid-19 pandemic, particularly for the wide bracket of the Third Sector and Religious Entities, which had been excluded after the moratorium with state guarantees expired at the end of 2020 and was not renewed; the measures adopted regard both suspending the payment of instalments of loans being repaid, and granting new loans for liquidity requirements induced by the pandemic (over 50 million disbursed in 2021, over 30% of the total disbursed to non-profit organisations and the religious sphere);
- the collaboration with Milan Polytechnic, which led to an in-depth study on the assessment of the social impact of investments regarding Third Sector organisations, through the ‘Tiresia’ project, with interesting insights on the development of new metrics to measure the social value of investments, based on ESG logic;
- the granting of a new loan for social impact projects;
- the launch of the third sector Portal dedicated to customers in this segment, which is directly linked to Banco BPM’s institutional website (<https://www.bancobpm.it/terzo-settore/>). Through this site, customers can contact the dedicated specialist office, which provides advice and facilitates opening new accounts;
- the sponsorship of the third edition of the “Cantieri Viceversa” laboratory, organised by the National Forum of the Third Sector, to ensure the matching of the demand for and the supply of funds between Third Sector entities.



## Private

	2021	2020 (*)	absolute change	% change
Net interest income	(2,557)	1,131	(3,688)	
<b>Financial margin</b>	<b>(2,557)</b>	<b>1,131</b>	<b>(3,688)</b>	
Net fee and commission income	100,394	89,708	10,686	11.9%
Other net operating income	5	7	(2)	(28.6%)
Net financial result	(283)	(75)	(208)	277.3%
<b>Other operating income</b>	<b>100,116</b>	<b>89,640</b>	<b>10,476</b>	<b>11.7%</b>
<b>Operating income</b>	<b>97,559</b>	<b>90,771</b>	<b>6,788</b>	<b>7.5%</b>
Personnel expenses	(55,953)	(52,422)	(3,531)	6.7%
Other administrative expenses	(15,909)	(20,112)	4,203	(20.9%)
Net value adjustments to property, plant and equipment and intangible assets	(3,423)	(604)	(2,819)	466.7%
<b>Operating expenses</b>	<b>(75,285)</b>	<b>(73,138)</b>	<b>(2,147)</b>	<b>2.9%</b>
<b>Profit (loss) from operations</b>	<b>22,274</b>	<b>17,633</b>	<b>4,641</b>	<b>26.3%</b>
Net adjustments to loans to customers	(265)	81	(346)	
Net provisions for risks and charges	(204)	16	(220)	
<b>Profit (loss) before tax from continuing operations</b>	<b>21,805</b>	<b>17,730</b>	<b>4,075</b>	<b>23.0%</b>
Taxation charge related to profit or loss from continuing operations	(7,327)	(4,876)	(2,451)	50.3%
<b>Profit (loss) after tax from continuing operations</b>	<b>14,478</b>	<b>12,854</b>	<b>1,624</b>	<b>12.6%</b>
Charges related to company restructuring, net of taxes	-	(4,676)	4,676	
Charges related to the banking system, net of taxes	(772)	(1,369)	597	(43.6%)
Impact of the realignment of tax values to book values	242	-	242	
Purchase Price Allocation net of taxes (**)	(2,680)	(2,887)	207	(7.2%)
<b>Parent Company's profit (loss) for the year</b>	<b>11,268</b>	<b>3,922</b>	<b>7,346</b>	<b>187.3%</b>

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

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

### Economic performance of the segment

Total operating income for the Private sector came to 97.6 million, up (+7.5%) compared to the previous year.

Within this aggregate, net interest income fell against 2020 (-3.7 million); this decrease was due mainly to the impact of the so-called liquidity buffer cost, namely the share of the cost allocated to the Network due to the Group's need to hold a liquidity buffer to cover unexpected cash outflows.

Net fee and commission income, amounting to 100.4 million, recorded an increase of 10.7 million compared to last year. Operating expenses of 75.3 million were up against last year (+2.9%) substantially due to higher personnel expenses, which rose by 3.5 million, and value adjustments to property, plant and equipment and intangible assets, which rose by 2.8 million; this increase was partly offset by lower administrative expenses, which were down by 4.2 million.

Adjustments to loans of 0.3 million, net provisions for risks and charges of 0.2 million and charges related to the banking system, net of taxes, of 0.8 million (1.4 million in the previous year) were charged to the income statement of the segment in question.

Also considering the negative contribution of the PPA (Purchase Price Allocation) of -2.7 million, the Private business segment closed with a profit for the year of 11.3 million, with an increase of 7.3 million against 2020.

As illustrated in the introduction, the "Private" segment includes the management and marketing of banking and financial products/services and loan brokering aimed at private customers with assets that, individually and/or within their business, amount to at least 1 million. These activities are carried out by the subsidiary Banca Aletti. More information on the activities managed by the business segment in question are provided below.

At the end of 2021, the Private Banking Network of Banca Aletti recorded a global amount of "assets under management" (administered and managed) of 25.3 billion, significantly higher than 2020; the figure includes the marginal liquidity positions of private customers of Banca Aletti with accounts at Banco BPM.

The solid income figures are due to the high quality advisory service provided by the Private Banking Network to customers in the changed financial market scenario, and had encouraged the establishment of investment portfolios characterised by a prudent approach to the higher risk and by international and thematic diversification. The decision to set the above-cited advisory service in motion from the first few months of the year enabled customer portfolios to benefit from the favourable stock market scenario. The high level of delegation allowed the quality of the portfolios to be improved mainly through high quality asset management solutions.

The continued negative structural yields of interbank monetary rates and of those of the yield curves of many bond markets, intensified the downward trend of bond and monetary investments; on the other hand, the international context in which system liquidity increased significantly and, consequently, investors, maintained volumes of direct funding on demand at the same levels as last year.

The many actions and strategies aimed at increasing volumes in the medium term and expanding the scope to customers, provided comforting results in terms of new net funding, both as regards private and institutional customers. In particular, the ability to attract new customers and to develop existing ones is worth mentioning, considering that the year has been characterised by frequent restrictions to personal contact, often replaced by digital tools.

To support development activities, in line with the strategy of previous years, efforts were made to create opportunities to meet potential customers through several local events; given the health emergency, these initiatives were limited to the last few months of the year.

In line with Banco BPM's commercial development plan, which envisages an approach with a greater focus on cross-selling, the year saw the full achievement of collaboration with the Corporate Department (at Markets level and at central structures level, namely Origination and Structured Finance), with which a synergic plan was set out for the development of family-owned businesses, which took shape through the engagement of all Corporate Centres; this activity was combined with the structured collaboration of the Investment Banking division of Banca Akros. This series of activities generated a significant increase in volumes and of the customer base.

The joint action with the Business segment is worth noting, with which measures to support Group companies characterised by surplus liquidity were structured, with a view to defining investment solutions which, consistent with the time horizon and the low risk profile, were able to generate positive returns.

As at 31 December 2021, Banca Aletti's network was comprised of 11 Areas, 45 Units, 10 remote branches, 258 Private Bankers and 10 Financial Advisors.

## Investment Banking

	2021	2020	absolute change	% change
Net interest income	53,830	73,213	(19,383)	(26.5%)
<b>Financial margin</b>	<b>53,830</b>	<b>73,213</b>	<b>(19,383)</b>	<b>(26.5%)</b>
Net fee and commission income	43,424	41,651	1,773	4.3%
Other net operating income	1,126	253	873	345.1%
Net financial result	13,414	10,327	3,087	29.9%
<b>Other operating income</b>	<b>57,964</b>	<b>52,231</b>	<b>5,733</b>	<b>11.0%</b>
<b>Operating income</b>	<b>111,794</b>	<b>125,444</b>	<b>(13,650)</b>	<b>(10.9%)</b>
Personnel expenses	(33,528)	(25,293)	(8,235)	32.6%
Other administrative expenses	(58,038)	(58,953)	915	(1.6%)
Net value adjustments to property, plant and equipment and intangible assets	(356)	(345)	(11)	3.2%
<b>Operating expenses</b>	<b>(91,922)</b>	<b>(84,591)</b>	<b>(7,331)</b>	<b>8.7%</b>
<b>Profit (loss) from operations</b>	<b>19,872</b>	<b>40,853</b>	<b>(20,981)</b>	<b>(51.4%)</b>
Net adjustments to loans to customers	(55)	3	(58)	
Net adjustments to securities and other financial assets	17	78	(61)	(78.2%)
Net provisions for risks and charges	490	286	204	71.3%
<b>Profit (loss) before tax from continuing operations</b>	<b>20,324</b>	<b>41,220</b>	<b>(20,896)</b>	<b>(50.7%)</b>
Taxation charge related to profit or loss from continuing operations	(5,834)	(13,495)	7,661	(56.8%)
<b>Profit (loss) after tax from continuing operations</b>	<b>14,490</b>	<b>27,725</b>	<b>(13,235)</b>	<b>(47.7%)</b>
Charges related to company restructuring, net of taxes	(3,836)	(602)	(3,234)	537.2%
Charges related to the banking system, net of taxes	-	(2,911)	2,911	
<b>Parent Company's profit (loss) for the year</b>	<b>10,654</b>	<b>24,212</b>	<b>(13,558)</b>	<b>(56.0%)</b>

### Economic performance of the segment

The trend in the main income statement items recorded a decrease in net interest income (-19.4 million), due to the decrease specifically recorded in the contribution from the securities portfolio, especially within the intragroup component. The bonds underlying the certificates issued by Banca Akros had a significant impact on the latter, as from the end of June 2020, they were limited to those placed by third-party networks (the certificates placed by the Group network are issued by the Parent Company). The net financial result benefited from this specularly, but nevertheless was negatively impacted by lower investment product structuring activity, as well as by lower coverage and development activities of Corporate & Financial Institutions customers, in coordination with the Parent Company with tax, exchange and commodity derivatives, bringing the item in question to 13.4 million (down 3.1 million compared to 2020). Net fee and commission income was in line with the previous year, also thanks to the contribution of the Investment Banking area, which more than offset the fall in structuring commission due to lower placements of Group certificates.

Operating expenses recorded an overall increase of 7.3 million, mostly due to personnel expenses, to the full recovery of the variable component, offset, to a lesser extent, by the fall in the number of resources recorded in 2021.

Banking industry charges, net of the relative taxes, were also charged to the income statement of the segment in question, amounting to 3.8 million, bringing the net profit for the year to 10.7 million.

The "Investment Banking" segment includes the structuring of financial products, access to regulated markets, and the support and development of specialised financial services, carried out by the subsidiary Banca Akros. In May 2021, Banca Akros acquired 100% of the share capital of Oaklins Italy S.r.l., a "boutique" that provides advisory services for Mergers & Acquisitions.

The "Investment Banking" segment includes the structuring of financial products, access to regulated markets, and the support and development of specialised financial services, carried out by the subsidiary Banca Akros. More information on the activities managed by the business segment in question are provided below.

## Corporate & Institutional Banking

During 2021, despite the health emergency still under way, the commercial coverage and development activities of Corporate & Financial Institutions customers in relation to the specialist products and services offered by Banca Akros continued successfully, in coordination with the Parent Company.

In particular, thanks to the service model that envisages the centralisation of all sales of hedging products for corporate and business customers of Banco BPM Group within the Bank, activities on financial risk hedging instruments were efficiently managed, also provided as part of cross-selling with the Parent Company, focusing in particular on the specific target represented by the Mid Corporate segment. During the year, cash flows on derivative products amounted to a total, in notional value, of around 4 billion for exchange rate and commodity risk hedges and around 5 billion for interest rate risk hedges on the underlying loans, mainly disbursed by Banco BPM.

Thanks to its sales staff and specialists located in Corporate Centres in Italy, the structure has forged, together with the Group, solid commercial relationships with its customers, providing services with high added value, in a market context characterised by strong competition from other Italian and foreign banks.

During the period, Banca Akros continued to develop new activities and services, including ESG products, confirming its status as a benchmark in terms of innovation to the benefit of its customers.

Certificate structuring activities also continued, although conditioned both by the narrowing trend of credit spreads within the banking industry, and by the Group's commercial and funding policy, which also led to a shorter duration of the products offered to customers by the distribution network.

Over the year, the total Investment Certificates structured by the Global Market "product factory" amounted to around 900 million, of which around 100 million issued by Banca Akros and placed on third-party networks. In 2020, the total Investment Certificates structured by the Bank had amounted to around 1,900 million, of which 120 million placed by third-party networks.

In a record year for asset management, Banca Akros worked with Anima SGR to structure funds worth over 1 billion (550 million in 2020): this result is related to the high level of appreciation demonstrated by Anima customers for products characterised, on one hand, by exposures to "thematic" investments, also through ESG indices, and on the other hand by dynamic equity risk management.

As regards the core business of trading in the secondary bond market, the cash flows from institutional customers in the segments of government, supranational and agency securities, as well as from corporate and financial issuers, albeit suffering the general slowdown of activity that characterised the main reference markets, amounted in total to 13.2 billion.

The positive contributions of the "flow business" of operations in the equity and FX segments were confirmed.

Distribution on the primary bond market to institutional investors is of note, with active participation in the placement of issues of primary issuers (illustrated in the "Investment Banking" section below); the placement of the third and fourth issues of BTP Futura, made on April and November respectively, made a significant contribution, with Banca Akros acting as Co-dealer, on the invitation of the MEF.

In terms of the diversification of sources of funding for businesses, activities continued to be developed as regards equity funding operations by operators specialising in the private debt sector, ELTIFs and infrastructure funds.

### Trading and market making activities on own account

As regards the general "risk-on" of the markets, market making with customers started, for the most part, at lower levels than expected, then gradually rose to volumes in line with the second half of 2020. Proprietary trading was characterised by markets with low volatility and compressed yields, but managed to generate a positive result overall, higher than that of 2020.

The financial engineering team continued with Certificate, Policy and SICAV structuring activities, also effectively supporting diversification in the index parameters of products for customers.

In the fixed income segment, the market making of government and corporate bonds recorded lower volumes than expected in the first two months of the year, while from March onwards, operations with institutional customers recorded much higher levels. The good performance of "credit" (corporate bonds, etc.), still characterised by positive yields, made it possible to record higher results than expected. Trading in interest rates also recorded positive results, also thanks to the good volumes of interest risk management products offered to corporate customers

through the Parent Company, which enabled the “books” to be actively managed and opportunities for trading in volatility to be grasped.

In the stock markets, market making in equity derivatives with customers and in regulated markets was substantially in line with the second half of 2020. Market making in certificates was slower initially, but volumes decisively increased from the second half onwards, and levels continued to be high until the end of the year. Proprietary trading had to face particularly low levels of volatility, leading to results that were lower than expected.

Activity in the Forex market with customers saw lower volumes, in line with the recent past, not helped by the continued “trading ranges” on the major currencies. Instead, the results of proprietary trading were good, thanks to the implementation of “daily trading” strategies focused on the assumption that the price of assets will tend to converge at the average price over time (so-called “mean reversion”).

Capital absorption and the daily VaR against the market risks of proprietary trading activities fell against the previous year, due to the strategic capital allocation decisions made by the Parent Company as regards market RWA. This derisking exercise on the bond portfolio led to a significant reduction of the financial margin, which had a negative impact on the results of the Global Markets area.

### **Brokerage and financial research activities**

In 2021, Banca Akros confirmed and strengthened its undisputed leading position in third-party brokerage on the listed fixed-income market (source Assosim), with total trading volumes representing 33.04% (21.02% in 2020) of the market total. More specifically, in 2021, the value of listed bond brokerage on behalf of third parties saw Banca Akros in first place on the following markets: DomesticMOT and EuroMOT, with market shares of 34.70% and 28.18% respectively.

The results achieved by Banca Akros in share brokerage on behalf of third parties in domestic markets were also positive, where the Bank improved its ranking to third place (fourth place in 2020) among Italian and foreign brokers active in the Euronext Milan Domestic market (formerly MTA) with a market share of 8.92%, substantially in line with last year (Source: Assosim). The Euronext Milan Domestic market is represented by a basket of 241 companies, with a total capitalisation of 757.3 billion, corresponding to around 43.2% of Italy's GDP.

On the Euronext growth Milan market (formerly AIM-Italia) - the SME market, which has grown significantly in the last few years - the Bank improved its ranking by one grade with respect to last year, and is now in third place for trading on behalf of third parties, with a market share of 9.2%. The Euronext growth Milan market is represented by a basket of 174 companies, with a total capitalisation of around 11.5 billion, corresponding to around 0.6% of Italy's GDP.

With regard to the Italian stock market as a whole, Banca Akros is in third place overall for trading countervalues, with a market share of 8.65%, with respect to fourth place in 2020.

Business also continued positively on the Equiduct market, managed by the Börse Berlin, where Banca Akros continues to be the leading Italian operator.

In specialist and corporate broker activities for issuers listed on the Borsa Italiana, at the end of 2021, 36 mandates were recorded, 6 of which were new. At the end of 2020, 33 mandates had been obtained. Of the 36 mandates currently in place, 10 are with companies listed on the Euronext Milan Domestic, 12 with companies listed on the Euronext STAR Milan (formerly STAR) and 14 with companies listed on the Euronext Growth Milan market.

In brokerage on behalf of third parties on the regulated derivatives markets managed by Borsa Italiana, Banca Akros holds second place in stock futures (fourth in 2020), with a market share of 2.66%, fifth place in the FTSE MIB Index Options, with a market share of 4.19% (third place in 2020), ninth place in stock options, with a market share of 1.71% (sixth place in 2020), and eleventh place in the Futures market on the index (tenth place in 2020).

Banca Akros also holds second place on the ETF (ETFPLUS) market and on the Certificates SEDEX market (third place in 2020), with a market share of 13.5% and 20% respectively. The excellent performance on the ETF market was achieved also due to the contribution of SABE ETF, the proprietary system which automatically searches dynamic best execution, which complies with the dictates of MiFID II, at the service of banking and institutional customers.

Trading on the German market for EEX energy derivatives continued successfully, with an uptrend in the number of customers and of volumes traded on behalf of customers active in trading and risk hedging in the relative sectors.

## Investment Banking

Banca Akros intensified its focus on M&A/Corporate Finance activities addressed to family businesses and enterprises, as well as to Private Equity funds. In addition, the Bank completed its commercial "proposition", thanks to the access to the global network of Oaklins, a company acquired in May 2021, which comprises over 800 professionals dedicated to M&A and Corporate Finance in 45 countries; in this way, Banco BPM Group has extended its commercial offer, as it is able to provide support to corporate customers, businesses and financial sponsors for cross-border "in" and "out" transactions.

With regard to M&A activities, we draw attention to the performance of different assignments, both "sell side" and "buy side", as well as assistance for public tender offers and the issue of fairness opinions; the main activities performed in 2021 are illustrated below:

- operations with family businesses: note the sale of the control of Inrail to Austrada del Brennero, the assistance to Lisap in the acquisition of Parisienne Italia, the advice provided to Landi Renzo in the acquisition of 49% of Metatron, the assistance to S3K in the search for a private equity fund (identified as HLD), the advice provided to the shareholders of ATK in the sale of a majority shareholding to the Progressio fund, the advice provided to EGM in the assignment of the sheet metal business division to KME Italy;
- operations on behalf of Private Equity funds: note the assistance provided to NB Aurora in the acquisition of a minority shareholding in Veneta Cucine, as well as to White Bridge in the acquisition of Antichi Sapori dell'Etna (Pisti).

In addition, advisory assignments were performed for the reference shareholder in the Panaria public tender offer and for ION in the Cerved public tender offer, as well as for CDP in the issue of the fairness opinion regarding the SIA-Nexi swap ratio, and to Linkem for the issue of a fairness opinion relating to the Tiscali-Linkem Retail swap ratio.

As regards Oaklins Italy, 5 transactions were performed from May 2021; in particular, on the sell-side, the sale of Pinsalab to Deutsche Invest Capital, the sale of Zephyr to Dea capital and VSL Club, the sale of DMR Group and of Weingrill; on the buy-side instead, the assistance provided to Bee2Link in the acquisition of Terranova Web Systems.

In June, Banca Akros was accredited by CDP as a broker for the performance of due diligence activities, the execution and management of the loans of the Relaunch Fund.

As regards Equity Capital activities, Akros acted as Global Coordinator and Specialist in the IPO of Almax, with a total funding countervalue of 30 million, as well as Global Coordinator, NOMAD and Specialist in the IPO of SPAC Industrial Stars of Italy 4 on the AIM Italia for a countervalue of 138 million. Banca Akros also acted as Sponsor in the translisting of Fine Foods & Pharmaceuticals N.T.M. from the AIM Italia market to the STAR Segment, as the broker entrusted with the coordination of collecting subscriptions to the Panaria and Carraro public tender offers, and as Co-Lead Manager in the share capital increase of Autogrill. In addition, the Bank conducted an Accelerated Book Building Offer operation as Joint Global Coordinator in October 2021 on Salcef stock, for a countervalue of 32 million.

On the Debt Capital Market, we draw attention to its participation in the placement with institutional investors of the following bond issues in the Corporate segment: ENEL S.p.A. (3,250 million), Terna S.p.A. (600 million), Marcolin S.p.A. (350 million), Gamenet S.p.A. (575 million), Inwit S.p.A. (500 million), Atlantia S.p.A. (1 billion), Autostrade per l'Italia S.p.A. (1 billion), Telecom Italia S.p.A. (1 billion) and ASTM S.p.A. (3 billion).

In the Financial Institutions segment, Banca Akros participated as Joint-Bookrunner, in the placement of bond issues finalised in 2021 by the Parent Company Banco BPM and by Anima, as well as issues of senior notes linked to securitisation transactions of Nexi S.p.A. (for 1,050 million), of Agos Ducato S.p.A. (Sunrise 2021-2 for 603.4 million) and of Alba Leasing S.p.A. (Alba 12 for 474.7 million).

In the SSA issuers segment (Supranational, Sovereign and State Agencies) Akros participated as Joint Bookrunner, in the issue of the Senior Bonds of AMCO S.p.A. for 750 million and of Cassa Depositi e Prestiti S.p.A. for 50 million; it was also involved in over twenty issues by leading Italian and foreign issuers, including the European Investment Bank (EIB) and the German bank, Kreditanstalt Für Wiederaufbau (KfW).



In the segment of performing securitisations, Banca Akros managed, as Joint Arranger, two securitisation transactions of consumer loans originated by Agos Ducato (Sunrise 2021-1 and Sunrise 2021-2), for a total of 2.2 billion and a securitisation of loans deriving from lease contracts originated by Alba Leasing S.p.A. (Alba 12) for 1.1 billion.

Furthermore, Banca Akros, acting as Co-Arranger, assisted Credimi S.p.A. in the securitisation transaction of receivables resulting from performing loans to SMEs for a total of 200 million and an Italian financial institution in a securitisation transaction of receivables resulting from performing loans to SMEs for a total of 170 million.

In the corporate securitisation segment, note that Banca Akros, acting as Arranger, assisted Unoenergy S.p.A. in its first securitisation of receivables deriving from natural gas and electricity supply activities for a total of 50 million, and a company operating in the commercial steel industry in its first securitisation for a total of 30 million; in addition, the Bank acted as Financial Advisor in the first three-year securitisation programme of trade receivables of 295 million originated by Generalfinance S.p.A..

In the "Green" segment, Banca Akros also acted as Arranger in an innovative securitisation transaction of performing receivables deriving from project finance loans on renewable energy plants, promoted by Glenmont REBS Fund for a total of 26 million.

Lastly, in the non-performing securitisation segment, Banca Akros acted as Joint Arranger for the securitisation transaction named "Rockets" of the Parent Company and a Multioriginator securitisation transaction of a portfolio of bad loans belonging to 12 Italian banks for a total amount of 790 million (Luzzatti POP NPLS 2021).

## Strategic Partnerships

	2021	2020 (*)	absolute change	% change
Net interest income	(4,919)	(9,777)	4,858	(49.7%)
Gains (losses) on interests in associates and joint ventures carried at equity	229,608	129,385	100,223	77.5%
<b>Financial margin</b>	<b>224,689</b>	<b>119,608</b>	<b>105,081</b>	<b>87.9%</b>
Net financial result	-	11,671	(11,671)	
<b>Other operating income</b>	<b>-</b>	<b>11,671</b>	<b>(11,671)</b>	
<b>Operating income</b>	<b>224,689</b>	<b>131,279</b>	<b>93,410</b>	<b>71.2%</b>
Personnel expenses	(1,935)	(1,853)	(82)	4.4%
Other administrative expenses	(521)	(713)	192	(26.9%)
Net value adjustments to property, plant and equipment and intangible assets	(190)	-	(190)	
<b>Operating expenses</b>	<b>(2,646)</b>	<b>(2,566)</b>	<b>(80)</b>	<b>3.1%</b>
<b>Profit (loss) from operations</b>	<b>222,043</b>	<b>128,713</b>	<b>93,330</b>	<b>72.5%</b>
Gains (losses) on interests in associates and joint ventures and other investments	(18,673)	-	(18,673)	
<b>Profit (loss) before tax from continuing operations</b>	<b>203,370</b>	<b>128,713</b>	<b>74,657</b>	<b>58.0%</b>
Taxation charge related to profit or loss from continuing operations	2,487	3,582	(1,095)	(30.6%)
<b>Profit (loss) after tax from continuing operations</b>	<b>205,857</b>	<b>132,295</b>	<b>73,562</b>	<b>55.6%</b>
<b>Parent Company's profit (loss) for the year</b>	<b>205,857</b>	<b>132,295</b>	<b>73,562</b>	<b>55.6%</b>

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

The contributions to the consolidated financial statements of the interests held in Vera Vita, Vera Assicurazioni, Bipiemme Vita, Agos Ducato, Alba Leasing, Selmabipiemme Leasing, Factorit, Gardant Liberty Servicing and Anima Holding are included within the Strategic Partnerships segment.

## Economic performance of the segment

The operating income of the sector in question amounted to 224.7 million, with a growth of 105.8 million, thanks to the contribution of interests in associates and joint ventures carried at equity, which recorded an increase of 100.2 million, thanks to the improvement of the general economic scenario and to the positive impact, of 42.1 million,



resulting from the realignment of the tax value of goodwill made by an investee company. In particular, the positive contribution of Anima Holding (43.2 million) and of Agos (156.0 million) are worth noting.

The performance of the Net financial result reflects the lack of dividends from Anima Holding, insofar as, from the second quarter of last year, the company has been measured at equity.

The income statement for the segment in question also reflected the negative impact, amounting to 18.7 million, resulting from the impairment made of a share held in the associated company Factorit.

## Leases

	2021	2020 (*)	absolute change	% change
Net interest income	22,228	23,928	(1,700)	(7.1%)
<b>Financial margin</b>	<b>22,228</b>	<b>23,928</b>	<b>(1,700)</b>	<b>(7.1%)</b>
Net fee and commission income	(362)	(979)	617	(63.0%)
Other net operating income	(15,985)	(1,945)	(14,040)	721.9%
<b>Other operating income</b>	<b>(16,347)</b>	<b>(2,924)</b>	<b>(13,423)</b>	<b>459.1%</b>
<b>Operating income</b>	<b>5,881</b>	<b>21,004</b>	<b>(15,123)</b>	<b>(72.0%)</b>
Personnel expenses	(5,975)	(6,467)	492	(7.6%)
Other administrative expenses	(24,762)	(26,583)	1,821	(6.9%)
Net value adjustments to property, plant and equipment and intangible assets	(1,080)	(781)	(299)	38.3%
<b>Operating expenses</b>	<b>(31,817)</b>	<b>(33,831)</b>	<b>2,014</b>	<b>(6.0%)</b>
<b>Profit (loss) from operations</b>	<b>(25,936)</b>	<b>(12,827)</b>	<b>(13,109)</b>	<b>102.2%</b>
Net adjustments to loans to customers	(39,892)	(106,248)	66,356	(62.5%)
Fair value gains (losses) on property, plant and equipment	(99,858)	(12,227)	(87,631)	716.7%
Net provisions for risks and charges	739	(409)	1,148	
Gains (losses) on interests in associates and joint ventures and other investments	85	1,340	(1,255)	(93.7%)
<b>Profit (loss) before tax from continuing operations</b>	<b>(164,862)</b>	<b>(130,371)</b>	<b>(34,491)</b>	<b>26.5%</b>
Taxation charge related to profit or loss from continuing operations	38,209	34,682	3,527	10.2%
<b>Profit (loss) after tax from continuing operations</b>	<b>(126,653)</b>	<b>(95,689)</b>	<b>(30,964)</b>	<b>32.4%</b>
Charges related to company restructuring, net of taxes	-	(585)	585	
Purchase Price Allocation net of taxes (**)	671	686	(15)	(2.2%)
Profit (loss) for the year attributable to non-controlling interests	-	4,578	(4,578)	
<b>Parent Company's profit (loss) for the year</b>	<b>(125,982)</b>	<b>(91,010)</b>	<b>(34,972)</b>	<b>38.4%</b>

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

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

The Leases segment includes finance lease operations of the former Banca Italease, incorporated in the Parent Company, as well as the operations of Release. Outstanding lease contracts are managed with a view to run-off, as neither the contracting of new operations nor the disbursement of new financing on those running off is envisaged.

Therefore, the leases segment mainly handles administrative activities or those connected with after-sales management, relating both to the loans and to the assets under finance lease.

With regard to lease contracts with unpaid rentals, operations in the leases segment, specifically of Release, is, instead, focused on ensuring that payments return to normal status and, where this is not possible, to pursue the recovery of the loans, minimising the risks and costs of outstanding disputes, also by repossessing the assets. In those cases, operations in the segment aim for the best exploitation of the value of the repossessed assets, specifically properties, through their sale or use for income generation.

## Economic performance of the segment

The Leases segment, which includes the impacts of the management entity "Leasing Banco BPM" (formerly Banca Italease) and the accounting results of Release, recorded total Operating Income of 5.9 million, down by 15.1 million compared to the 21.0 million recorded last year, corresponding to -72.0%. This fall is mainly due to the 14.0

million reduction of "Other net operating income", caused by the substantial increase, of around 13 million, of the operating expenses of the stock of real estate, due to significant completion and renovation work on an important real estate complex. In the aggregate in question, there is also a 1.7 million decrease in "Net interest income" due to a fall in interest-bearing assets (the leases segment is in run-off).

Operating expenses, amounting to 31.8 million, recorded a 6.0% decrease against the previous year; in particular, "Other administrative expenses" fell by 6.9%, from 26.6 million in 2020 to 24.8 million in the current year. The lower expenses are mainly due to Release, for 1.2 million (lower direct taxes on real estate of 0.8 million and lower real estate insurance costs, various costs and intercompany outsourcing of 0.4 million).

Net adjustments to property, plant and equipment amounted to 1.1 million.

By virtue of these trends, the profit (loss) from operations was down by 13.1 million, recording a loss that increased from -12.8 million in 2020 to -25.9 million in 2021.

The cost of credit fell by 66.4 million, falling from -106.2 million to the present -39.8 million; the improvement is mainly due to Release, which recorded net recoveries of 44.8 million (of which 37 million resulting from the recovery plan agreed for a significant position and collections of 5 million). In the previous year, adjustments of 18.8 million had been recorded resulting from the sale of a portfolio of non-performing receivables ("Titan" project).

Fair value gains (losses) on property, plant and equipment changed from -12.2 million in 2020 to -99.9 million: the increase, recorded entirely by Release, reflects the adjustments relating to the valuation process conducted annually on owned properties acquired as part of credit collection activities (so-called foreclosed assets).

Given the above, the leases segment recorded a loss for the year of 126.0 million, against a loss of 91.0 million last year.

## Corporate Centre

	2021	2020 (*)	absolute change	% change
Net interest income	407,725	452,938	(45,213)	(10.0%)
Gains (losses) on interests in associates and joint ventures carried at equity	2,332	1,414	918	64.9%
<b>Financial margin</b>	<b>410,057</b>	<b>454,352</b>	<b>(44,295)</b>	<b>(9.7%)</b>
Net fee and commission income	6,270	(14,735)	21,005	
Other net operating income	81,402	45,296	36,106	79.7%
Net financial result	211,601	259,625	(48,024)	(18.5%)
<b>Other operating income</b>	<b>299,273</b>	<b>290,186</b>	<b>9,087</b>	<b>3.1%</b>
<b>Operating income</b>	<b>709,330</b>	<b>744,538</b>	<b>(35,208)</b>	<b>(4.7%)</b>
Personnel expenses	(411,784)	(403,523)	(8,261)	2.0%
Other administrative expenses	367,065	325,012	42,053	12.9%
Net value adjustments to property, plant and equipment and intangible assets	(126,150)	(118,956)	(7,194)	6.0%
<b>Operating expenses</b>	<b>(170,869)</b>	<b>(197,467)</b>	<b>26,598</b>	<b>(13.5%)</b>
<b>Profit (loss) from operations</b>	<b>538,461</b>	<b>547,071</b>	<b>(8,610)</b>	<b>(1.6%)</b>
Net adjustments to loans to customers	(10,032)	(17,706)	7,674	(43.3%)
Fair value gains (losses) on property, plant and equipment	(41,775)	(24,494)	(17,281)	70.6%
Net adjustments to securities and other financial assets	(345)	(1,108)	763	(68.9%)
Net provisions for risks and charges	(6,695)	(23,437)	16,742	(71.4%)
Gains (losses) on interests in associates and joint ventures and other investments	(180)	(150)	(30)	20.0%
<b>Profit (loss) before tax from continuing operations</b>	<b>479,434</b>	<b>480,176</b>	<b>(742)</b>	<b>(0.2%)</b>
Taxation charge related to profit or loss from continuing operations	(155,918)	(97,040)	(58,878)	60.7%
<b>Profit (loss) after tax from continuing operations</b>	<b>323,516</b>	<b>383,136</b>	<b>(59,620)</b>	<b>(15.6%)</b>
Charges related to company restructuring, net of taxes	-	(48,217)	48,217	
Charges related to the banking system, net of taxes	(25,556)	(26,491)	935	(3.5%)
Impact of the realignment of tax values to book values	48,808	-	48,808	
Goodwill impairment	-	(25,100)	25,100	
Change in own credit risk on Certificates issued by the Group, net of taxes	4,354	(11,739)	16,093	
Purchase Price Allocation net of taxes (**)	(9,473)	(13,181)	3,708	(28.1%)
Profit (loss) for the year attributable to non-controlling interests	284	(330)	614	
<b>Parent Company's profit (loss) for the year</b>	<b>341,933</b>	<b>258,078</b>	<b>83,855</b>	<b>32.5%</b>

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

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

Contributions to the consolidated financial statements that are not represented in the other lines of business are included within the Corporate Centre business line. Specifically, the Corporate Centre includes the financial contributions of the Finance of the Parent Company Banco BPM, of the subsidiary ProFamily, of the Group's real estate companies, as well as the centralised management of functions for the entire Group (such as cost management, personnel, etc.).

### Economic performance of the segment

The total operating income of the Corporate Centre amounted to 709.3 million, down against 2020. More specifically, net interest income was 407.7 million, down above all due to the liquidity spread trend (namely the figurative rate of the re-employment of liquidity), which benefited the Commercial Network (174.1 million against last year). Nevertheless, by virtue of the afore-mentioned negative impact, net interest income gained, on one hand, from the greater use of ECB funding, with TLTRO III operations rising from 27.5 billion last year to 39.2 billion, and on the other hand, from a reduction in the cost of institutional issues. With regard to the latter, the weight of maturities more than offset the impact on the income statement of issues made in the second half of 2020 (850 million, of which 500 million for a subordinated issue in September), the full effect of which had not been reflected on net interest income last year. Furthermore, during 2021, bonds worth 800 million were issued, of which an issue

of a subordinated bond for 300 million at the end of June. The contribution of the securities portfolio was substantially stable, where a fall in yields was offset by an improvement in the cost of funding.

Total Other operating income stood at 299.3 million, up against the previous year, also due to the effect of the positive contribution of the settlement of several legal disputes and of several further contingent assets totalling 20.6 million, against a lower contribution of the Net financial result. Despite the positive performance of the securities portfolio (+90.1 million), especially due to several assignments made during the year, the Net financial result suffered from the valuation of the Nexi stock, which closed the current year at -25.8 million (against +158.6 million in 2020).

Operating expenses fell significantly, and amounted to 170.9 million, following the increase of recharges of the costs sustained by the Group in the various business lines.

The cost of credit and provisions for risks and charges fell, while Fair value gains (losses) on property, plant and equipment amounted to 41.8 million, following the valuation process conducted annually on property. Instead, Banking industry charges were substantially stable (25.6 million).

The income statement of the segment in question also reflected the positive impact of 48.8 million, due to the exercise of the option to realign the tax values of the Group's operating properties to book values, amounting to 48.8 million.

The impact of the change in own credit risk on Certificates issued by the Group, net of taxes, was a positive 4.4 million (-11.7 million in 2020). The contribution relating to the PPA also improved, the negative effect of which fell from -13.2 million to -9.5 million. Considering the profit attributable to non-controlling interests and taxes, the net profit of the Corporate Centre was 341.9 million, compared to 258.1 million in the previous year.

More information on the activities managed by the business segment in question are provided below.

## Group Finance

The Parent Company coordinates and oversees the management policies of its structural asset and liability items, as well as those of the other Group companies, to optimize available capital, identify adequate funding strategies and transactions for the Group, through action on domestic and international markets, as well as to monitor liquidity requirements and dynamics, and the management of portfolios of securities and of other financial instruments held by the Group.

Group Finance operations are carried out by the following operating structures: Funding and Capital Management, Banking Book and ALM, Trading and Funds and Group Treasury.

### Funding and Capital Management

The Group's liquidity position remained extremely strong throughout 2021; during the year, LCR and NSFR liquidity indicators remained well above the Risk Appetite Framework objectives.

The use of medium/long-term ECB funding (TLTRO III), given the particularly favourable conditions introduced by the Central Bank in 2020 to tackle the consequences of the Covid-19 pandemic, was further increased during the year and amounted to a nominal 39.2 billion as at 31 December 2021.

During the year, new drawdowns were made for a total of 15.7 billion, and early redemptions of older tranches were made for a total of 4 billion; the overall net drawdown made in 2021 therefore totalled 11.7 billion. This strategy enabled the bank to benefit from the favourable interest rate and to extend the maturities profile.

With regard to the issue of bonds for the wholesale market, the EMTN programme was adapted and updated, also through supplements and Covered Bond programmes that can be used for covered bond issues.

With regard to public bond issues, three placements were made totalling 1.2 billion. More specifically: (i) in January 2021, an Additional Tier 1 of 400 million and coupon of 6.5%, (ii) in June a Tier II in "10NC5" format of 300 million and coupon of 2.875% and (iii) in July, a Social Senior Preferred Bond of 500 million with a 5-year maturity and coupon of 0.875%, which represents the first ESG bond of Banco BPM issued as part of the Green, Social and Sustainability Bond Framework, the proceeds of which will fund a selected portfolio of SMEs, which have been granted loans secured with the state guarantee envisaged in the Liquidity Decree to tackle the Covid-19 emergency.

Lastly, regarding the optimisation of RWA, note that in December two synthetic securitisation transactions were concluded:

- Synthetic Securitisation "Audrey": transaction conducted with the EIF (European Investment Fund), which entails a guarantee on the junior tranche of a portfolio of around 1.7 billion in performing loans disbursed to SMEs. This is the third Group transaction conducted with the EIF;
- Synthetic Securitisation "Brigitte": transaction conducted with a market investor, which entails a guarantee on the junior tranche of a portfolio of around 2.9 billion in performing loans disbursed to Mid Corporate Plus and Large Corporate (including pooled loans disbursed). This is the first synthetic securitisation transaction conducted by the Group with a market investor with a portfolio of Large Corporate loans as the underlying asset.

## Banking Book and ALM

### ALM

The management of interest rate risk in the Banking Book is carried out centrally by the Parent Company within a specific delegated department, and the primary objective of management decisions is to mitigate the rebalancing of the dynamics of economic value volatility with the volatility of net interest income as the rate curve changes of monetary and financial market in general, in accordance with the provisions of specific regulations (BCBS, CRR/CRD, EBA and the Bank of Italy).

The Group utilises an integrated Asset Liability Management (ALM) system with the aim of calculating the risk measurements that also include the use of behavioural models and measures, and management is primarily based around a "natural hedge" model, which tends to pursue a natural compensation of the risks generated by the gaps in liabilities and assets. The items for which hedges are present are above all those on-demand, bond issues, mortgage loans and the securities portfolio.

### *Management of Proprietary Portfolios*

Regarding the management of financial instruments under assets, in 2021 the strategies briefly described below were followed.

#### Positions in the HTCS category

In 2021, the Parent Company's HTCS business model portfolio recorded a slight increase, from 9.4 to 9.9 billion.

The government share is the main reason for this increase, a combination of a substantial decrease of the Italian government securities component, more than offset by an increase in that of foreign securities, namely -2.2 and +2.7 billion respectively.

The non-government component was substantially unchanged in terms of amount, although it saw a partial reallocation towards corporate sectors that were more related to the economic recovery expected post pandemic and to substantial tax policies, with a specific focus on ESG securities. Expectations for inflation and the consequent risk of an increase of risk-free interest rates, which then materialised in the second half of the year, led to the decision to progressively immunise the most sensitive part of the portfolio against interest rate risk, with a substantial reduction of the duration.

#### Positions in the HTC accounting category

In 2021, the HTC portfolio of the Parent Company's Banking Book fell by a nominal 20.7 billion to 18.7 billion, following the completion of the forward sales negotiated in 2020 and at the natural maturity of securities. As regards the government portfolio, also in this case, the component that recorded the most significant fall was that of domestic securities, consolidating the process of risk diversification, which has been ongoing for years. It is also important to highlight that during the course of the year, around 2 billion in further forward sales was negotiated, which will be finalised in 2022.

With regard to the non-government component, the same investment policies illustrated above were adopted, reinvesting in maturing securities.

## Trading and Funds

### Positions in the HFT category

With regard to trading, it should be noted that the strategies set in place in the first few months of 2021 had to adapt to the new metrics (change of scenario/sensitivity of the "Stressed VaR" from rate scenario to credit scenario) and to the new risk limits adopted by the Bank, although continuing in the same direction as previous years. More specifically, also in line with the above, investments in bond instruments continued to be focused on the government component and on risk-free rates, both through IRS and CCT, with a view to reducing the effects of capital absorption and in compliance with the constraints and limits. As regards Government securities, the main focus was on country spread flattening strategies, and to a lesser extent, on option activity (both hedge and directional, above all listed) the management of which did not record successful results, apart from on the net interest income. Instead, the management of the residual portfolio of financial and non-government bonds made a positive contribution to the net financial result, as did the implementation of share trading strategies, and to a marginal extent, of forex trading.

### Alternative Investments and Funds

In 2021, investment in Alternative Funds continued, and as in past years focused on Private Equity, particularly the green sphere, and with greater diversification of investments abroad. Promotion of the new Due Diligence and Mediation Service continued, addressed to Institutional Customers that invest in the private market, while in the area of investment in UCITS, during the year, a progressive reduction of the higher risk share component was made, shifting towards bonds.

## Group Treasury

The interest rates established by the ECB on main refinancing operations, on marginal refinancing operations on Central Bank deposits, have not changed.

The particularly advantageous economic conditions of TLTRO III operations have increased direct exposure with the ECB from a nominal 27.5 billion at the end of 2020 to a nominal 39.2 billion at the end of 2021.

The Bank's excellent liquidity position, also resulting from a substantial increase in on-demand items by customers during the pandemic period, enabled the use of the monetary support from the ECB to be contained to an amount which, net of the cash invested in the Deposit facility made available by the ECB, and of the balance of the management account held with the Central Bank, amounted to around 1 billion at the end of 2021.

During 2021, the activities of the Money Market Desk recorded a high volume of forex swap operations, both to fulfil the coverage needs of accounts in foreign currencies at the various treasuries, and to seize arbitrage opportunities, generating an average monthly turnover of around 10 billion in nominal amount (value in euro).

Note that, from November 2021, the method to calculate rates for transactions with customers is no longer based on the Libor, but on the fallback rates published on Bloomberg on the mandate of the ISDA.

In March 2021, Banco BPM officially became a direct member of the Clearing House (central counterparty) LCH SA with access to the LCH Repo SA circuit. The operating benefits of direct membership initially regarded the activity of repurchase agreements with underlying German government bonds, then also extended to other European government bonds (Portugal, Ireland, Austria and Belgium). Said membership was in addition to that already finalised in December 2020 relating the Central Counterparty Eurex Clearing AG, whose business developed and consolidated in 2021. Note that in addition to providing an additional circuit to fund securities (funding liquidity) and to cover short positions, these memberships offer an advantage in terms of reducing operational, counterparty and reputational risks.

Membership of a greater number of Central Clearing Houses has enabled available collateral to be better optimised and therefore costs of funding to be contained. In terms of the secured investment of surplus liquidity, a marked decrease in volumes was recorded due to the fact that General Collateral repo rates continue to be constantly lower than the ECB Deposit Facility rate.

Secured funding activity on proprietary assets reported average funding of approximately 8.2 billion, while lending activity, excluding long-term operations, amounted to approximately 2.3 billion.

Considering the portfolio in dollars, the curve of USD repo rates showed little volatility in 2021, settling at levels of just above zero. To fund US government securities, a diversification strategy was adopted for maturities with a view to making the funding of said portfolio as efficient as possible.

The consolidation of non-collateralised securities lending transactions in the interbank market with counterparties of high standing, continued in 2021, and benefited from a strong liquidity position, which made it possible to optimise the economic return on High Quality Liquid Assets. The maximum outstanding amount of transactions closed was reached at the end of the fourth quarter with around 2.1 billion in active loans.

Medium/long term repo transactions, with underlying non-government bonds - in particular with the use of self-retained Covered bond issues and of ABS with underlying senior tranches of securitisations of bad loans guaranteed by the so-called GACS (State Guarantee on the Securitisation of Bad Loans) - recorded a substantial fall over the year against their progressive natural maturities. Overall, the amount financed, for all the above types, at the end of 2021, recorded a total outstanding amount of approximately 1.3 billion.

Efforts to support liquidity indicators continued also through an increase of collateral switch transactions with an outstanding amount of around 350 million at the end of 2021.

On the forex market, operators acknowledged the strong global growth that characterised the world economies in 2021, recording significant market volatility on the EUR/USD exchange market, also due to expectations of a reduction of purchases of assets by Central banks (tapering), which resulted in a stronger dollar against the euro, reaching lows in November, based on the prospect of higher American rates in the short term.

Note that 2021 marked the start of an intense period of collaboration with the Commercial network on spot and forward exchanges; in 2022, interesting prospects of collaboration with the department that handles "foreign" products are expected to develop.

## Portfolio Management

The Corporate Centre segment also comprises the activities relating to Banca Aletti's portfolio management, whose net fee and commission income from trading and performance, based on a logic of allocating resources to the different segments, and analysing the relative performances defined by the Group, is not allocated to the Private Banking Network.

With regard to the assets managed, the investments made privileged exposure to the equities asset class, with a strategic overweight position, although preferring technical/tactical positions in terms of geographical area and, particularly, in terms of sector to manage the higher volatility, not perceived at aggregate level, due to swift sector rotations. The negative yields offered by European government curves made investments in the government bond asset class unattractive; the persistently high inflation figures, solid economic growth and the tapering process, which was faster than initially expected and which characterised the last few months of the year, resulted in a prudent positioning, with an average duration of managed portfolios that was contained and underweight with respect to the benchmark parameters. A selective and prudent approach was maintained for the corporate segment, with a view to seizing market opportunities. Currency diversification in the portfolios, also based on a weighted risk spread, was also managed using a tactical approach and generally made a good contribution to the performance of the managed portfolios.

The results for the year were overall positive, and on average higher than the benchmark contractual parameters.

As at 31 December 2021, assets under management totalled 3.5 billion, slightly down on assets at the end of 2020 (3.2 billion).

## Real Estate Sector

Operations in the real estate sector involve both the management of the Group's operating properties and the enhancement and disposal of non-operating properties.

The activities carried out in 2021 were geared towards increasing the efficiency of the spaces occupied and reducing the management costs of the same, continuing with the plan for streamlining locations, which entails leaving owned properties and those of third parties that are empty or only partially occupied: as a result, a saving on the lease payments is obtained for the third party properties which are returned to their owners, while owned properties become available for sale or lease to third parties, also resulting in savings on fixed management costs. To date, transfers have been completed from Rome via Ludovisi to Rome Parco dei Medici and piazza Flaminio, from Milan via Fulvio Testi to Milan via Massaua and piazza Meda, from Verona via Quintino Sella to Verona via Meucci and piazza Nogara, with a total annual saving of around 3.1 million.

In addition, the project regarding the closure of 300 branches was concluded, with the return of 200 buildings to third-party owners, with a saving on lease payments of 6.8 million per year.

With regard to the Eracle Fund, after entering into the new agreement and the consequent signature of new lease agreements, 72 buildings were returned to the owners.

The technical and legal management of all non-operating assets of the Group is assigned to Bipielle Real Estate and also includes buildings originating from lease agreements in default. With the incorporation of Bipielle Real Estate



into Banco BPM, effective 1 January 2022, the process of reorganisation of the real estate sector is now complete, with the allocation of the activities to the above-indicated departments.

Activities relating to the enhancement of non-operating assets encountered an Italian real estate market that was, obviously, heavily conditioned by the pandemic that has impacted the country since 2020, and which in 2021 recorded significant signs of growth.

After the start of the pandemic, a net hierarchy emerged between asset classes at European level. European trends show that the residential and logistics sectors will continue to represent interesting opportunities for investors in real estate in 2022. In Italy, logistics is the number one asset in 2021, with prices that have reached new records.

The Italian real estate market confirms the recovery, as stated in Nomisma's third report on the sector. Also the statistics of the Real Estate Market Observatory (OMI) of the Inland Revenue Agency highlight the recovery in sales and purchases of non-residential real estate: all non-residential segments have shown an uptrend, starting with tertiary-commercial, which encompasses over 50% of all trading volumes in this sector, even though the price trend has not been as lively as that of the residential sector. More specifically, the prices of the office sector were stable, although distinctions were recorded with respect to single markets, while the commercial market recorded a slight negative downturn.

The least dynamic sector was that of production real estate, even though a significant rise in purchases and sales was recorded.

The OMI reports that in the third quarter of 2021, sales of offices and private studios rose by 18% compared to 2020, topping +30% in the North East, while transactions relating to shops and laboratories recorded an increase of +22.7%, distributed fairly evenly over the country. Purchases and sales of commercial deposits and garages (+30.6%), warehouses and factories (+47.1%) were up. Lastly, the agricultural production sector also recorded a rise (+19.3%). The hotel sector also recorded an increase, although a long way from the record levels of 2019.

Despite the context of recovery, obstacles to sales continued to be present, which slowed down the process, above all as regards the Public Administration, with delays experienced in approvals of the building and urban permits needed to finalise the notarial deeds.

Nevertheless, the Group entered into deeds of sale worth around 115 million, up by 34% against 2020, while it made commitments to sell, or approved sales worth a further 100 million.

The most important transactions regarded the sale of several building complexes, formerly operating assets, including: Piazza Mercanti in Milan (for a price exceeding 13 million), Via Quintino Sella in Verona (for a price of around 8 million) and Piazzale Accursio in Milan (for a price exceeding 5 million). We also draw attention to the disposal of properties underlying NPL positions as part of the sale of a portfolio of bad loans to Doria Leasco-Illimity for the so-called L-Ace project (52 properties) and Zeus Leasco for the so-called Titan project (32 properties).

Unfortunately, the commercial lease segment has not recovered from the pre-pandemic levels, although, compared to the first half of the year, it recorded an average increase in volumes of 3.5%. As regards lease payments, on an annual basis, increases were recorded for homes and offices, while decreases continued to be recorded for shops, the same that were affected by sales prices.

Tourism, alongside catering, was one of the sectors most hard hit at global level by the pandemic; the restrictive measures related to the spread of cases conditioned the trend of income from tourism, during the first and last part of the year. The hardest hit sectors (shops, hotels and gyms) encountered difficulties in making their lease payments.

In 2021, albeit to a lesser extent than in 2020, several lessees in the tourism, hotel and retail sectors that were most affected by the pandemic, requested payment postponements or temporary reductions of lease payments. The Group approved the majority of these requests, both by signing new settlement agreements and by accepting part payment through the tax credit accrued on lease payments. The negative economic impact amounted to over 5 million, recorded mainly by the subsidiary company Release, which holds several hotels with international business and tourism customers, heavily affected by the pandemic.

Again as regards the sector of property used for tourism-hotel purposes, no negative impacts were recorded for the subsidiaries Lido dei Coralli, Terme Ioniche and Sagim: for these companies, the real estate development process continued, through the regularisation of owned property complexes with the land registry and town planning bodies, as well as extraordinary maintenance work and changes needed to fulfil legislative requirements.

At Group level, work continued in any event on "generating income" from free spaces, including those resulting from recent branch closures and, in this regard, new lease agreements were signed for a total of new annual payments of around 5 million, the main ones of which regard a portion of the building complex in Rome, via Anagnina leased by Release to the Lazio Regional Authority and a part of the building in via del Pescaccio in Rome leased by Sirio to a subsidiary company of the same Regional Authority.