PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2021	Total 31/12/2020 (*)
a) Cash	787,733	858,079
b) Current accounts and demand deposits with Central Banks	28,008,297	8,000,000
c) Current accounts and demand deposits with banks	357,286	552,608
Total	**29,153,316**	**9,410,687**

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

The sub-item b) "Current accounts and demand deposits with Central Banks" is mainly comprised by a short-term deposit with the Bank of Italy of 28.0 billion.

Section 2 - Financial assets at fair value through profit and loss – Item 20

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	1,057,713	2,051	-	2,033,591	4,905	-
1.1 Structured securities	53,225	-	-	88,342	4,337	-
1.2 Other debt securities	1,004,488	2,051	-	1,945,249	568	-
2. Equity instruments	1,270,245	-	18	695,179	-	18
3. UCIT units	18,888	-	134	4,692	-	144
4. Loans	-	194,122	-	-	1,923,234	-
4.1 Repurchase agreements	-	194,122	-	-	1,923,234	-
4.2 Other	-	-	-	-	-	-
Total (A)	**2,346,846**	**196,173**	**152**	**2,733,462**	**1,928,139**	**162**
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	172,004	1,821,274	2,037	99,676	2,485,033	1,565
1.1 held for trading	172,004	1,786,116	2,037	99,676	2,479,944	1,565
1.2 connected with the fair value	-	34,956	-	-	5,086	-
1.3 other	-	202	-	-	3	-
2. Credit derivatives	-	139	-	-	311	-
2.1 held for trading	-	139	-	-	311	-
2.2 connected with the fair value	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**172,004**	**1,821,413**	**2,037**	**99,676**	**2,485,344**	**1,565**
Total (A+B)	**2,518,850**	**2,017,586**	**2,189**	**2,833,138**	**4,413,483**	**1,727**

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

Sub-item "1.2 Other debt securities" includes subordinated financial assets issued by banks and insurance companies of 45.7 million classified as level 1. The previous year they amounted to 49.2 million, classified as level 1 and 0.1 million as level 2.

Item 4. "Loans" is fully represented by trading repurchase agreements, mainly entered into with banking counterparties and with Cassa Compensazione e Garanzia.

The table below presents the breakdown of UCIT units by type of fund, almost fully attributable to share funds.

Items/Amounts	31/12/2021	31/12/2020
Share Funds	17,901	4,815
Real Estate Funds	1,121	21
Total	**19,022**	**4,836**

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

Items/Amounts	Total 31/12/2021	Total 31/12/2020
A. On-balance sheet assets		
1. Debt securities	**1,059,764**	**2,038,496**
a) Central Banks	-	-
b) Public Administrations	828,411	1,825,805
c) Banks	141,056	88,368
d) Other financial companies	54,114	76,502
of which: insurance companies	9,975	12,199
e) Non-financial companies	36,183	47,821
2. Equity instruments	**1,270,263**	**695,197**
a) Banks	22,327	14,772
b) Other financial companies	94,980	48,570
of which: insurance companies	1,988	2,355
c) Non-financial companies	1,152,946	631,812
d) Other issuers	10	43
3. UCIT units	**19,022**	**4,836**
4. Loans	**194,122**	**1,923,234**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	192,086	962,046
d) Other financial companies	2,036	961,188
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**2,543,171**	**4,661,763**
B. Derivative instruments		
a) Central Counterparties	61,060	48,073
b) Other	1,934,394	2,538,512
Total (B)	**1,995,454**	**2,586,585**
Total (A+B)	**4,538,625**	**7,248,348**

2.3 Financial assets designated at fair value: breakdown by product

As at 31 December 2021, as in the previous year, the Group had no assets classified in the portfolio in question.

2.4 Financial assets designated at fair value: breakdown by debtor/issuer

As at 31 December 2021, as in the previous year, the Group had no assets classified in the portfolio in question.

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

Items/Amounts	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	40,601	-	48,520	40,407	-	49,348
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	40,601	-	48,520	40,407	-	49,348
2. Equity instruments	252,623	26,896	38,277	41,686	292,171	32,377
3. UCIT units	566,983	-	505,559	575,902	-	434,639
4. Loans	-	-	319,026	-	-	328,647
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	319,026	-	-	328,647
Total	**860,207**	**26,896**	**911,382**	**657,995**	**292,171**	**845,011**

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

Exposure to debt securities amounts to a total 89.1 million, represented almost entirely by bonds issued by financial companies and banks.

More specifically, the sub-item 1.2 "Other debt securities" includes:

- subordinated financial assets due to banks and insurance companies classified as level 1 for 40.6 million (nominal value of 40 million) compared to 39.1 million (nominal value of 35.4 million) in 2020 classified in the same level;
- Asset Backed Securities (ABS) for 45.6 million (46.3 million in 2020), of which 44.4 million with subordination clauses, finalised through the following vehicles: Pharma Finance S.r.l., Bnt Portfolio SPV, Red Sea SPV, Leviticus SPV, Tiberina SPV, Titan SPV, Aurelia SPV, Sun SPV and Luzzatti Pop Npls 2021 SRL. Those securities are classified as level 3. For further details please refer to paragraph "C. Securitisation transactions" in Part E of these Notes.

The item in question includes, with nil value, the investments directly held in Banca Carige and Berenice SPV through the Voluntary Scheme of the Interbank Deposit Guarantee Fund, as illustrated in "Part A – Accounting policies" of these Notes, to which reference should be made for further details.

In item 2 "Equity instruments", which amounts to a total of 317.8 million, the main investment, classified under level 1, is represented by an interest in the share capital of Nexi S.p.A. for an amount of 252.4 million, following the merger by incorporation of SIA S.p.A.

The table below presents the breakdown of UCIT units.

Items/Amounts	31/12/2021	31/12/2020
Share Funds	223,828	165,923
Balanced Funds	5,859	28,639
Bond Funds	608,554	587,934
Flexible Funds	-	5,015
Hedge Funds	3,820	6,225
Real Estate Funds	49,976	52,236
Private Debt and similar funds	180,505	164,569
Total	**1,072,542**	**1,010,541**

"Private Debt and similar funds" refer to the share attributed to the Group as part of the multi-originator sale of non-performing loans, as illustrated in Part E, Section 2, "Risks of prudential consolidation", 1.1 "Credit risk", Sub-section D "Sale transactions", "D.3 Prudential consolidation - financial assets sold and fully derecognised", to which reference is made for further details.

2.6 Financial assets mandatorily at fair value: breakdown by debtor/issuer

	Total 31/12/2021	Total 31/12/2020
1. Equity instruments	**317,796**	**366,234**
of which: banks	-	6,720
of which: other financial companies	270,933	56,583
of which: non-financial companies	46,863	302,930
2. Debt securities	**89,121**	**89,755**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	23,565	23,569
d) Other financial companies	62,685	63,115
of which: insurance companies	17,036	16,838
e) Non-financial companies	2,871	3,071
3. UCIT units	**1,072,542**	**1,010,541**
4. Loans	**319,026**	**328,647**
a) Central Banks	-	-
b) Public Administrations	3,303	3,623
c) Banks	-	-
d) Other financial companies	108,000	108,003
of which: insurance companies	-	-
e) Non-financial companies	160,265	161,692
f) Households	47,458	55,329
Total	**1,798,485**	**1,795,177**

Section 3 - Financial assets measured at fair value through other comprehensive income – Item 30

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

Items/Amounts	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	10,283,038	52,684	-	10,383,882	-	1,302
1.1 Structured securities	6,564	-	-	6,531	-	1,302
1.2 Other debt securities	10,276,474	52,684	-	10,377,351	-	-
2. Equity instruments	29,027	113,525	196,805	24,166	115,435	186,011
3. Loans	-	-	-	-	-	-
Total	**10,312,065**	**166,209**	**196,805**	**10,408,048**	**115,435**	**187,313**

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

Exposure in debt securities amounted to a total of 10,335.7 million (10,385.2 million as at 31 December 2020) and was mainly represented by bonds issued by governments and banks.

Subordinated assets amounted to 114.2 million (107.0 million in terms of nominal value) and refer to securities issued by banks, insurance companies and financial companies. In greater detail, said assets are shown under the sub-item "1.2 Other debt securities", under level 1. In the previous year, those assets amounted to 125.2 million (114.5 million in terms of nominal value), classified under level 1.

The exposure held in equity instruments amounted to a total of 339.4 million (325.6 million as at 31 December 2020). More specifically:

- Level 2 equity instruments include the stakes held in the share capital of the Bank of Italy (4,541 units), equal to 1.5137% of the entire share capital. The book value of 113.5 million is obtained by applying the value of 25,000 euro to each unit, which is also confirmed by recent transactions on the share capital of the Bank of Italy. Note that these shares derive from the capital increase operation carried out by Bank of Italy in 2013 as an effect of Decree Law 133 of 30 November 2013, converted with Law 5 of 29 January 2014, leading to the issuing of new shares, with a value of 25,000 euro per unit;
- Level 3 equity instruments include shares held in C.R. Asti S.p.A. and Palladio Holding S.p.A. for 61.1 million and 35.0 million, respectively.

Equity instruments deriving from the recovery of impaired financial assets came to 57.0 million.

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

Items/Amounts	Total 31/12/2021	Total 31/12/2020
1. Debt securities	**10,335,722**	**10,385,184**
a) Central Banks	-	-
b) Public Administrations	7,494,826	7,533,717
c) Banks	1,491,945	1,636,868
d) Other financial companies	967,075	858,961
of which: insurance companies	67,484	73,953
e) Non-financial companies	381,876	355,638
2. Equity instruments	**339,357**	**325,612**
a) Banks	174,671	177,667
b) Other issuers:	164,686	147,945
- other financial companies	63,337	61,695
of which: insurance companies	20	16
- non-financial companies	101,349	86,250
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**10,675,079**	**10,710,796**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total value adjustments

	Gross value					Total value adjustments				Total partial write-offs *
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	
Debt securities	10,272,950	7,486,752	65,899	-	-	(2,745)	(382)	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2021	**10,272,950**	**7,486,752**	**65,899**	**-**	**-**	**(2,745)**	**(382)**	**-**	**-**	**-**
Total 31/12/2020	**10,243,005**	**7,524,927**	**144,937**	**-**	**-**	**(2,085)**	**(673)**	**-**	**-**	**-**

(*) Value to be shown for disclosure purposes.

3.3a Loans measured at fair value through other comprehensive income subject to Covid-19 support measures: gross value and total value adjustments

As at 31 December 2021, there were no loans measured at fair value through other comprehensive income subject to Covid-19 support measures. Therefore, the related table is omitted.

Section 4 – Financial assets at amortised cost – Item 40

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

Transaction type/Amounts	Total 31/12/2021						Total 31/12/2020 (*)					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and Stage 2	Stage 3	Acquired or originated impaired	L1	L2	L3	Stage 1 and Stage 2	Stage 3	Acquired or originated impaired	L1	L2	L3
A. Loans to Central Banks	**10,036,899**	**-**	**-**	**-**	**-**	**10,036,899**	**7,826,884**	**-**	**-**	**-**	**-**	**7,826,884**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Minimum reserve	10,036,899	-	-	X	X	X	7,816,232	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	10,652	-	-	X	X	X
B. Loans to banks	**2,737,091**	**-**	**-**	**837,726**	**79,028**	**1,848,444**	**3,595,329**	**-**	**-**	**699,298**	**183,155**	**2,746,114**
1. Loans	1,840,979	-	-	-	-	1,848,444	2,741,188	-	-	-	-	2,746,114
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	154,496	-	-	X	X	X	75,366	-	-	X	X	X
1.3. Other loans:	1,686,483	-	-	X	X	X	2,665,822	-	-	X	X	X
- Reverse repurchase agreements	293,490	-	-	X	X	X	854,645	-	-	X	X	X
- Loans for leases	666	-	-	X	X	X	1,311	-	-	X	X	X
- Other	1,392,327	-	-	X	X	X	1,809,866	-	-	X	X	X
2. Debt securities	896,112	-	-	837,726	79,028	-	854,141	-	-	699,298	183,155	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	896,112	-	-	837,726	79,028	-	854,141	-	-	699,298	183,155	-
Total	**12,773,990**	**-**	**-**	**837,726**	**79,028**	**11,885,343**	**11,422,213**	**-**	**-**	**699,298**	**183,155**	**10,572,998**

(*) The figures relating to the previous year have been restated to take into account the amendments introduced by the 7th update of Circular no. 262 of the Bank of Italy.
L1 = Level 1
L2 = Level 2
L3 = Level 3

Item B.1.3 "Other loans – other" includes security deposits for "ISMA" and "CSA" contracts for 434.5 million (751.0 million in 2020), loans with medium/long-term repayment plans, loans for securities trading transactions not yet settled and receivables for discounts on bills.

The item in question also includes operating receivables in the amount of approximately 0.6 million, associated with revenues accruing in 2021 but not yet received as of the end of the year.

Item B.2 “Debt securities” includes subordinated securities for an amount of 56.0 million.
For details on non-performing assets, please see “Part E - Information on risks and related hedging policies, Section 2 - Risks of prudential consolidation, 1.1 Credit risk”.

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

Transaction type/Amounts	Total 31/12/2021						Total 31/12/2020 (*)					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and Stage 2	Stage 3	Acquired or originated impaired	L1	L2	L3	Stage 1 and Stage 2	Stage 3	Acquired or originated impaired	L1	L2	L3
1. Loans	**103,678,315**	**3,063,186**	**344,321**	**-**	**-**	**112,608,922**	**102,700,768**	**3,976,216**	**341,499**	**-**	**-**	**113,698,693**
1. Current accounts	8,223,489	240,496	78,652	X	X	X	8,010,707	401,253	126,433	X	X	X
2. Reverse repurchase agreements	3,658,922	-	-	X	X	X	3,482,261	-	-	X	X	X
3. Mortgage loans	77,212,146	1,911,505	162,190	X	X	X	74,009,136	2,219,996	164,059	X	X	X
4. Credit cards, personal loans and salary-backed loans	1,333,945	16,508	97	X	X	X	1,879,093	11,585	59	X	X	X
5. Loans for leases	702,296	516,984	3,450	X	X	X	863,992	622,475	5,110	X	X	X
6. Factoring	78,116	-	-	X	X	X	58,316	56	-	X	X	X
7. Other loans	12,469,401	377,693	99,932	X	X	X	14,397,263	720,851	45,838	X	X	X
2. Debt securities	**20,588,576**	**-**	**-**	**18,430,425**	**205,821**	**2,461,687**	**22,808,626**	**-**	**-**	**21,048,136**	**204,343**	**2,403,132**
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	20,588,576	-	-	18,430,425	205,821	2,461,687	22,808,626	-	-	21,048,136	204,343	2,403,132
Total	**124,266,891**	**3,063,186**	**344,321**	**18,430,425**	**205,821**	**115,070,609**	**125,509,394**	**3,976,216**	**341,499**	**21,048,136**	**204,343**	**116,101,825**

(*) The figures relating to the previous year have been restated to take into account the amendments introduced by the 7th update of Circular no. 262 of the Bank of Italy.
L1 = Level 1
L2 = Level 2
L3 = Level 3

Net loans to customers amounted to 127,674.4 million (129,827.1 million as at 31 December 2020). Excluding debt securities, the analysis of the portfolio by type shows mortgage loans accounting for the largest part, representing 70% of the total (71% in 2020), followed by current accounts totalling 8,542.6 million and accounting for 8%, in line with last year.

Item "1.7. Other loans" mainly includes loans for advances on bills, documents and similar instruments subject to collection, subsidies not settled in the current account and functional receivables associated with the provision of financial services. In particular, functional receivables include 213 million for fees and commissions accruing in 2021, against ordinary contacts with customers, which will be received during 2022 (mainly relative to securities placement for 103.4 million and the distribution of insurance products for third parties for 94.2 million). In 2020 these amounted to 187.6 million, almost fully collected during 2021. For further details, please refer to that set out at the bottom of Table "2.1 Fee and commission income: breakdown" of Part C – Information on the Consolidated Income Statement.

Non-performing loans (Stage 3) amounted to 3,063.2 million, marking a decrease compared to the previous year (4,292.7 million), also due to additional derisking transactions finalised during the year.

For more details about credit quality, please see Part E - Information on risks and related hedging policies, Section 1 - Risks of the consolidated book, Quantitative information, A. Credit quality and Section 2 - Risks of prudential consolidation, 1.1 Credit risk, Quantitative information, A. Credit quality.

Item 2. Debt securities, classified under level 3, include securities issued as part of own securitisation transactions for 2,297.6 million (2,316.6 million in 2020) of which:

- 920.2 million (1,078.2 million in 2020) relating to senior securities issued by the SPE Red Sea SPV;
- 938.3 million (1,122.0 million in 2020) relating to senior securities issued by the Leviticus SPV;
- 67.7 million (84.1 million in 2020) relating to senior securities issued by the Tiberina SPV;
- 29.7 million (32.3 million in 2020) relating to senior securities issued by the Titan SPV;
- 341.7 million relating to senior securities issued by the Aurelia SPV;

and third-party securitisations of 99.4 million (6.0 million in 2020).

For more details, please see the content of Part E, Section 1.1 Credit risk, "C. Securitisation transactions" above.

Securities lacking subordination clauses, issued by insurance companies, amounted to a total of 2.5 million.

4.3 Financial assets at amortised cost: breakdown by debtor/issuer of loans to customers

Transaction type/Amounts	Total 31/12/2021			Total 31/12/2020 (*)		
	Stage 1 and Stage 2	Stage 3	Acquired or originated impaired	Stage 1 and Stage 2	Stage 3	Acquired or originated impaired
1. Debt securities	**20,588,576**	**-**	**-**	**22,808,626**	**-**	**-**
a) Public Administrations	17,346,373	-	-	19,701,602	-	-
b) Other financial companies	2,966,254	-	-	2,840,092	-	-
of which: insurance companies	2,486	-	-	27,058	-	-
c) Non-financial companies	275,949	-	-	266,932	-	-
2. Loans to:	**103,678,315**	**3,063,186**	**344,321**	**102,700,768**	**3,976,216**	**341,499**
a) Public Administrations	1,679,631	1,163	17	1,758,680	1,883	-
b) Other financial companies	12,009,437	29,491	788	12,515,904	57,236	4,461
of which: insurance companies	104,645	-	-	105,750	-	-
c) Non-financial companies	56,542,173	2,214,909	302,039	55,539,690	3,090,989	308,375
d) Households	33,447,074	817,623	41,477	32,886,494	826,108	28,663
Total	**124,266,891**	**3,063,186**	**344,321**	**125,509,394**	**3,976,216**	**341,499**

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

4.4 Financial assets at amortised cost: gross value and total value adjustments

	Gross value					Total value adjustments				
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	Total partial write-offs (*)
Debt securities	21,289,070	17,319,355	201,508	-	-	(4,435)	(1,455)	-	-	-
Loans	104,441,334	-	11,558,021	5,928,733	604,373	(123,116)	(320,046)	(2,865,547)	(260,052)	427,545
Total 31/12/2021	**125,730,404**	**17,319,355**	**11,759,529**	**5,928,733**	**604,373**	**(127,551)**	**(321,501)**	**(2,865,547)**	**(260,052)**	**427,545**
Total 31/12/2020 (**)	**130,027,330**	**19,681,761**	**7,374,186**	**7,853,713**	**759,225**	**(158,973)**	**(310,936)**	**(3,877,497)**	**(417,726)**	**551,237**

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

The amount shown in the column "of which: Instruments with low credit risk" mainly regards Italian and foreign government securities.

4.4a Loans at amortised cost subject to Covid-19 support measures: gross value and total value adjustments

	Gross value					Total value adjustments				
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	Total partial write-offs (*)
1. Loans subject to forbearance measures compliant with GL	52,480	-	30,623	4,609	360	(115)	(718)	(1,105)	(60)	-
2. Loans subject to current moratorium measures no longer compliant with GL and not assessed as forborne	1,120,906	-	2,205,017	211,949	17,373	(1,985)	(68,412)	(67,607)	(3,310)	-
3. Loans subject to other forbearance measures	-	-	114,298	17,527	-	-	(959)	(5,123)	-	-
4. New loans	15,097,751	-	1,476,534	69,924	30	(5,215)	(5,880)	(17,691)	-	-
Total 31/12/2021	**16,271,137**	**-**	**3,826,472**	**304,009**	**17,763**	**(7,315)**	**(75,969)**	**(91,526)**	**(3,370)**	**-**
Total 31/12/2020 (**)	**20,254,420**	**-**	**2,364,271**	**74,801**	**249**	**(31,955)**	**(100,056)**	**(22,357)**	**(19)**	**-**

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

Based on Bank of Italy communication of 21 December 2021, the table sets out several details (gross value by risk stage and related adjustments) relating to the Covid-19 support measures in force at the reporting date, represented by the loans subject to moratoria or other forbearance measures, or which constitute new liquidity granted with the support of government guarantees, which as at 31 December 2021 refer entirely to the Parent Company.

The active moratoria as at 31 December 2021, indicated in sub-items 1 and 2, amounted to a total of 3,643.3 million, with 61% of the same classified as Stage 2; said moratoria had almost all expired as at 1 January 2022. As at 31 December 2020, active moratoria amounted to 12,353.3 million. For an illustration of the content of the above-cited sub-items and for more details on the moratoria granted by the Group, and on the relative credit quality of those still active, please refer to the content of the paragraph entitled "Risks, uncertainties and impacts of the Covid-19 pandemic" contained in "Part A - Accounting policies" of these Notes.

New loans disbursed with government guarantees, outstanding as at 31 December 2021, indicated in sub-item 4, amounted to a total of 16,644.2 million, in gross value, 90.7% of which classified as stage 1 performing exposures. As at 31 December 2020, this type of loan amounted to 10,220.0 million.
Lastly, as at 31 December 2021, the measures granted to customers in difficulty or represented by the restructuring of loans, amounted to 131.8 million (sub-item 3).

For an examination of the support measures of the Group, refer to that set out in the section dedicated to "Significant events during the year" in the Report on operations. For further details on the credit quality of the exposures in question, refer to Tables A.1.3a and A.1.5a in Part E of these Notes, in the section dedicated to credit risk.

Section 5 - Hedging derivatives – Item 50

5.1 Hedging derivatives: breakdown by hedge type and by level

	Fair Value 31/12/2021			NV 31/12/2021	Fair Value 31/12/2020			NV 31/12/2020
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1. Fair value	-	127,076	-	18,224,949	-	74,864	-	13,035,374
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	182	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**127,076**	**-**	**18,224,949**	**-**	**75,046**	**-**	**13,035,374**

NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

5.2 Hedging derivatives: breakdown by portfolio hedged and type of hedge

Operations/Hedge type	Fair Value							Cash flows		Foreign investments
	Micro hedging						Macro Hedging	Micro hedging	Macro Hedging	
	debt securities and interest rates	equity instruments and share indices	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	30,527	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	51,356	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	16,888	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	81,883	-	-	-	-	-	16,888	-	-	-
1. Financial liabilities	28,288	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	17	X	-	X
Total liabilities	28,288	-	-	-	-	-	17	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 - Fair value change of financial assets in macro fair value hedge portfolios - Item 60

6.1 - Fair value change of hedged assets: breakdown by hedged portfolios

Fair value change of hedged assets/Amounts	Total 31/12/2021	Total 31/12/2020
1. Increase	**34,515**	**52,365**
1.1 of specific portfolios:	34,515	52,365
a) financial assets at amortised cost	34,515	52,365
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Decrease	**(31,640)**	**(77)**
2.1 of specific portfolios:	(31,640)	(77)
a) financial assets at amortised cost	(31,640)	(77)
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	**2,875**	**52,288**

The fair value change of financial assets in macro fair value hedge portfolios refers to fair value changes in certain specific portfolios of assets at amortised cost, due to interest rate fluctuations.

Fair value gains and losses relative to hedging derivatives and the portfolio hedged are indicated in item 90 “Fair value gains/losses on hedging derivatives”.

Section 7 - Interests in associates and joint ventures – Item 70

As at 31 December 2021, the book value of the item “Interests in associates and joint ventures” totalled 1,794.1 million, relative to:

- significant interests of 1,391.6 million (1,248.2 million as at 31 December 2020), as shown in table 7.2 below, by individual investment;
- non-significant interests of 402.5 million (416.6 million as at 31 December 2020), as shown in table 7.4 below, as a whole.

The scope of “significant interests” was determined by considering the materiality of the book value of the investment and the stake held in the investee’s assets with respect to the overall amounts indicated in the consolidated financial statements.

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

Company name	Registered office	Operational headquarters	Type of relationship (a)	Investment relationship		Available
				Holder	% held	% votes
A. Companies subject to joint control						
N/A						
B. Companies subject to significant influence						
1. Agos Ducato S.p.A. Share capital € 638,655,160.00	Milan	Milan	1	Banco BPM	39.000%	39.000%
2. Alba Leasing S.p.A. Share capital € 357,953,058.13	Milan	Milan	1	Banco BPM	39.189%	39.189%
3. Anima Holding S.p.A. Share capital € 7,291,809.72	Milan	Milan	1	Banco BPM	19.385%	19.385%
4. Aosta Factor S.p.A. Share capital € 14,993,000.00	Aosta	Aosta	1	Banco BPM	20.690%	20.690%
5. Bipiemme Vita S.p.A. (*) Share capital € 179,125,000.00	Milan	Milan	1	Banco BPM	19.000%	19.000%
6. Bussentina S.c.a.r.l. in liquidation Share capital € 25,500.00	Rome	Rome	1	Bipielle Real Estate	20.000%	20.000%
7. Calliope Finance S.r.l. in liquidation Share capital € 600,000.00	Milan	Milan	1	Banco BPM	50.000%	50.000%
8. Gardant Liberty Servicing S.p.A. Share capital € 150,000.00	Rome	Rome	1	Banco BPM	30.000%	30.000%
9. Etica SGR S.p.A. (*) Share capital € 4,500,000.00	Milan	Milan	1	Banco BPM	19.444%	19.444%
10. Factorit S.p.A. Share capital € 85,000,002.00	Milan	Milan	1	Banco BPM	39.500%	39.500%
11. GEMA Magazzini Generali BPV-BSGSP S.p.A. Share capital € 3,000,000.00	Castelnovo Sotto (RE)	Castelnovo Sotto (RE)	1	Banco BPM	33.333%	33.333%
12. HI-MTF SIM S.p.A. Share capital € 5,000,000.00	Milan	Milan	1	Banca Akros	20.000%	20.000%
13. SelmaBipiemme Leasing S.p.A. Share capital € 41,305,000.00	Milan	Milan	1	Banco BPM	40.000%	40.000%
14. S.E.T.A. Società Edilizia Tavazzano S.r.l. in liquidation Share capital € 20,000.00	Milan	Milan	1	Banco BPM	32.500%	32.500%
15. Vera Assicurazioni S.p.A. Share capital € 63,500,000.00	Verona	Verona	1	Banco BPM	35.000%	35.000%
16. Vera Vita S.p.A. Share capital € 219,600,005.00	Verona	Verona	1	Banco BPM	35.000%	35.000%

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

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

Company name		Book value	Fair value	Dividends received
A.	**Companies subject to joint control**			
	N/A			
B.	**Companies subject to significant influence**			
	Agos Ducato S.p.A.	736,107	-	47,580
	Alba Leasing S.p.A.	161,348	-	-
	Anima Holding S.p.A.	232,463	320,854	15,721
	Vera Vita S.p.A.	261,726	-	-
	Total	**1,391,644**	**320,854**	**63,301**

Note that dividends received during the year were recognised as decreasing the book value of the interest (as described in "Part A - Accounting policies" in these Notes), in that the profits which gave rise to them were indicated in the financial statements as at 31 December 2020, as a result of measuring the investment using the equity method.

7.3 Significant interests in associates and joint ventures: accounting information

The table below provides data obtained from the draft financial statements as at 31 December 2021 approved by the Boards of Directors and provided by associated companies or, when not available, the most recent balance sheets (relative to 100% of the interest and not the percentage held by the Group, as established under IFRS 12). Note that measurement using the equity method was performed on the basis of this data[1].

[1] At the date of preparation of this Financial Report, Anima Holding S.p.A. has not yet approved its draft financial statements. The measurement of that interest at equity was consequently carried out using as reference the most recent balance sheet and income statement, referring to 30 September 2021.

Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Value adjustments and recoveries on property, plant and equipment and intangible assets	Profit (loss) before tax from continuing operations	Profit (loss) after tax from continuing operations	Profit (loss) after tax from discontinued operations	Net profit (loss) for the year (1)	Other income components after tax (2)	Comprehensive income (3) = (1) + (2)
A. Companies subject to joint control														
N/A														
B. Companies subject to significant influence														
Agos Ducato S.p.A.	X	14,594,510	2,269,424	14,371,617	300,404	1,411,264	X	X	423,827	388,526	-	388,526	(526)	388,000
Alba Leasing S.p.A.	X	5,193,199	154,242	4,781,183	153,897	229,820	X	X	6,943	4,485	-	4,485	(58)	4,427
Anima Holding S.p.A.	X	885,611	1,682,233	946,035	208,626	912,341	X	X	224,614	176,295	_	176,295	882	177,177
Vera Vita S.p.A.	X	8,405,739	199,086	8,077,949	105,367	1,578,904	X	X	36,739	26,300	-	26,300	(14,157)	12,143

Reconciliation of net assets and the book value of the investee in the financial statements

	Net assets (*)	% Investment stake	Net assets held	Adjustments	Book value
A. Companies subject to joint control					
N/A					
B. Companies subject to significant influence					
Agos Ducato S.p.A.	2,191,913	39.000%	854,846	(118,739)	736,107
Alba Leasing S.p.A.	412,361	39.189%	161,600	(252)	161,348
Anima Holding S.p.A.	1,413,183	19.385%	273,946	(41,483)	232,463
Vera Vita S.p.A.	421,509	35.000%	147,528	114,198	261,726

(*) The amount of net assets, equal to the sum of "Financial assets" and "Non-financial assets", minus "Financial liabilities" and "Non-financial liabilities" indicated in table 7.3, corresponds to the total shareholders' equity of the investee.

Agos Ducato is a financial company controlled by the international Crédit Agricole Group through Crédit Agricole Consumer Finance. The company works in the household loan sector within which it provides loans, mainly for the purchasing of goods and services, as well as personal loans.
Alba Leasing operates in the lease sector and originated from the restructuring of the former Banca Italease Group. The company offers financing in the form of lease contracts, placing its products through the banking channel, including Banco BPM network.
Anima Holding S.p.A. is a financial holding company that is the parent company of Anima Group, which carries out collective asset management by managing mutual investment funds and pension funds.
Vera Vita S.p.A. is an insurance company offering life insurance, controlled by the Società Cattolica Assicurazioni Group. Outside of Banco BPM distribution network, it is the sole distributor of its life insurance products.

7.4 Non-significant interests in associates and joint ventures: accounting information

The table below provides accounting information, cumulative by type of investment relationship, with reference to non-significant companies subject to significant influence. The information is taken from the most recent financial statements or most recent accounting statement available and calculated with reference to the stake held by the Group, as established under IFRS 12.

	Book value of investments	Total assets	Total liabilities	Total revenues	Profit (loss) after tax from continuing operations	Profit (loss) after tax from discontinued operations	Net profit (loss) for the year (1)	Other income components after tax (2)	Comprehensive income (3) = (1) + (2)
A. Companies subject to joint control									
N/A									
B. Companies subject to significant influence	402,472	3,606,288	3,265,109	307,424	23,961	-	23,961	(6,679)	17,283

7.5 Interests in associates and joint ventures: annual changes

		31/12/2021	31/12/2020
A.	**Opening balance**	**1,664,772**	**1,386,079**
B.	**Increases**	**234,414**	**349,766**
	B.1 Acquisitions		68,240
	B.2 Recoveries		
	B.3 Revaluations		
	B.4 Other changes	234,414	281,526
C.	**Decreases**	**(105,070)**	**(71,073)**
	C.1 Sales	(314)	
	C.2 Value adjustments	(18,673)	
	C.3 Write-downs		
	C.4 Other changes	(86,083)	(71,073)
D.	**Closing balance**	**1,794,116**	**1,664,772**
E.	**Total revaluations**	-	-
F.	**Total adjustments**	**(644,594)**	**(625,921)**

The other increases (item B.4) include the portion of profits for the year achieved by the investees pertaining to the Group for a total amount of 232.0 million (for details, please see "Section 17 - Gains (losses) of associates and joint ventures" in Part C of these Notes). These also include the effects pertaining to the Group of valuation reserves and other reserves of associates (2.3 million).

Sales (item C.1) refer to the sale of 5% of the interest in HI-MTF.

Value adjustments (item C.2) amounted to -18.7 million and include the impact resulting from the impairment of the share of the interest held in Factorit.

The other decreases (item C.4) include the effects of the reduction in the equity of Agos Ducato (-47.6 million), of Anima Holding (-15.7 million), of Vera Assicurazioni (-3.9 million), of Bipiemme Vita (-3.0 million), of Gardant Liberty Servicing (-2.1 million) and of Etica SGR (-1.1 million), following distribution of dividends. These also include the effects pertaining to the Group of valuation reserves and other reserves of associates (-12.5 million).

7.6 Valuations and significant assumptions to establish the existence of joint control or significant influence

Significant influence exists when the power to participate in the entity's management and financial decisions is held, based on voting rights held or the in the presence of special contractual agreements, as better described in "Part A - Accounting policies" of these Notes. As at 31 December 2021, the scope of companies subject to significant influence involved companies in which 20% or more of voting rights is held, without, however, holding the right to exclusively direct the entity's significant activities, as can be seen in table 7.1 above.
With regards to Bipiemme Vita S.p.A., although a less than 20% shareholding is held in the company, it is held that significant influence exists based on the shareholders' agreement signed with the other shareholder Covéa (which holds 81% of voting rights), containing corporate governance rules, as well as industrial aspects of the partnership.
Also with regard to Anima Holding S.p.A., although a less than 20% interest is held in the company, significant influence exists based on the weight on the decision-making process through representation in the Board of Directors, as well in compliance with the partnership agreements in force between Banco BPM and Anima.

As at 31 December 2021 there were no companies under joint control, that is entities for which unanimous consent of all parties sharing control is required to make strategic financial and management decisions.

7.7 Commitments relative to interests in companies under joint control

There are no interests in companies under joint control.

7.8 Commitments relative to interests in companies subject to significant influence

Commitments deriving from agreements with Crédit Agricole for consumer loans

On 28 June 2019, in execution of the agreements signed at the end of 2018 by Banco BPM, Crédit Agricole Consumer Finance SA, Crédit Agricole SA and Agos Ducato, the reorganisation of the Group's consumer credit segment was completed. The reorganisation, which confirms the partnership between Banco BPM Group and Crédit Agricole for the next 15 years:

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

(ii) resulted in the transfer of ProFamily to Agos Ducato, through the finalisation of a demerger of ProFamily's non-captive operations in favour of a newly established company, 100%-owned by Banco BPM, which retained the name ProFamily. On 19 July 2021, the merger by incorporation of ProFamily into Banco BPM was finalised.

On 18 December 2020, an Amendment Agreement between the parties was formally signed, with a view to further consolidating the existing partnership related to the consumer finance activities in Italy of Agos-Ducato, through which some changes were made to the agreements signed in 2018. Those amendments, inter alia, extend by an additional 24 months, and therefore, up to 31 July 2023, the term for the exercise of the put option referring to a 10% investment in the capital of Agos Ducato held by Banco BPM, at the previously agreed strike price of 150 million.

Those agreements also provide, in the event that an extraordinary transaction is finalised (understood as: acquisition of control of Banco BPM by a third party operator or several third party operators in concert; merger of Banco BPM with third party operators; acquisition by Banco BPM of another bank or other distribution channels; or acquisition by Banco BPM of a third party operator) the parties shall discuss in good faith, inter alia, depending on the case: i) the possible acquisition by Agos Ducato, at market value, of the entity which, due to the extraordinary transaction, works in the consumer credit segment; ii) the extension of the new Distribution Agreement to the third party operator's distribution network; or iii) the inclusion of the additional distribution channel acquired in the distribution network of Banco BPM Group.

Commitments deriving from bancassurance agreements with Cattolica

On 29 March 2018 - following on from the agreement for the establishment of a strategic partnership in life and non-life bancassurance signed on 9 November 2017 between Banco BPM and Società Cattolica di Assicurazione ("Cattolica") - the purchase of 50% + 1 share of Avipop Assicurazioni (Vera Assicurazioni, at the date of this report) and Popolare Vita (Vera Vita, at the date of this report) was finalised, bringing the interest of Banco BPM Group in the capital of the two insurance companies to 100%. On the same date, the sale to Cattolica of 65% of the total share capital held by the Group in the two insurance companies was finalised.

The Shareholders' Agreement signed on 29 March 2018 by Banco BPM S.p.A. and Cattolica, subsequently amended on 29 October 2018, envisages, among other things, the granting of a put option to Cattolica and a call option to Banco BPM, with regards to the entire interests held by Cattolica in Vera Vita and Vera Assicurazioni.

The triggering events that shall grant Banco BPM the right to exercise the call option include a change of control over Cattolica.
The execution on 23 October 2020 of the corporate and industrial deal between Assicurazioni Generali and Cattolica, announced to the market on 25 June 2020, led, in the opinion of Banco BPM, to a change in control over Cattolica. On the basis of that conviction, on 15 December 2020 the Bank notified Cattolica of the exercise of the call option on the controlling stakes held by Cattolica in the capital of the joint ventures. Cattolica contested the occurrence of a change of control and therefore that the Bank has a right to exercise the call option.

Following discussions between the parties, on 16 April 2021, following up on the agreement reached on 5 March 2021, Banco BPM and Cattolica entered into a new agreement which provides, in exchange for Banco BPM's waiving of the call already exercised, for the recognition to Banco BPM of a right of early exit from the partnership, originally due to end in 2033, which can be exercised in the period between 1 January 2023 and 30 June 2023, and may be extended by the Bank from six-month period to six-month period three times, until 31 December 2024.

In particular, the parties agreed to grant Banco BPM an unconditional purchase option on the 65% stake held by Cattolica in the JV Vera Vita and Vera Assicurazioni. The call option strike price was set at the "own funds" - excluding subordinated liabilities and including any earnings until the transfer date of the interests - to be calculated to the half-year prior to the exercise of the option. The following will be added to this value: (i) a fixed component of 60 million, of which 26 million against the waiver by Cattolica to extend the distribution agreement to the Branches currently served by another insurance partner, and (ii) a possible component of 50 million to be paid on a deferred basis, exclusively if for a period of 4 years there are no events that have an effect on the control of Cattolica by the current first shareholder or other parties also in concert with each other. The agreement provides for protection mechanisms for both parties tied to the exercise price of the call ("caps" and "floors" on the value of own funds as calculated at the reference date) and price adjustments deriving from any retained profits, distributions of reserves/extraordinary dividends or share capital increases or joint venture capital payments.
If Banco BPM decides not to exercise the call option within the above-mentioned term, the Bank will pay to Cattolica the same 26 million against Cattolica's waiver to extend the distribution agreement to the Branches currently served by another insurance partner and the partnership between Banco BPM and Cattolica will continue until 31 December 2030 (without prejudice to subsequent annual renewals), at the expiry of which Banco BPM may again exercise the call option on 65% of the capital of the joint ventures or, if the Bank does not exercise that option, Cattolica may exercise a put option on such shares. In this case, the call and put option strike price will remain linked to own funds (as defined above) as at 31 December 2030 with no additional components and without the application of protection mechanisms.

Commitments deriving from bancassurance agreements with Covéa

On 25 June 2021, Banco BPM signed agreements with the Covéa Group which involve changes to the partnership in the bancassurance sector in place since 2011 between the former Banca Popolare di Milano (now Banco BPM) and Covéa relating to JV Bipiemme Vita, a company operating in the life insurance business and 81% owned by Covéa Coopérations and 19% by Banco BPM, and Bipiemme Assicurazioni, operating in the non-life insurance business and wholly-owned by Bipiemme Vita.

The amendments made to the pre-existing agreements, which made provision for an exit 'window' through the exercise of a call option in favour of Banco BPM, limited to the period from 8 September 2021 to 23 October 2021, regulate the methods of continuation and conclusion of the partnership up until, at most, the end of 2028.

In particular, the amended agreements provide for the recognition, in favour of Banco BPM, of an unconditional option to purchase 81% of the Company, which can be exercised at any time in the period between 8 September 2021 and 31 December 2023. Where said option is not exercised, the partnership can continue until the end of 2028, except where the put and call options recognised respectively to Covéa and the Bank are exercised in given time windows.

These agreements, which amend those already in place, also redefine the terms and conditions of the parties' partnership exit rights. In summary, the following is expected:

- right for Banco BPM to exercise a call option at any time by 31 December 2023 at a price equal to the value of the Unrestricted T1 ("UT1") of Bipiemme Vita as at 30 June 2021, plus a component of the remuneration of absorbed capital for Covéa (conventionally equal to 140% of the Solvency Capital Requirement of Bipiemme Vita at the date of 30 June 2021) and any capital increases minus any dividends paid;
- if Banco BPM (i) does not exercise the call option and (ii) in any event sends a cancellation of the agreements at their expiry in 2023, Covéa may exercise a First Put Option in the period between 1 January 2024 and 14 February 2024, at a price equal to the UT1 as at 31 December 2023 multiplied by a multiple of 1.5;
- if Banco BPM does not cancel the agreements and does not exercise the call option by the expiry in 2023, the partnership will be automatically renewed for another five years until 31 December 2028. At the renewal date, Covéa would have the right to a Second Put Option exercisable between 1 January 2024 and 14 February 2024, on an interest in BPM Vita equal to 30%, at a price equal to the UT1 as at 31 December 2023. At the expiry date, Covéa would have the right to a Third Put Option exercisable between 2 October 2028 and 16 November 2028, on a residual interest in BPM Vita, at a price equal to the UT1 as at 30 September 2028. In a reciprocal manner, Banco BPM would have the right to a new call option at the same price and exercise period as the Third Put Option.

The agreements also establish that, as of 31 October 2021, all delegated management activities of BPM Vita will be transferred to Anima SGR, as set forth in the 2018 agreements between Banco BPM and Anima. Banco BPM undertakes to compensate BPM Vita for the higher costs incurred.

Commitments arising from agreements with Anima on Asset Management

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

- (i) the sale to Anima Holding of Aletti Gestielle SGR;
- (ii) the long-term partnership in the asset management sector between Banco BPM Group and Anima Group;
- (iii) the sale by Banca Aletti to Anima SGR of the mandates for the exclusive management of certain insurance assets distributed through the Banco BPM network as part of the existing joint ventures between Banco BPM and the Cattolica Group.

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

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

Provisions for risks and charges established to cover the commitments arising on the disposal of interests and any related partnership agreements are illustrated in paragraph 10.6.3 "Other provisions" below of Part B – liabilities of these Notes.

7.9 Significant restrictions

For interests subject to significant influence, no significant restrictions on the transfer of funds relative to companies in Banco BPM Group were identified, other than those associated with regulatory standards, which may require that a minimum amount of own funds be maintained, or those associated with the provisions of the Italian Civil Code with regards to profits and distributable reserves.

7.10 Other information

The associated company SelmaBipiemme Leasing ended its financial year on 30 June 2021. For the purposes of measuring it using the equity method, the income statement was reconstructed from the second half of the financial year, 1/7/2020 - 30/6/2020, and an income statement approved by the company relative to the half 1/7/2021 - 31/12/2021.

Section 8 - Technical reserves of reinsurers - Item 80

The Group does not have any interests in insurance companies.

Section 9 - Property, plant and equipment – Item 90

Property, plant and equipment totalled 3,278.2 million as at 31 December 2021, compared with the amount of 3,552.5 million of the previous year.

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

Asset/Amounts	Total 31/12/2021	Total 31/12/2020
1. Owned assets	**87,001**	**100,866**
a) land	-	-
b) buildings	-	-
c) furniture	16,829	21,728
d) electronic systems	55,522	55,554
e) other	14,650	23,584
2. Rights of use acquired through leases	**708,373**	**793,793**
a) land	-	-
b) buildings	698,160	781,132
c) furniture	9,067	10,605
d) electronic systems	-	-
e) other	1,146	2,056
Total	**795,374**	**894,659**
of which: obtained through the enforcement of guarantees received	-	-

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

As the Group does not hold property, plant and equipment for investment purposes, the relative table is omitted.

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

Asset/Amounts	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Owned assets	**-**	**-**	**1,377,092**	**-**	**-**	**1,497,783**
a) land	-	-	1,004,302	-	-	1,101,844
b) buildings	-	-	322,690	-	-	345,839
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	50,100	-	-	50,100
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**1,377,092**	**-**	**-**	**1,497,783**
of which: obtained through the enforcement of guarantees received	-	-	24,500	-	-	54,741

Revalued owned assets refer to the owned properties used for business operations of the Group companies and valuable works of art.

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

Asset/Amounts	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Owned assets	**-**	**-**	**1,105,779**	**-**	**-**	**1,160,040**
a) land	-	-	791,671	-	-	829,624
b) buildings	-	-	314,108	-	-	330,416
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**1,105,779**	**-**	**-**	**1,160,040**
of which: obtained through the enforcement of guarantees received	-	-	587,324	-	-	644,449

Owned assets measured at fair value are represented by the owned properties not used for business operations of Banco BPM Group.
In that regard, it is specified that the Group does not hold investment assets represented by the rights of use acquired through leases. Instead, property held for investment purposes granted through operating leases amounted to 671.8 million.

9.5 Inventories of property, plant and equipment governed by IAS 2: breakdown

The Group does not hold any property, plant and equipment classified as inventories pursuant to IAS 2.

9.6 Property, plant and equipment used in operations: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**1,101,844**	**1,475,317**	**483,853**	**863,023**	**350,780**	**4,274,817**
A.1 Total net impairment	-	(348,346)	(451,520)	(807,469)	(275,040)	(1,882,375)
A.2 Net opening balance	**1,101,844**	**1,126,971**	**32,333**	**55,554**	**75,740**	**2,392,442**
B. Increases:	**13,241**	**52,852**	**3,844**	**21,057**	**2,279**	**93,273**
B.1 Acquisitions	-	24,919	3,844	20,889	2,270	51,922
B.2 Capitalised expenses for improvements	-	5,020	-	-	2	5,022
B.3 Recoveries	-	1,053	-	-	-	1,053
B.4 Positive changes in fair value recognised to	9,200	15,727	-	-	-	24,927
a) shareholders' equity	8,445	14,045	-	-	-	22,490
b) income statement	755	1,682	-	-	-	2,437
B.5 Exchange gains	-	15	-	-	7	22
B.6 Transfers from property held for investment purposes	3,870	1,849	X	X	X	5,719
B.7 Other changes	171	4,269	-	168	-	4,608
C. Decreases:	**(110,783)**	**(158,973)**	**(10,281)**	**(21,089)**	**(12,123)**	**(313,249)**
C.1 Sales	-	-	-	(19)	(9)	(28)
C.2 Depreciation	-	(122,797)	(10,175)	(21,066)	(11,952)	(165,990)
C.3 Losses on impairment recognised to	-	(891)	-	-	-	(891)
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	(891)	-	-	-	(891)
C.4 Negative changes in fair value recognised to	(23,455)	(8,142)	-	-	-	(31,597)
a) shareholders' equity	(8,326)	(3,183)	-	-	-	(11,509)
b) income statement	(15,129)	(4,959)	-	-	-	(20,088)
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	(87,328)	(26,024)	-	-	-	(113,352)
a) property, plant and equipment held for investment purposes	(69,183)	(22,410)	X	X	X	(91,593)
b) non-current assets and disposal groups held for sale	(18,145)	(3,614)	-	-	-	(21,759)
C.7 Other changes	-	(1,119)	(106)	(4)	(162)	(1,391)
D. Net closing balance	**1,004,302**	**1,020,850**	**25,896**	**55,522**	**65,896**	**2,172,466**
D.1 Total net impairment	-	(413,773)	(461,089)	(820,690)	(284,449)	(1,980,001)
D.2 Gross closing balance	**1,004,302**	**1,434,623**	**486,985**	**876,212**	**350,345**	**4,152,467**
E. Measurement at cost	425,793	522,977	-	10,935	-	959,705

To ensure better understanding of the changes in the assets in question, it must be specified that:

- the changes refer to owned property, plant and equipment and the rights of use acquired through leases;
- the sub-items "B.4 Positive changes in fair value" and "C.4 Negative changes in fair value" include the effects of the fair value measurement of the Group's real estate, negative overall for 6.7 million. Said effects are reported in the statement of comprehensive income for 11.0 million and in the income statement item "260. Fair value gains (losses) on property, plant and equipment and intangible assets" for negative 17.7 million;
- sub-items "B.7 – Other changes" and "C.7 – Other changes", for the column "buildings" represent the increases and decreases, respectively, correlated with the rights of use of several properties, resulting from the renegotiations finalised during the year;
- sub-items "B.3 Recoveries" and "C.3 Losses on impairment" include the economic effects of the measurement of impairment of the rights of use of real estate leases.

For the details of the movements in the rights of use acquired through leases, refer to Table 9.6 bis below.

Lastly, sub-item "E. Measurement at cost" represents the amount that would result from the measurement at cost of property, plant and equipment (property and works of art) that are measured in the financial statements using the restatement approach, in compliance with the instructions set out in Bank of Italy Circular no. 262.

9.6 bis Property, plant and equipment used in operations - Rights of use acquired through leases: annual changes

The changes during the year in the rights of use acquired through leases, already included in table 9.6 above, are shown below, referring to that previously illustrated for the related dynamics.

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**-**	**1,036,019**	**13,266**	-	**5,135**	**1,054,420**
A.1 Total net impairment	-	(254,887)	(2,661)	-	(3,079)	(260,627)
A.2 Net opening balance	**-**	**781,132**	**10,605**	-	**2,056**	**793,793**
B. Increases:	-	**25,406**	**1,261**	-	-	**26,667**
B.1 Acquisitions	-	17,023	1,261	-	-	18,284
B.2 Capitalised expenses for improvements	-	3,046	–	-	-	3,046
B.3 Recoveries	-	1,053	-	-	-	1,053
B.4 Positive changes in fair value recognised to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	15	-	-	-	15
B.6 Transfers from property held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	4,269	-	-	-	4,269
C. Decreases:	**-**	**(108,378)**	**(2,799)**	-	**(910)**	**(112,087)**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	(106,414)	(2,799)	-	(907)	(110,120)
C.3 Losses on impairment recognised to	-	(891)	-	-	-	(891)
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	(891)	-	-	-	(891)
C.4 Negative changes in fair value recognised to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment purposes	-	-	X	X	X	-
b) non-current assets and disposal groups held for sale	-	-	-	-	-	-
C.7 Other changes	-	(1,073)	-	-	(3)	(1,076)
D. Net closing balance	**-**	**698,160**	**9,067**	**-**	**1,146**	**708,373**
D.1 Total net impairment	-	(321,114)	(5,358)	-	(2,693)	(329,165)
D.2 Gross closing balance	**-**	**1,019,274**	**14,425**	**-**	**3,839**	**1,037,538**
E. Measurement at cost	-	-	-	-	-	-

9.7 Property, plant and equipment held for investment purposes: annual changes

	Total	
	Land	Buildings
A. Opening balance	**829,624**	**330,416**
B. Increases	**112,007**	**45,438**
B.1 Acquisitions	27,587	12,814
- of which business combinations	-	-
B.2 Capitalised expenses for improvements	-	1,206
B.3 Positive changes in fair value	14,837	8,463
B.4 Recoveries	-	-
B.5 Exchange gains	-	-
B.6 Transfers from properties used in operations	69,183	22,410
B.7 Other changes	400	545
C. Decreases	**(149,960)**	**(61,746)**
C.1 Sales	(8,039)	(9,655)
- of which business combinations	-	-
C.2 Depreciation	-	-
C.3 Negative changes in fair value	(100,614)	(42,143)
C.4 Losses on impairment	-	-
C.5 Exchange losses	-	-
C.6 Transfers to:	(40,354)	(9,580)
a) properties used in operations	(3,870)	(1,849)
b) non-current assets and disposal groups held for sale	(36,484)	(7,731)
C.7 Other changes	(953)	(368)
D. Closing balance	**791,671**	**314,108**
E. Measurement at fair value through profit and loss	-	-

As at 31 December 2021, assets held for investment purposes, fully represented by owned properties at fair value, amounted to 1,105.8 million (1,160.0 million as at 31 December 2020).

For the purpose of understanding the changes in the assets in question, it is specified that:

- the changes attributable to changes in the estimate of fair value, equal to the mismatch between sub-items B.3 and C.3, which totals a negative amount of 119.5 million, are recognised under the income statement item “260. Fair value gains (losses) on property, plant and equipment and intangible assets”;
- the sub-item “E. Measurement at fair value through profit and loss”, to be completed for properties for investment purposes measured at cost, is blank as all the properties are measured at fair value.

9.8 Inventories of property, plant and equipment governed by IAS 2: annual changes

The Group does not hold any property, plant and equipment classified as inventories pursuant to IAS 2.

9.9 Commitments to purchase property, plant and equipment

At the reporting date, there were no commitments for the purchase of property, plant and equipment of a significant amount.

Section 10 - Intangible assets – Item 100

10.1 Intangible assets: breakdown by type of asset

Asset/Amounts	Total 31/12/2021		Total 31/12/2020 (*)	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	**54,858**	X	**51,100**
A.1.1 attributable to the Group	X	54,858	X	51,100
A.1.2 attributable to non-controlling interests	X	-	X	-
A.2 Other intangible assets	**654,592**	**504,272**	**663,260**	**504,272**
of which: software	352,092	**-**	**326,395**	**-**
A.2.1 Assets at cost:	654,592	504,272	663,260	504,272
a) Internally generated intangible assets	-	-	-	-
b) Other assets	654,592	504,272	663,260	504,272
A.2.2 Assets at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**654,592**	**559,130**	**663,260**	**555,372**

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

Intangible assets with a finite life include the value of "Client Relationships" acquired as part of the business combination of BPM Group and Banca Popolare Italiana Group for a total of 302.5 million; the residual assets refer to software for 352.1 million.

Intangible assets with an indefinite life recognised in the financial statements are comprised:
- by goodwill of 51.1 million resulting from the combination of Banca Popolare Italiana (Bancassurance CGU);
- by goodwill of 3.8 million attributed to the "Banca Akros" CGU following the completion of the process of the Purchase Price Allocation (PPA) of the acquisition of control of Oaklins Italy S.r.l. by Banca Akros in 2021, as illustrated in detail in "Part G - Business combinations regarding companies or divisions" in these Notes;
- by business trademarks of 504.3 million recognised following the business combination transactions with the former Banca Popolare Italiana Group (222.2 million) and with the former BPM Group (282.1 million).

Intangible assets with a finite life - Client Relationship

The Client Relationship identifies the activities linked to measuring the relationship with customers that arise on Purchase Price Allocation (PPA) following business combinations recorded pursuant to IFRS 3.
Those assets, which are part of intangible assets with a finite life, represent the ability of the relationships existing at the date of the business combination to generate income flows over the expected residual life of those relationships.
In line with guidelines of IFRS 3, to measure the Client Relationship, only those relationships established prior to the acquisition date are considered. Therefore, the generation capacity of new relationships are not measured.
The measurement method used to estimate the value of the Client Relationship at the date of PPA is based on the discounting of net future cash flows over the period that expresses the estimated residual duration of the relationships existing at the date the business combination occurred.
Each intangible asset representing a Client Relationship is assigned a useful life, defining the percentage of amortisation represented by the estimated rate of decay in volumes.
Thus, amortisation is estimated based on the useful life, which takes account of the decay curves physiologically observable over the historical time period deemed significant.
Intangible assets with a finite life are also subject to impairment when the presence of indicators of loss are present that deem it impossible to recover the value recorded in the financial statements.

That being said, the Client Relationships recognised in the financial statements of Banco BPM Group represent the assets attributable to customer relationships, for Asset Management/Assets Under Custody (AuM/AuC) and for Core Overdrafts/Core Deposits, recognised as part of the following business combinations:

- acquisition of Banca Popolare Italiana Group by Banca Popolare di Verona, effective on 1 July 2007, through which intangible assets were identified attributable to Core Overdrafts/Core Deposits and Asset Management/Assets Under Custody (AuM/AuC). As at 31 December 2021, the residual value of said assets amounted to 121.0 million, following the recognition of the amortisation for the year of 14.0 million;
- acquisition of Banca Popolare di Milano by Banco Popolare, effective on 1 January 2017, which gave rise to intangible assets exclusively referring to Asset Management/Assets Under Custody (AuM/AuC). As at 31 December 2021 the residual value of said assets amounted to 181.4 million, following the recognition of the amortisation for the year of 19.4 million.

The respective measurement and amortisation criteria for the types of Client Relationships arising following the aforementioned business combinations are illustrated below.

Core Deposits/Core Overdrafts

The recognition of an intangible asset related to Core Deposits and Core Overdrafts depends on the fact that core deposits generally have an economic duration that is longer than the contractual duration, thereby resulting more cost-effective for the Bank than alternative sources of financing or investments.

Those assets were measured based on the evolution of the estimated amounts, considering the probability of closing the accounts. That estimate, which is based on historic data, makes it possible to identify a physiological decay curve which will reflect on the amortisation process. This entails variable charges based on preset annual percentages.

In measuring the assets, in addition to the estimated evolution of the amounts, revenues (in terms of interest and net fee and commission income), certain operating expenses, costs relating to credit risk (only for core overdrafts) and a figurative tax effect, with a discount rate determined based on the risk profile of the assets measured were considered. Lastly, the valuation included the Tax Amortisation Benefit, which expresses the tax benefit for a potential third party buyer connected with the deductibility of amortisation of the asset in the event of a transaction settled in cash.

Asset Management/Assets Under Custody (AuM/AuC)

The assets linked to asset management and assets under custody are linked to the relationship that the Bank establishes with customers, through contracts that envisage specific services, which are assigned an economic duration higher than the contractual duration, which is measured through net fee and commission income of the Bank from the products and services of asset management and assets under custody that are provided to customers.

The measurement of those assets is based on the discounting of future net cash flows referring to indirect funding, and takes account of the evolution of assets under administration and managed over the time horizon estimated, considering the probability of closing the accounts, based on a physiological decay curve which will reflect on the amortisation process. This entails variable charges based on preset annual percentages.

In measuring the assets, in addition to the estimated evolution of the amounts, revenues in terms of net fee and commission income, certain operating expenses and a figurative tax rate, with a discount rate determined based on the risk profile of the assets measured were considered. Lastly, the valuation included the Tax Amortisation Benefit, which expresses the tax benefit for a potential third party buyer connected with the deductibility of amortisation of the asset in the event of a transaction settled in cash.

Amortisation of the Client Relationship

With regard to the situation as at 31 December 2021, the Client Relationship recognised in the financial statements amounts to 302.4 million, of which 80.2 million in core deposits, fully referring to the PPA of Banca Popolare Italiana Group, and 222.2 million in AuM/AuC.

Those assets are recognised in the financial statements of Banco BPM for 264.7 million, of which 117.0 million attributable to the PPA of BPI Group and 147.7 million to the PPA of BPM Group. The remaining assets, amounting to 37.7 million, related to the subsidiary Banca Aletti, following the company reorganisation processes, and in particular refer to 4.0 million for the PPA of BPI Group and 33.7 million to the PPA of BPM Group.

The amortisation charge for the year, recorded under the item “Amortisation and impairment losses on intangible assets”, amounts to 33.4 million, gross of tax effects.

The residual useful life of the Client Relationship of the PPA relating to Banca Popolare Italiana Group, estimated based on a curve of termination of relationships, amounts to 15 years (expiry 2036). Considering the decreasing

trend of the curve of termination of relationships, it must be noted that more than half of the residual value recorded as at 31 December 2021 will be amortised by 2027.
The residual useful life of the Client Relationships attributable to the PPA of Banca Popolare di Milano Group, estimated based on the curve of termination of relationships, is 20 years (expiry 2041). Considering the decreasing trend of the curve of termination of relationships, it must be noted that more than half of the residual value recorded as at 31 December 2021 will be amortised by 2028.

(in millions of euro)	BPI PPA			BPM PPA	Total
	Core Deposits	Core Overdrafts	AuM/AuC	AuM/AuC	
A. Opening balance	**343**	**31**	**154**	**299**	**827**
A.1 Total net impairment	(254)	(31)	(109)	(98)	(491)
A.2 Net opening balance	**89**	**-**	**46**	**201**	**336**
B. Increases	-	-	-	-	-
C. Decreases	(9)	-	(5)	(19)	(33)
of which: amortisation	(9)	-	(5)	(19)	(33)
D. Net closing balance	**80**	**-**	**41**	**181**	**302**
D.1 Total net adjustments	(263)	(31)	(114)	(117)	(524)
E. Closing balance	343	31	154	299	827

Intangible assets with an indefinite life are represented by goodwill and trademarks, for which an impairment test was performed, as indicated in paragraph 10.1.1 below.

Intangible assets with an indefinite life - Trademarks

A trademark defines a set of intangible assets that are complementary to each other, linked to marketing activities (in addition to the name and logo, the expertise, trust of consumers, quality of services, etc.).
The recognition of an intangible asset linked to the trademark derives from the fact that elements such as the ability to attract customers and maintain their loyalty or the commercial name may be assigned differentiated expected economic benefits (in terms of net cash flows) that can be reliably measured. A trademark is an identifiable intangible asset, as it can be separated from the company as a whole, and can be associated with a significant ability to attract customers and maintain their loyalty.
This is an intangible asset with an indefinite useful life, as it is deemed that that intangible component may contribute for an indefinite period to the formation of income flows. As such, it is subject to annual impairment testing, for which reference is made to that set out below.

That being said, in the consolidated financial statements of Banco BPM Group, trademarks are recorded for a total amount of 504.3 million (of which 485.6 million in the Parent Company's financial statements), recognised:
- for 222.2 million following the acquisition of Banca Popolare Italiana Group by Banca Popolare di Verona, effective on 1 July 2007;
- for 282.1 million following the acquisition of Banca Popolare di Milano Group by Banco Popolare, effective on 1 January 2017.

10.1.1 Intangible assets with an indefinite life: impairment testing

Pursuant to IAS 36, all intangible assets with an indefinite useful life must undergo impairment testing at least once a year to verify the recoverability of their value. The Group decided to conduct the impairment test with reference to 31 December of each year and, in any event, each time indicators of loss are present. The goodwill that emerged at the time of the acquisition of Oaklins Italy (of 3.8 million) was recognised definitively as at 31 December 2021; said goodwill did not formally undergo impairment testing, as the transaction took place during the year and, also given the results achieved by the company, no evidence of impairment was found.

The impairment test as at 31 December 2021 took the following into account:
- the provisions of the reference international accounting standard IAS 36;
- the recommendations issued through the joint letter of the Bank of Italy, CONSOB and IVASS of 3 March 2010;
- the suggestions of the Italian Measurement Body (OIV) contained in the document "Goodwill impairment

test under situations of real and financial crises" dated 14 June 2012, as well as the document entitled "Guidelines for impairment testing after the effects of the Covid-19 pandemic" issued by the same OIV on 16 March 2021;
- various statements published by the ESMA on the topic, most recently that published on 29 October 2021 "European common enforcement priorities for 2021 annual financial reports" (ESMA32-63-11);
- the recommendations issued by CONSOB in communication no. 3907 of 19 January 2015, as well as drawing attention to the financial disclosure for Covid-19, most recently the document of 16 February 2021.

Also note that, as requested by the cited Supervisory Authorities, the procedure and parameters for assessing the impairment test for goodwill and other intangible assets with indefinite useful lives were approved by the Board of Directors, independently and in advance with respect to approval of the draft 2021 Financial Statements.

That said, for the purposes of impairment testing of the assets in question, IAS 36 requires that their recoverable value be determined as the higher of fair value and value in use. If it is not possible to directly determine the recoverable value of a specific intangible asset recognised in the financial statements, it is necessary to determine the recoverable value of the cash generating units to which the asset belongs (hereinafter "CGU - Cash Generating Unit"). In order to identify the CGUs to which the assets undergoing impairment tests are allocated, the potentially identified units must generate incoming cash flow in amounts that are clearly independent from those deriving from other identified units.

With specific reference to the verification of the recoverability of goodwill acquired in a business combination, paragraph 80 of the aforementioned accounting standard specifies that it must be allocated, from the acquisition date, to each cash generating unit or groups of cash generating units, which can benefit from the synergies created by the business combination, regardless of whether other assets or liabilities of the business acquired are assigned to said units or groups of units.
Each unit or group of units to which goodwill is thus allocated must:
(a) represent the minimum level within the entity for which the goodwill is monitored for the purposes of internal management control;
(b) not be larger than an operating segment, as determined in accordance with IFRS 8.

Based on the regulatory references illustrated above, as at 31 December 2021, the CGUs identified for which intangible assets, with an indefinite life (trademarks and goodwill as specified below) to be tested for impairment, were allocated are as follows:
- Retail CGU, comprised of private customer segments and retails businesses, based on the revision of customer portfolios consistent with the 2021-24 Business Plan and with 2021 Segment Reporting, to verify the trademarks recognised following the business combination with the former Banca Popolare Italiana Group in 2007 (222.2 million) and with the former Banca Popolare di Milano Group in 2017 (263.5 million);
- Banca Akros CGU, consisting of Banca Akros S.p.A., for testing the corresponding trademark following the business combination with the former Banca Popolare di Milano Group in 2017 (18.6 million);
- Bancassurance Protection CGU, consisting of the investee Vera Assicurazioni S.p.A. for the purposes of the goodwill impairment test relative to this operating segment, following the business combination with the former Banca Popolare Italiana Group in 2007 (51.1 million).

Evidence is provided below of the method used to conduct the impairment test of the assets under review, the related results and sensitivity analysis.

A. Method for calculating the book value of the single CGUs

The book value of the Retail CGU, in line with the 2020 financial statements, was determined according to management metrics based on regulatory capital absorption. In particular, the reference book value is obtained by considering the Common Equity Tier 1 (CET1) capital allocated to the CGU, i.e. the capital allocated on a management basis in relation to its risk-weighted assets. In detail, the allocated capital is obtained by multiplying the risk-weighted assets of the CGU by the "CET1 fully-phased" capital ratio, equal to 13.44%, defined in terms of "CET1 plan target", as it is considered to be the expressive measure of the actual capital used, under ordinary conditions. Goodwill and other intangible assets with an indefinite and finite useful life associated with the CGU are also added to the capital

thus attributed.
For the *Bancassurance Protection* CGU, corresponding to the legal entity Vera Assicurazioni, the reference value was specifically identified as the sum of the book values of the balance sheet assets and liabilities of the cited entity and the goodwill allocated to the same.

With regard to the "Banca Akros" trademark, in line with the 2020 financial statements, the methodology used is based on the royalties method. This method makes it possible to directly verify the recoverability of the book value of the trademark, without it being necessary to determine the recoverable value of the entire CGU to which this intangible asset is allocated.

The following table shows the reference book values of the CGUs, as determined above, including goodwill and trademarks to be tested for impairment (values prior to any impairment determined).

CGU	Reference book value	of which: goodwill	of which: trademarks
Retail	3,037	-	485
Banca Akros (*)	19	-	19
Bancassurance Protection	156	51	-
Total	**3,212**	**51**	**504**

(*) In line with the royalties valuation model, the values of the Banca Akros CGU shall be understood as referring only to the "Banca Akros" trademark.

These CGU reference values are in line with the methods used to determine the respective recoverable values, as illustrated below.

B. Criteria used to determine the recoverable value of the CGUs

On the basis of IAS 36, the amount of any impairment is determined as the difference between the book value of the CGU, identified on the basis of the criteria already described, and its recoverable value, if lower. The recoverable value is defined as the higher of:

- The Value in Use, i.e. the present value of future cash flows expected to arise from the continuous use of a specific asset or from a CGU;
- The Fair Value, after costs to sell, or the amount which could be obtained by selling an asset, in a free transaction between knowledgeable and willing parties.

For the Retail CGU and for the Bancassurance Protection CGU, the impairment test was conducted using the Value in Use, obtained through the application of the Dividend Discount Model (DDM).
According to the Dividend Discount Model, the value of a business is based on the dividend flows that it is capable of generating on a forward-looking basis. In the case in question, the method used is the Excess Capital variant of the DDM, which assumes that the economic value of a business is equal to the sum of the present value of future cash flows (Expected Dividends) generated over the selected planning time horizon and distributable to shareholders while maintaining an adequate level of capitalisation to guarantee the expected future development, and the perpetual capitalisation of the normalised dividend of the last year of the forecast, based on a pay-out ratio, depending on fully phased profitability. The application of the DDM entails the use of the following formula:

$$W = \sum_{t=0}^{n} \frac{D_t}{(1+Ke)^t} + TV + SA$$

where:
W = General value of economic capital
Ke = Cost of equity (Ke)
Dt = Dividends distributable in the explicit period, with a level of capitalisation consistent with current regulations
n = Number of years in the explicit period
TV = Terminal Value determined as the present value of perpetual income represented by the average sustainable dividend for the years following the explicit planning period
SA = Value of any surplus assets.

In analytical terms, the Terminal Value is calculated as follows:

$$\mathrm{TV} = \frac{Dn+1}{Ke-g}\left(1+Ke\right)^{-n}$$

where:
Dn+1 = Average sustainable dividend expected after the explicit planning period
g = Expected long-term growth rate of the dividend after the explicit planning period. This rate is placed in relation to the nominal growth rate of the economy over the long term. In fact, it is prudently assumed that over the long term each sector and each company in the sector will convert toward a growth rate equal to that of the economy as a whole
Ke = Cost of equity.

For the Banca Akros CGU, the methodological approach used to measure the trademark involved valuing the intangible asset on the basis of the royalties, which the owner of the trademark would receive following its sale for use to third parties. The present value of the trademark is therefore expressed as the present value of future royalties, estimated with reference to specific parameters (royalty rate, percentage of revenues) after the relative tax effects.
The valuation also included the Tax Amortisation Benefit, i.e. the tax benefit for a potential third party buyer connected with the deductibility of amortisation of the asset in the event of a transaction settled in cash. In detail, the following formula has been used to enhance the trademark:

$$W = \left[\frac{\sum_{t=1}^{n} S_t \cdot r \cdot (1-T)}{(1+ke)^t} + TV \right] + \mathrm{TAB}$$

where:
W = Value of the trademark
St = Operating income 2022-2024
R = Royalty rate
T = Tax rate
Ke = Discount rate
TV = Terminal Value obtained through capitalisation in perpetuity of the expected royalty flows during the period following the last forecast, considering a long-term growth rate
TAB = Tax Amortisation Benefit

<u>B.1 - Estimates of cash flows</u>

The estimates of cash flows underlying the determination of the Value in Use is normally made using the latest publicly available plan or alternatively through the formulation of a forecast plan developed internally by management.

As regards impairment in 2021, the economic and capital forecasts at the base of the estimated cash flows underlying the determination of the Value in Use, are aligned to the figures of the 2021-24 Business Plan of Banco BPM Group, approved on 4 November 2021, and, for the first forecasting year, are in line with the figures of the 2022 budget.

With regard to the Retail CGU, the projections refer to a scope comprised by the Group's activities related to private customers and businesses with turnover of less than 75 million, in line with segment reporting.

In accordance with that suggested by the practice for evaluation exercises to be conducted in contexts characterised by extreme uncertainty, it was considered appropriate to adopt a "multi scenario" approach, in continuity with that used for 2020 impairment testing. The cash flow projections have therefore been prepared using three separate macroeconomic scenarios, which have been attributed with the respective probabilities of occurrence, in line with the other significant company valuation processes, (probability test of DTAs and expected losses on performing loans), with the exception of that illustrated below.

In more detail, the above-cited scenarios were developed on the basis of the macroeconomic forecasts published by Prometeia in March 2021 and used in the assumption of the Business Plan approved in November. Alongside a scenario assumed as more likely (hereinafter also "baseline"), a more favourable scenario was developed (hereinafter also "best") and a worse one (hereinafter also "adverse"), to which the following respective probabilities of occurrence were assigned: 50% baseline scenario, 30% adverse scenario and 20% best scenario.
As specified in "Part A - Accounting policies" in these Notes, to estimate the cash flows assumed for the impairment testing of the intangible assets in question, the updates of the macroeconomic forecasts, which were slightly more favourable, drawn up at the beginning of December 2021 for the estimate of the ECL on credit exposures, were not incorporated, also considering the conservative logic of impairment testing.

The main assumptions and hypotheses underlying the development of the aforementioned projections are illustrated below:

- Commercial volumes: the most significant technical forms of direct/indirect lending and funding are consistent with the forecasts developed at consolidated level in the 2021-24 Business Plan approved on 4 November 2021 and consider the development initiatives of the commercial structures and the dynamics of the scenario. The 2021-24 CAGR of net loans in the baseline scenario, of 2.9%, is included between the 1.1% of the adverse scenario and the 3.6% of the best scenario; the 21-24 CAGR of total (direct and indirect) funding is 1.5% in the baseline scenario (1.1% in the adverse scenario and 1.9% in the best scenario), reflecting above all the growth in indirect funding (21-24 CAGR of +5% due to the increase in asset management).
- Net interest income: the spread of lending and funding for the three-year period 2021-24 incorporating the impacts of the rates scenario (Euribor up over the course of the plan between 2021 and 2024 by 38 bps, 37 bps in the adverse scenario and 64 bps in the best scenario) and assuming an increase of the management spread on funding (+29 bps), while that on lending is substantially stable (+2 bps). Overall, the net interest income of the Retail CGU increases over 2021-24 in all three scenarios, with a CAGR of +5% in the baseline scenario, +12.7% in the best scenario and +3.5% in the adverse scenario.
- Operating income: indicate a 21-24 CAGR in the baseline scenario of +4.4%, benefiting both from the increase of net interest income (21-24 CAGR of +5%) and from net fee and commission income (21-24 CAGR of +4.3%) due to the volume trend and to the repricing of assets brokered. In the best scenario, the 21-24 CAGR of operating income is +8.1%, while in the adverse scenario it is +3.1%.
- Operating costs: a slight fall in costs is envisaged with a 21-24 CAGR of -1.1% in the baseline scenario, -1% in the best scenario and -1.4% in the adverse scenario. Banking industry charges consider regulatory provisions consistent with that factored into the Strategic plan.
- Adjustments to loans: the projection includes the recommendations of the Loans Function and the macro-scenario assumptions available at the current date, in line with forecasts of a gradual improvement in risk KPIs due to the end of the Covid-19 pandemic. The projections were analytically processed taking account of the development of amounts and with the support of satellite risk models, fuelled by three different macroeconomic scenarios (baseline/best/adverse) and the development of geographical and sector-based decay rates, in line with the ECL methodology. The development also takes account of the mitigation effects of the moratoria and the various types of public guarantees resulting from the government measures introduced to reduce the effects of the pandemic on economic operators.

To estimate the terminal value, the average sustainable dividend after the explicit planning period was calculated as a function of expected profitability in the long term, also obtained by weighting the flows of the above three scenarios. In detail, revenue and cost items were assumed to be equal to the last year of the explicit period (2024), suitably normalised to take account of those components not recurring in perpetuity in each scenario. For the cost of credit, a "normalised" long-term target at consolidated level was assumed (equal to 55 bps), recalibrated to the volumes, differentiated in the various scenarios. Banking industry charges were sterilised both regarding the portion of allocations to the Single Resolution Fund (SRF) and the Deposit Guarantee Scheme (DGS) which, ending in 2023 and in 2024, respectively, do not recur in perpetuity. Long-term profitability was then estimated using a reference long-term business growth rate of 2%, taken as equal to the nominal growth rate of the economy, in line with the inflation objective in the context of the ECB's long-term monetary stability policy.
The distributable cash flows in the explicit period (Dt) were thus determined starting with 2022-2024 economic-financial figures, as illustrated above, taking into consideration a minimum estimated capital level based on a

Common Equity Tier 1 (CET1), representing the minimum capital level that the ECB has asked Banco BPM Group to meet on an ongoing basis upon completion of the Supervisory Review and Evaluation Process (SREP), which is 8.518%. The choice of this value is considered to be consistent with the DDM, as it represents the minimum capital threshold below which dividends cannot be distributed.

To check the recoverability of the "Banca Akros" brand, for 2022-24, the same forecasts underlying the 2021-24 Strategic Plan approved by the Board of Directors on 4 November 2021 were used.
As for the Retail CGU, the projections for the Banca Akros CGU are based on three different scenarios, one more probable, one favourable and one adverse.

For the Bancassurance Protection CGU, the forecasts were estimated starting with the forecast cash flows resolved by the insurance companies in 2022, in relation to the periodic processing of economic and capital plans, also taking account of the levels of business expected by the bank as distributor, on a like-for-like basis for 2024 and 2025. For the purposes of estimating distributable dividends, the maintenance of a target Solvency Capital Ratio (SCR) of 130% was considered as a constraint.

B.2 - Cash flow discount rates

For the discounting of dividends distributable to shareholders, a cost of capital was used in line with the requested return for investments with characteristics equivalent to those being assessed. The cost of capital (Ke) was determined on the basis of the Capital Asset Pricing Model (CAPM), based on which the return of a risk asset is equal to the sum of a risk-free rate (R_f) and a risk premium (MRP), determined taking account of the specific risk of the asset:

$$K_e = R_f + \beta \times (MRP)$$

In detail, the risk-free (R_f) component, which in any case encompasses the so-called "Country risk" is determined, using the same methodological approach followed for the Financial Report as at 31 December 2020, by using the 1-year average yield on 10-year Italian government BTPs (0.78% is the value as at 31 December 2021).
With reference to the beta coefficient (ß) - which measures the riskiness of the specific business or operating sector in terms of correlation between the effective return of a share and the overall return of the reference market - the following was used:

a) for the Retail CGU, an indicator relative to a sample of comparable companies (listed Italian banks) obtained from Bloomberg. As at 31 December 2021 the coefficient ß was 1.11;
b) for the Banca Akros CGU, an average indicator relative to a sample of companies in the Private and Investment Banking sector, obtained from Bloomberg. As at 31 December 2021 the coefficient ß was 1.20;
c) for the Bancassurance Protection CGU, an indicator relating to a comparable sample of companies active in the insurance sector surveyed by Bloomberg. As at 31 December 2021 the coefficient ß was 1.25.

The above coefficients have been measured, on a weekly basis, over a time horizon of 5 years.
Lastly, the risk premium requested from the market (MRP - Market Risk Premium) was determined to be 5.2%, based on the use of sources in line with measurement practices.

C. Summary of methodologies used and the main measurement parameters

In light of that illustrated above, the following table summarises the methodologies used to determine the recoverable value and the quantities of the main parameters represented by the cost of capital (Ke) and the income flows receivables factor (g) for each CGU:

CGU	**Criteria used to determine the recoverable value**	**Discount rate "Ke"**	**Growth rate "g"**
Retail	Value in use – Dividend Discount Model	6.53%	2.00%
Bancassurance Protection	Value in use – Dividend Discount Model	7.30%	2.00%
Banca Akros	Fair Value – Royalty Rate	7.02%	2.00%

D. Summary of results

Based on the guidelines illustrated, the impairment test as at 31 December 2021 showed no need to recognise any impairment of intangible assets with an indefinite useful life. In this regard, it should be noted that the parameters and assumptions underlying the determination of the value in use are significantly influenced by the macroeconomic framework assumed.
As also specified in the paragraph "Risks, uncertainties and the impacts of the Covid-19 pandemic" set out in "Part A – Accounting policies" of these Notes, given the special and uncertain situation relative to the overall macroeconomic framework, it cannot be excluded that the hypotheses adopted, however reasonable and prudential, might not be confirmed by future scenarios in which the Group finds itself operating. In particular, any worsening of the macroeconomic scenario could adversely affect the projections of estimated cash flows, the cost of capital and the growth factor, resulting in different results from those estimated for the purposes of this Annual Financial Report.

E. Sensitivity Analysis

In compliance with the dictates of IAS 36, for each CGU a sensitivity analysis of the recoverable value was conducted, in order to calculate the variability of this value in relation to reasonable changes in the underlying parameters.

In particular, the figures shown in the tables below represent the differential (in absolute value and percentage) between the recoverable value and the reference book value, in the hypothesis of an increase or decrease in the growth rate (g) and/or the cost of capital (Ke) with respect to the rates effectively used, keeping all the remaining assumptions unchanged. Specifically, the tables show the level that the "Ke" rate should take on in order to decrease to zero the positive delta between the recoverable value and the book value, if the growth rate "g" is kept constant at 2%.
In particular, for the Retail CGU, the table below shows that an increase in the cost of capital at a value of 15.35% combined with a decrease in the growth rate of the terminal value at 1.5% would result in a scenario of impairment.

Retail CGU (scenario probability: baseline (50%), best (20%), adverse (30%) Growth rates of terminal value "g"/Discount rates "ke" (difference between recoverable value and reference value in millions of euro) (percentage impact on value in use)					
		(Ke)			
		6.53%		15.35%	
(g)	1.50%	4,768	61.1%	-26	-0.9%
	2.00%	5,332	63.7%	-	0.0%
	2.50%	6,036	66.5%	28	0.9%

For the Banca Akros CGU, the table below shows that an increase in the cost of capital at a value of 31.8% combined with a decrease in the growth rate of the terminal value at 1.5% would result in a scenario of impairment.

Banca Akros CGU (scenario probability: baseline (50%), best (20%), adverse (30%) Growth rates of terminal value "g"/Discount rates "ke" (difference between recoverable value and reference value in millions of euro) (percentage impact on fair value)					
		(Ke)			
		7.02%		31.8%	
(g)	1.50%	86	82.2%	-0.2	-1.0%
	2.00%	95	83.7%	-	0.0%
	2.50%	107	85.2%	0.2	1.1%

For the Bancassurance Protection CGU, the table below shows that a decrease in the growth rate of the terminal value at 1.5% would result in a scenario of impairment.

Bancassurance Protection CGU Growth rates of terminal value "g"/Discount rates "ke" (difference between recoverable value and reference value in millions of euro) (percentage impact on value in use)					
		(Ke)			
		7.30%		7.51%	
(g)	1.50%	-3	-1.9%	-8	-5.4%
	2.00%	6	3.7%	-	0.0%
	2.50%	16	9.6%	10	5.8%

In addition, for the Retail CGU, a sensitivity analysis was conducted with respect to the projected income flows and the CET 1 ratio constraint for dividend distribution, while for the Bancassurance Protection CGU, a sensitivity analysis was conducted with respect to the cost of capital and the constraint on dividend distribution equal to the Solvency Capital Ratio (hereinafter "SCR") target. The results of those analyses are summarised in the tables below, which show the differential (in absolute value and percentage) between the recoverable value and the reference book value, in the hypothesis of an increase or decrease in the CET 1 or the Solvency Ratio and/or net profit with respect to the data effectively used. Specifically, the tables show the levels that the CET 1/% change of the profit or Solvency Ratio would have to assume to decrease to zero the positive delta between the recoverable value and the book value.
In particular, for the Retail CGU, the table below shows that in the event of a need to increase the target CET 1 to 41.6% combined with a decrease in the forecast profits by over 5%, this would result in impairment scenarios.

Retail CGU (scenario probability: baseline (50%), best (20%), adverse (30%) % change in net profit/target CET 1 constraint (difference between recoverable value and reference value in millions of euro) (percentage impact on value in use)					
		CET 1			
		8.52%		41.6%	
PROFIT	5.00%	5.754	65.5%	416	6.5%
	0.00%	5,332	63.7%	-	0.0%
	-5.00%	4,909	61.8%	-416	-7.4%

For the Bancassurance Protection CGU, the table below shows that an increase in the target SCR at a value of 150% combined with an increase in the cost of capital at 7.4% would result in a scenario of impairment.

Bancassurance Protection CGU Change in ke/Target SCR (difference between recoverable value and reference value in millions of euro) (percentage impact on value in use)					
		SCR			
		130%		150%	
Ke	7.05%	14	8.0%	8	4.6%
	7.30%	6	3.7%	-	0.0%
	7.40%	3	1.9%	-3	-1.9%

F. External signs of impairment

The measurements expressed for the purposes of preparing these financial statements are the result of an extrapolation of the economic value of the CGUs based on their specific profit capacities, not fully recognised by the financial markets. That measurement takes shape over a longer period than the one assumed by the financial community, and is not based on the particular characteristics of the current economic and financial context, though this has been duly considered.

As at 31 December 2021, Group consolidated shareholders' equity amounted to 12.0 billion (net of equity instruments), against stock capitalisation of 4.0 billion (based on the stock market prices recorded at the end of December 2021). This is by no means a new situation insofar as it also arose in previous years; in fact, stock prices indicate significant discounts for all Italian banks, even with respect to tangible shareholders' equity. The justifications are attributable to the structural misalignment between the valuations of the financial community (which, by their nature, are focused on short term objectives and estimates), as well as the methods usually used to perform impairment tests, which give a significant value to medium/long-term growth potential. In fact, the measurements expressed for the purposes of preparing these financial statements are the result of an extrapolation of the economic value of the CGUs based on their specific profit capacities, using a much longer time horizon than that used by the financial community.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		FIN	INDEF	FIN	INDEF	
A. Opening balance	**4,603,814**	**-**	**-**	**2,686,926**	**504,272**	**7,795,012**
A.1 Total net impairment	(4,552,714)	-	-	(2,023,666)	-	(6,576,380)
A.2 Net opening balance	**51,100**	**-**	**-**	**663,260**	**504,272**	**1,218,632**
B. Increases	**3,758**	**-**	**-**	**106,210**	**-**	**109,968**
B.1 Acquisitions	3,758	-	-	106,204	-	109,962
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Exchange gains	-	-	-	5	-	5
B.6 Other changes	-	-	-	1	-	1
C. Decreases	**-**	**-**	**-**	**(114,878)**	**-**	**(114,878)**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	(114,457)	-	(114,457)
- Amortisation	X	-	-	(112,285)	-	(112,285)
- Write-downs	-	-	-	(2,172)	-	(2,172)
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	(2,172)	-	(2,172)
C.3 Negative changes in fair value:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	(421)	-	(421)
D. Net closing balance	**54,858**	**-**	**-**	**654,592**	**504,272**	**1,213,722**
D.1 Total net adjustments	(4,552,714)	-	-	(2,137,715)	-	(6,690,429)
E. Gross closing balance	**4,607,572**	**-**	**-**	**2,792,307**	**504,272**	**7,904,151**
F. Measurement at cost	-	-	-	-	-	-

FIN: finite life
INDEF: indefinite life

With regard to the main changes recorded during 2021:

- sub-item "B.1 Acquisitions" includes the goodwill resulting from the acquisition of Oaklins by Banca Akros for 3.8 million. Acquisitions of other intangible assets mostly refer to software;
- sub-item "C.2 Value adjustments – Amortisation", which mostly regards the amortisation of software, includes the amortisation charge relating to the Client Relationship acquired through business combinations, for an amount of 33.4 million;

- sub-item "C.2 Value adjustments – Write-downs", equal to 2.2 million, relates to the impairment of software that is no longer used.

10.3 Other information

As at 31 December 2021 there were no commitments relative to intangible assets.

Section 11 - Tax assets and liabilities – Item 110 of the assets and Item 60 of the liabilities

Disclosure on Deferred Tax Assets (DTA), convertible DTAs and checks on recoverability

Below is an illustration of the main categories of DTAs recognised in the financial statements as at 31 December 2021 and the checks performed to support their recoverability.

A.Deferred tax assets – breakdown

As at 31 December 2021, total DTAs amounted to 4,293.6 million (4,467.2 million as at 31 December 2020), of which 4,205.1 million had an impact on the income statement, while 88.5 million was recorded as a balancing entry in shareholders' equity, in accordance with the entries referred to. For a review of the breakdown of these DTAs, please see the table "11.1 Deferred tax assets: breakdown".

In greater detail, as at 31 December 2021, the deferred tax assets that meet the requirements of Italian Law no. 214 of 22 December 2011 ("Law 214/2011") for convertibility into tax credit amounted to 2,472.8 million (2,576.3 million as at 31 December 2020). The provisions under this law and, subsequently, under Italian Law 147/2013 (2014 Stability Law), provide for the conversion of DTAs into tax credits in the case of a "statutory loss", a "tax loss" for IRES purposes and a "net negative value of production" for IRAP purposes. For the purposes of these regulations, write-downs on loans not yet deducted based on temporal limits in effect at the time pursuant to Article 106, paragraph 3 of the Italian Consolidated Tax Law (TUIR) are included, as are negative components relative to goodwill and other intangible assets, not yet deducted according to the temporal limits in effect at the time (known as "qualified DTAs").
Specifically, as at 31 December 2021, the Group's eligible DTAs derive from:

- temporary deductible differences relative to write-downs on loans exceeding immediate deductibility limits envisaged in the tax regulations solely with reference to credit and financial entities for 1,797.8 million (1,895.0 million as at 31 December 2020);
- temporary deductible differences relative to goodwill and other intangible assets recognised in previous years for 675.0 million (681.3 million as at 31 December 2020).

It should be specified that, specifically with reference to these DTAs, their continued convertibility to tax credits is subordinate to the payment of the fee pursuant to Decree Law 59 of 3 May 2016, amended and converted into law with Law no. 119 of 30 June 2016. Italian Law no. 15 of 17 February 2017, converting the "Salva risparmio" Decree Law postponed the period for which the fee is due to 31 December 2030. In order to guarantee the convertibility of DTAs into tax credit and avoid the negative impacts that would otherwise result on Own Funds, Banco BPM Group availed of the option by paying said fee.
The fee relating to FY 2021 amounted to 26.6 million, as illustrated in more detail in "Section 12 - Administrative expenses" contained in Part C of these Notes.

Please also note the recent regulatory updates which provide the option to convert into tax credit the DTAs, even if they are not recorded in the financial statements, referring to tax losses not yet calculated as a decrease in the IRES taxable income, as well as the portion of benefits deriving from the Aid to Economic Growth (ACE) regulations not yet used.
Specifically, the provisions set forth in Art. 44 bis of Decree Law no. 34 of 30 April 2019 as amended most recently by Decree Law no. 73 of 25 May 2021 (the "Sostegni-bis" Decree) subject the conversion of the DTAs in question to the completion of assignments for valuable consideration by 31 December 2021 of financial receivables due from debtors in default.
For the purpose of converting the DTAs, it is possible to use the losses and ACE surplus within the limit of 20% of the nominal value of the loans assigned, with a maximum annual limit of 2 billion in value referring to the total

assignments of all the Group companies connected with each other through control relationships. To avail of the conversion option it is necessary to pay the annual fee set out in Decree Law no. 59 of 2016 to convert eligible DTAs, as illustrated above.
By virtue of the above regulations, considering the operations finalised in 2021, the Group has converted DTAs into tax credits for a total amount of 106.7 million.

As at 31 December 2021, residual deferred tax assets (non-transformable DTAs) amounted to 1,820.8 million (1,890.8 million as at 31 December 2020), of which 904.6 million deriving from IRES tax losses, which can be carried forward (1,042.0 million as at 31 December 2020) and 916.2 million deriving from costs and value adjustments deductible in years subsequent to those of recognition in the financial statements (848.8 million as at 31 December 2020).
Note that not all ineligible DTAs were recognised in the financial statements by Banco BPM and its subsidiaries. The amount of DTAs not posted as at 31 December 2021 came to 56.8 million, of which 16.4 million of IRES DTAs and 40.4 million of IRAP DTAs.

A. Deferred tax assets - recoverability checks

In compliance with the provisions of IAS 12 and the ESMA communication of 15 July 2019, Banco BPM Group recognised Deferred Tax Assets (DTAs), after verifying that the values recognised were supported by judgements that it was probable they could be recovered. In order to make these judgements, the current tax provisions were taken into consideration, in particular with reference to rules regarding whether certain deferred tax assets can be converted into tax credits, and the Group's capacity to generate future taxable income, also taking the "tax consolidation" option into account.
As regards eligible DTAs that can be converted into tax credits, equal to 2,472.8 million - corresponding to 57.6% of the total DTAs posted in the financial statements as at 31 December 2021 - the tax regulations introduced by Italian Law 214/2011, along with the exercise of the option for the annual fee regime illustrated above make their recoverability certain. This treatment is in line with the indications contained in the Bank of Italy/CONSOB/ISVAP document no. 5 of 15 May 2012 "Accounting treatment of deferred tax assets deriving from Italian Law 214/2011".
The recognition and subsequent maintenance in the financial statements of the remaining tax assets (non-convertible DTAs), totalling 1,820.8 million, strictly depends on the ability of the Group and/or the single companies to generate future taxable income ("tax capability").

To that end non-convertible DTAs were subject to three separate recoverability tests, based on a model that predicts future taxable income, as illustrated below:

- IRES taxable income resulting from the consolidated financial statements or the ordinary IRES tax rate (24%);
- IRES taxable income at individual level for Banco BPM, for the purpose of the additional IRES tax rate applicable to banks (3.5%);
- IRAP value of production at individual level for Banco BPM, for the purposes of IRAP.

The recoverability test was conducted based on the following information and assumptions:

- Banco BPM and its subsidiaries that have recorded DTAs reflected in the consolidated financial statements operate in Italy and, as a result, reference was made to the tax regulations in force in that country;
- said tax regulations do not establish time limits on the recovery of the IRES tax loss (Art. 84, paragraph 1 of Presidential Decree 917 of 22 December 1986);
- IAS 12 does not set out a maximum time horizon for forecasting taxable income;
- estimates of future taxable income have been made using a multi-scenario approach, taking as a reference Banco BPM Group's or Banco BPM's income flow projections for the period 2021-2024 - resulting from the Group's Business Plan approved on 4 November 2021 - and an annual growth rate of 2% for "normalised" income in the last year of the forecast;
- the estimates referred to in the previous point have been adjusted to take account of the uncertainty that characterises the actual realisation of long-term forecasts, applying a discount factor defined on the basis of a risk premium (so-called Risk-adjusted profit approach), in line with the recommendations set out by ESMA in the aforementioned Communication of 15 July 2019;
- Deferred Tax Liabilities (DTL) were offset by DTAs in the event that their reversal over time is expected to occur in the same year.

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

B.1 Estimated future taxable income

The estimate of future taxable income was based on Banco BPM Group's income projections for the years 2021-2024 and are based on those contained in the 2021-2024 Business Plan of the Group approved by the Board of Directors on 4 November 2021.

Given the current context of uncertainty, these projections have been made with reference to three separate macroeconomic scenarios at the date on which the above-mentioned scenarios were developed, to which a different probability of occurrence has been attributed. In detail, alongside a baseline scenario, deemed most probable, an adverse scenario and a favourable scenario were drawn up, to which the following respective probabilities of occurrence were assigned: 50%, 30% and 20%.
As specified in "Part A - Accounting policies" in these Notes, to estimate the taxable flows assumed for the impairment testing of the DTAs in question, the updates of the macroeconomic forecasts, which were slightly more favourable, drawn up at the beginning of December 2021 for the estimate of the ECL on credit exposures, were not incorporated, also considering the conservative logic of impairment testing.

B.2 Adjustment of future taxable income

In order to take into account the uncertainty that characterises the actual realisation of long-term forecasts, a discount factor of 5.75% has been introduced (slightly down on the 6.19% used as reference for the financial statements as at 31 December 2020). This factor has been defined as a function of the risk premium required by the market (MRP - Market Risk Premium), equal to 5.2%, multiplied by the Beta coefficient (ß), equal to 1.11%, i.e. the coefficient that expresses the specific riskiness of the Group's business.
In more detail, the adjustment of taxable income is obtained by discounting each year's forecasts for the discount factor of 5.75%, applied according to the compound capitalisation formula, from 2025 onwards. This formula therefore makes it possible to adjust future forecasts according to an increasing abatement factor depending on the time horizon of the estimated taxable flows.

The growth rate (g), and the parameters to factor in the uncertainty of forecasts (MRP and ß) are consistent with those considered for the impairment test of intangible assets with an indefinite life; related to the Retail CGU, as illustrated in more detail in the previous "Section 10 - Intangible assets - item 100".

B.3 Outcomes of the probability test and sensitivity analysis

Based on the valuation exercise conducted using the model described in points B.1 and B.2 above, the results are illustrated below, distinguishing between the consolidated IRES DTAs at an ordinary tax rate of 24%, IRES DTAs with an additional tax rate of 3.5% at the individual level of Banco BPM and IRAP DTAs at the individual level of Banco BPM, which represent almost all of the DTAs recognised in the consolidated financial statements.
The IRES DTAs recognised based on the ordinary tax rate of 24% as at 31 December 2021, which can be recovered through the income generated by all the companies participating in the tax consolidation, amount to 1,506.0 million. For the above-mentioned DTAs, the full recovery is expected to be achieved by the end of 2033 (12 years), highlighting a reduction with respect to the recovery time horizon, which instead was envisaged in 2020 (2039). It must also be noted that over 89% of the DTAs can be recovered by 2031 (10 years). In the event that the projections of taxable income are not adjusted using the adjusting factor set out in point B.2 above, the full recovery of the DTAs in question would be quicker, finishing in 2031 (10 years).
The IRES DTAs recognised based on the additional tax rate of 3.5% as at 31 December 2021, which can be recovered through the income generated in the separate financial statements of Banco BPM, amount to 229.5 million. The full recovery of the DTAs is expected to be achieved by the end of 2036 (15 years), highlighting a reduction with respect to the recovery time horizon, which instead was envisaged in 2020 (a recovery of over 81.6% was expected by the end of 2040).

In the event that the projections of taxable income are not adjusted using the adjusting factor set out in point B.2 above, the full recovery of the DTAs in question may occur by the end of 2033 (12 years).

Lastly, referring to the IRAP DTAs of Banco BPM as at 31 December 2021, which can be recovered through income generated individually by Banco BPM, of 66.5 million, the projections of taxable income show, for each year, full recovery of the DTAs from temporary differences which shall reverse in that year.

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

The model used includes assumptions and hypotheses that could significantly affect the assessments of the recoverability of the DTAs, for the IRES DTAs recognised based on the rate of 24% (1,506.0 million, equal to 87% of the total non-convertible IRES DTAs).
To this end, a sensitivity analysis was conducted on the main hypotheses and assumptions relating to the recovery time horizon; in particular, the sensitivity analyses were developed on the basis of the following factors:

- discount rate of forecasts of future taxable income: any 1.5% increase/decrease in the adjusting factor (7.25% and 4.25% respectively) would result respectively in confirmation of the time horizon by 2033 and a reduction of the time horizon by 1 year;
- long-term income growth rate (g): a reduction of 0.5% (from 2% to 1.5%) would not have significant impacts on the time horizon for recovery, which would be confirmed as by the end of 2033;
- a "normalised" taxable income expected from 2025 onwards: a 10% reduction in that income would lengthen the expected return of the DTAs by 1 year.

Furthermore, as previously discussed in the event that the projections of taxable income developed based on income flows not adjusted using the adjusting factor were confirmed by the results that the Group will generate in the future, the full recovery of the DTAs, including those relating to previous years' tax losses, would be quicker, finishing in 2031 (10 years).
For the DTAs in question, the following table summarises the different time horizons for the return of DTAs in the various alternative scenarios illustrated above, compared with the recovery forecasts as at 31 December 2021 drawn up on the basis of the assumptions and hypotheses described in points B.1 and B.2 above.

Expected time horizon of return of the IRES DTAs based on the tax rate of 24%	Risk-adjusted profit approach					Income projections (without discount factor)
	Forecasts as at 31/12/2021	Sensitivity				
		Discount factor	Discount factor	Growth factor g	Expected taxable income at the end of the explicit period	
		(+1.5%)	(-1.5%)	(-0.5%)	(-10%)	
31/12/2026 (5 years)	30.9%	30.9%	30.9%	30.9%	30.9%	30.9%
31/12/2031 (10 years)	89.1%	84.9%	93.7%	87.9%	81.2%	100.0%
31/12/2032 (11 years)	99.6%	94.2%	100.0%	98.0%	90.3%	
31/12/2033 (12 years)	100.0%	100.0%		100.0%	99.0%	
31/12/2034 (13 years)					100.0%	

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

Note that as at 31 December 2021, the DTAs deriving from IRES tax losses that can be carried forward amount to 904.6 million, compared to 1,042.0 million as at 31 December 2020.
With specific reference to said DTAs posted in previous years, they were recorded following the exact identification of the causes that generated the tax losses and the assessment that they would not repeat in the future on a recurring basis, in line with the provisions of IAS 12. The origin of the tax losses recorded up until 2019 is specifically attributable to the significant loan losses deemed extraordinary, recognised as part of the process of reducing the amount of non-performing loans and, to a lesser extent, to the other extraordinary charges attributable to the business combination that gave rise to Banco BPM Group (e.g. charges relating to the reduction of redundant personnel, the integration of IT systems, the rationalisation of the territorial network) or deriving from the need to favour the rescue of other banks external to the Group in order to protect the stability of the banking system. Also the loss recognised in 2020, which originated from the circumstances of the Covid-19 pandemic, was deemed to be extraordinary, as also confirmed by the extraordinary measures set in place as a reaction to said circumstance.
Lastly, note that no new DTAs were generated in 2021.

11.1 Deferred tax assets: breakdown

	IRES	IRAP	Other taxes	31/12/2021	31/12/2020
A) As balancing entry in the Income Statement					
A.1) Transformable DTAs pursuant to Italian Law 214/2011	**2,193,196**	**279,624**	**-**	**2,472,820**	**2,576,352**
Write-downs of loans deductible in subsequent years	1,638,408	159,415	-	1,797,823	1,895,009
Costs deductible in subsequent years deriving from the tax relief on goodwill and other intangible assets	554,788	120,209	-	674,997	681,343
A.2) DTAs - Other types	**1,667,438**	**64,880**	**-**	**1,732,318**	**1,870,547**
Tax losses that can be carried forward	904,653	-	-	904,653	1,042,031
ECL adjustments of FTAs pursuant to IFRS 9 on loans to customers deductible in the subsequent years	254,821	49,764	-	304,585	348,098
Provisions and value adjustments deductible in subsequent years	111,273	772	-	112,045	138,403
Personnel expenses and provisions for employee severance pay deductible in subsequent years	150,894	1,210	-	152,104	173,910
Value adjustments to real estate deductible in subsequent years	208,240	8,859	-	217,099	125,166
Book values lower than the recognised tax values resulting from value adjustments to goodwill and other intangible assets	20,653	4,216	-	24,869	26,960
Book values lower than the recognised tax values resulting from fair value measurement of financial assets	1,134	48	-	1,182	1,232
Other cases of misalignment between book and tax values	15,770	11	-	15,781	14,747
Total A	**3,860,634**	**344,504**	**-**	**4,205,138**	**4,446,899**
B) As a balancing entry in Shareholders' Equity					
Book values lower than the recognised tax values deriving from fair value measurement of financial assets measured as a balancing entry in shareholders' equity	19,191	5,612	-	24,803	3,520
Other cases of misalignment between book and tax values	53,850	9,837	-	63,687	16,784
Total B	**73,041**	**15,449**	**-**	**88,490**	**20,304**
Total (A+B)	**3,933,675**	**359,953**	**-**	**4,293,628**	**4,467,203**

11.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Other taxes	31/12/2021	31/12/2020
A) As balancing entry in the Income Statement:					
Book values exceeding the recognised tax values following the process of tax amortisation or value adjustments to goodwill and other intangible assets	102,780	20,782	-	123,562	126,469
Recoveries in fair value of real estate taxable in coming years	37,335	806	-	38,141	7,681
Book values exceeding the recognised tax values resulting from fair value measurement of financial instruments	9,727	7,734	-	17,461	18,881
Book values exceeding the recognised tax values resulting from fair value measurement of loans to customers	13,914	2,737	-	16,651	16,276
Book values exceeding the recognised tax values following the Purchase Price Allocation at the time of business combinations	-	-	-	-	8,756
Other cases of misalignment between book and tax values	9,313	235	-	9,548	34,275
Total A	**173,069**	**32,294**	**-**	**205,363**	**212,338**
B) As a balancing entry in Shareholders' Equity					
Book values exceeding the recognised tax values resulting from fair value measurement of owned properties and works of art	35,525	7,182	-	42,707	178,920
Book values exceeding the recognised tax values resulting from fair value measurement of financial assets measured as a balancing entry in shareholders' equity	36,141	9,454	-	45,595	67,494
Other cases of misalignment between book and tax values	237	20	-	257	146
Total B	**71,903**	**16,656**	**-**	**88,559**	**246,560**
Total (A+B)	**244,972**	**48,950**	**-**	**293,922**	**458,898**

11.3 Changes in deferred tax assets (balancing entry in the income statement)

	31/12/2021	31/12/2020
1. Opening balance	**4,446,899**	**4,412,373**
2. Increases	**193,108**	**346,148**
2.1 Deferred tax assets recognised during the year	100,200	319,536
a) relative to previous years	11,433	16,676
b) due to changes in accounting criteria	-	-
c) recoveries	-	-
d) other	88,767	302,860
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	92,908	26,612
3. Decreases	**(434,869)**	**(311,622)**
3.1 Deferred tax assets cancelled during the year	(352,948)	(295,243)
a) reclassifications	(345,495)	(187,174)
b) write-downs due to unrecoverability	-	-
c) due to changes in accounting criteria	-	-
d) other	(7,453)	(108,069)
3.2 Decreases in tax rates	(1)	-
3.3 Other decreases:	(81,920)	(16,379)
a) conversion into tax credits pursuant to Law 214/2011	(36,655)	(5,233)
b) other	(45,265)	(11,146)
4. Closing balance	**4,205,138**	**4,446,899**

11.4 Changes in deferred tax assets pursuant to Law 214/2011

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**2,576,352**	**2,582,568**
2. Increases	**-**	**-**
3. Decreases	**(103,532)**	**(6,216)**
3.1 Reclassifications	(66,878)	(984)
3.2 Conversion into tax credits	(36,654)	(5,232)
a) deriving from losses for the year	(5,863)	(5,232)
b) deriving from tax losses	(30,791)	-
3.3 Other decreases	-	-
4. Closing balance	**2,472,820**	**2,576,352**

11.5 Changes in deferred tax liabilities (balancing entry in the income statement)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**212,338**	**390,452**
2. Increases	**127,544**	**15,311**
2.1 Deferred tax liabilities recognised during the year	10,767	3,604
a) relative to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	10,767	3,604
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	116,777	11,707
3. Decreases	**(134,519)**	**(193,425)**
3.1 Deferred tax liabilities cancelled during the year	(134,462)	(191,943)
a) reclassifications	(41,093)	(35,799)
b) due to changes in accounting criteria	-	-
c) other	(93,369)	(156,144)
3.2 Decreases in tax rates	-	-
3.3 Other decreases	(57)	(1,482)
4. Closing balance	**205,363**	**212,338**

11.6 Changes in deferred tax assets (balancing entry in shareholders' equity)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**20,304**	**47,419**
2. Increases	**88,451**	**11,930**
2.1 Deferred tax assets recognised during the year	40,259	11,930
a) relative to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	40,259	11,930
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	48,192	-
3. Decreases	**(20,265)**	**(39,045)**
3.1 Deferred tax assets cancelled during the year	(1,536)	(26,542)
a) reclassifications	(1,525)	(20,140)
b) write-downs due to unrecoverability	-	-
c) due to changes in accounting criteria	-	-
d) other	(11)	(6,402)
3.2 Decreases in tax rates	-	-
3.3 Other decreases	(18,729)	(12,503)
4. Closing balance	**88,490**	**20,304**

11.7 Changes in deferred tax liabilities (balancing entry in shareholders' equity)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**246,560**	**219,582**
2. Increases	**95,802**	**68,059**
2.1 Deferred tax liabilities recognised during the year	43,811	67,155
a) relative to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	43,811	67,155
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	51,991	904
3. Decreases	**(253,803)**	**(41,081)**
3.1 Deferred tax liabilities derecognised during the year	(164,645)	(37,354)
a) reclassifications	(164,645)	(37,354)
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	(89,158)	(3,727)
4. Closing balance	**88,559**	**246,560**

11.8 Other information

Group tax situation

For an examination of the risks associated with existing disputes with the Tax Authorities and the relative developments during 2021 (new disputes arising or disputes concluded and/or settled), please see that found in Section 10 - Provisions for risks and charges - Item 100 of the Liabilities, which provide details of provisions carried out against liabilities judged to be probable, pursuant to that required under the reference accounting standard IAS 37.

Consolidated tax regime on a national basis

Banco BPM and the subsidiaries listed below exercised the right to make use of the Group taxation regime (pursuant to Art. 117 et seq. of Presidential Decree 917/1986 - TUIR - Italian Consolidated Tax Law). This option refers to all the companies in the Group which meet the requirements established under the cited law, specifically:

1. Aletti Fiduciaria S.p.A.
2. Banca Aletti & C. S.p.A.
3. Banca Akros S.p.A.
4. Bipielle Real Estate S.p.A. (**)
5. BP Trading Immobiliare S.r.l. (***)
6. BRF Property S.r.l.
7. Ge.Se.So. S.r.l.
8. Lido dei Coralli S.r.l.
9. P.M.G. S.r.l.
10. ProFamily S.p.A. (*)
11. Release S.p.A. (**)
12. Sirio Immobiliare S.r.l.
13. Tecmarket Servizi S.p.A.
14. Terme Ioniche S.r.l.
15. Terme Ioniche Società Agricola S.r.l.

(*) The company was incorporated into Banco BPM in 2021.
(**) These companies were incorporated into Banco BPM in the first few months of 2022.
(***) The Company was removed from the Companies' Register on 16 February 2022.

There are no associated companies which opted for the tax transparency regime pursuant to Art. 115 et seq. of Presidential Decree 917/86.

Banco BPM VAT Group

By resolution of the Board of Directors on 25 September 2018, Banco BPM decided to establish the Banco BMP VAT Group, pursuant to Articles 70-bis to 70-duodecies of Presidential Decree 633 of 26 October 1972 ("VAT Law") and the related Implementing Ministerial Decree of 6 April 2018, effective from 1 January 2019.
In 2021 the participating companies were as follows:

1. Banco BPM S.p.A.
2. Banca Aletti & C. S.p.A.
3. Aletti Fiduciaria S.p.A.
4. Banca Akros S.p.A.
5. Bipielle Real Estate S.p.A. (**)
6. BP Covered Bond S.r.l.
7. BPM Covered Bond 2 S.r.l.
8. BPM Covered Bond S.r.l.
9. BRF Property S.p.A.
10. Consorzio AT1
11. GE.SE.SO Gestione Servizi Sociali S.r.l.
12. Lido dei Coralli S.r.l.
13. Meleti S.r.l. (***)
14. Perca S.r.l. (***)
15. ProFamily S.p.A. (*)
16. Release S.p.A. (**)
17. Sirio Immobiliare S.r.l.
18. Tecmarket Servizi S.p.A.

(*) The company was incorporated into Banco BPM in 2021.
(**) These companies were incorporated into Banco BPM in the first few months of 2022.
(***) The companies were excluded in 2021 due to the termination of the financial restriction.

Section 12 - Non-current assets and disposal groups held for sale and associated liabilities – Item 120 in the assets and item 70 in the liabilities

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

	Total 31/12/2021	Total 31/12/2020
A. Assets held for sale		
A.1 Financial assets	123,943	11,374
A.2 Interests in associates and joint ventures	-	-
A.3 Property, plant and equipment	106,028	61,449
of which: obtained through the enforcement of guarantees received	23,868	21,527
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**229,971**	**72,823**
of which at cost	123,943	11,374
of which at fair value level 1	-	-
of which at fair value level 2	-	-
of which at fair value level 3	106,028	61,449
B. Discontinued operations		
B.1 Financial assets at fair value through profit and loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets at amortised cost	-	-
B.4 Interests in associates and joint ventures	-	-
B.5 Property, plant and equipment	-	-
of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	**-**	**-**
of which at cost	-	-
of which at fair value level 1	-	-
of which at fair value level 2	-	-
of which at fair value level 3	-	-
C. Liabilities associated with assets classified as held for sale		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
of which at cost	-	-
of which at fair value level 1	-	-
of which at fair value level 2	-	-
of which at fair value level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	**-**	**-**
of which at cost	-	-
of which at fair value level 1	-	-
of which at fair value level 2	-	-
of which at fair value level 3	-	-

As at 31 December 2021, assets held for sale included the following types:
- loans to customers relating to the portfolio of "salary-backed loans" disbursed by the former ProFamily and subject to sale to third parties, resolved by the competent Corporate Bodies, which is expected to be finalised in the first half of 2022 (shown in item A.1 "Financial Assets");
- owned properties for which sales negotiations in progress as at 31 December 2021 render probable the completion of the sales during the next year (indicated under item A.3 "Property, plant and equipment").

As at 31 December 2020, assets held for sale included the following types:
- owned properties for which sales negotiations were in progress as at 31 December 2020 (indicated under item A.3 "Property, plant and equipment");
- the remaining exposures were fully attributable to the loans subject to sale as part of the "ACE Leasing" Project.

For assets and liabilities indicated in correspondence with the sub-items "of which at fair value level 1/level 2/level 3", please see that set out in "Part A.4 - Fair value disclosure".

12.2 Other information

There is no other information worthy of note.

Section 13 - Other assets – Item 130

13.1 Other assets: breakdown

	Total 31/12/2021	Total 31/12/2020
Receivables due from tax authorities (not classifiable among tax assets)	1,919,539	1,149,121
Receivables for sales of goods and provision of services	21,792	20,796
Other income to be received	3,438	4,987
Cash and other values on hand	6,037	6,620
Items being processed	582,231	560,322
Items in transit between branches	9,724	7,926
Illiquid items for portfolio transactions	407	1,326
Securities and coupons to be settled	50,104	58,235
Other transactions to be settled	6,698	10,841
Accrued income and prepayments not included under their own item	33,005	50,137
Other items	56,114	60,301
Total	**2,689,089**	**1,930,612**

The item "Receivables due from tax authorities" mainly includes:
- receivables resulting from claims for the refund of direct taxes totalling 305.0 million concerning:
  - receivables of 206.3 million relating to 2018, the refund of which was requested in 2019;
  - IRPEG/ILOR receivables of 93.4 million relating to 1995 of the former Banca Popolare di Novara, the refund of which was denied by the Tax Authorities - Novara Provincial Office. With regard to the dispute initiated by the former Banco Popolare, both the Provincial Tax Commission and the Regional Tax Commission accepted the appeals presented, ordering the Tax Authority to also pay legal expenses. The Tax Authority's appeal to the Supreme Court is pending;
  - receivables of 3.8 million, for which Bipielle Real Estate has requested a refund, purchased in 2003 by Fondazione Cassa di Risparmio di Pescara e Loreto Aprutino as the part payment of the transfer price of the ownership of several properties. The company has repeatedly solicited the payment by the Tax Authority of the refund of the receivables. Even though the Tax Authority initially stated that it was willing to pay them, it recently changed its position, sustaining that documentation needed to be provided proving fulfilment of the requirements for the tax subsidies reserved to bank foundations set forth in Articles 10 bis of Italian Law no. 1745/1962 and 6 of Decree of the President of the Italian Republic no. 601/1973 identified by the most recent rulings of the Supreme Court. Banco BPM, as the

incorporating company of Bipielle Real Estate, will file an appeal to the Provincial Tax Commission, also assessing, based on an analysis of the deed of sale by the Foundation, any recourse against the same;
  - IRES and IRAP receivables of 3.4 million attributed following the liquidation of Group companies;
- receivables resulting from claims for the refund of IRES due to the failure to deduct IRAP for tax years 2005 to 2011, totalling 3.5 million. As regards the original receivable of Banco Popolare recognised in 2012 of 68.3 million, it was almost entirely refunded in 2021 in the amount of 67.1 million. An appeal has been filed with the Provincial Tax Commission for the residual amount;
- receivables resulting from claims for the refund of VAT and indirect taxes totalling 194.6 million concerning:
  - 179.9 million relating to tax years 1998, 1999 and 2000 of the former Banca Italease S.p.A.. As part of the dispute initiated against the silent refusal of the Tax Authority, both the Provincial and Regional Tax Commissions accepted the appeals submitted by the Bank. On 21 March 2019, following the appeal of the Tax Authority, the Supreme Court decided to transfer to another section of the Regional Tax Commission the verification of the actual existence of the unpaid taxes highlighted by the Authority in justification of the refusal of refund. The lawsuit was discussed with resumption of the proceedings before the Regional Tax Commission of Milan on 9 November 2020. With a ruling issued on 17 September 2021, the Commission acknowledged the Bank's appeal with regard to the unlawfulness of the administrative order with which the Authority had suspended the payment of the total of VAT receivables, recognising that it was due a refund of 105.7 million. The unrecognised portion of the receivable, amounting to 1.7 million, represents a part of the VAT receivable of Banca Italease relating to 2000. The Commission deemed that the objection made by the Authority was valid, on the basis of which there was no material proof that the refund of the above amount was due. The Commission also scaled down the suspension of the refunds opposed by the Authority based on the presence of pending criminal proceedings, ruling it to be justified to the extent of only 1.5 million, which incidentally has already been fully settled. With regard to the interest accrued on the VAT receivable for 1999 of the former Banca Italease, the Commission overturned its previous decision made on the basis of the reasons overruled by the Supreme Court, retaining that only the amount of 4.3 million was due. The reason for the refusal to refund the difference of 7.7 million was based on the moratorium nature of the interest, which makes them due only if the default is justified and if the delay is attributable to the Authority. In the case in question, according to the Commission, the Authority cannot be considered in default for the period between its request to the counterparty for additional documentation (relating to pending criminal proceedings) and the date on which the documentation requested was provided, if the same was made available by the company beyond the 15-day term. The Bank's defence had been based on the irrelevance of this documentation for the purpose of proving the existence of the VAT receivable, but it was not accepted. Given that there are reasons to submit a further appeal to the Supreme Court, it will proceed in this way. Notification of the ruling was sent to the competent Authority which, pursuant to paragraph 4 of the afore-mentioned legislative provision, will be bound to make the relative payment of the receivables acknowledged and not suspended, plus the interest accrued and accruing, within 90 days of receipt of the same;
  - 4.4 million relating to a VAT receivable for the second quarter of 2007 of the former Mercantile Leasing S.p.A. requested as a refund in its tax declaration;
  - 6.8 million referring to the dispute of the former Mercantile Leasing S.p.A. relating to the partial refusal of the refund of VAT for the first and second quarters of 2007. An appeal has been presented to the Provincial Tax Commission;
  - 2.6 million refers to the compliance proceedings against the Municipality of Rome regarding the challenge to a payment injunction for INVIM (tax on increases in value of real estate) purposes relating to a real estate purchase made in 1976; awaiting refund;
  - 0.9 million relating to the higher registration tax paid by Banca Aletti on the disposal of the business division relating to the private banking business;
- receivables recorded as balancing entries to the provisional payments made pending the final judgment of the pending tax disputes, for a total of 210.2 million, of which 201.9 million relating to the dispute concerning the claimed non-deductibility of the costs incurred in 2005 by the former Banca Popolare Italiana attributable to the attempted takeover of Banca Antonveneta;
- receivables deriving from excess advance stamp duty payments, substitute taxes applied to customers during the year and which will be recovered through offsetting during 2022 totalling 272.7 million;
- various receivables due from the Tax Authorities of 67.7 million mainly relating to the payment of the advance of substitute tax on capital gains;

- tax receivables connected with the interest accrued on loans disbursed to customers resident in areas hit by earthquakes for 53.5 million;
- tax receivables connected with the payment of Group VAT for 5.2 million;
- Ecobonus receivables of 817.4 million; for the accounting treatment relating to this case, refer to that illustrated in the paragraph "Other significant aspects relating to Group accounting policies" contained in Part A of the Notes;
- municipal tax (IMU) credits of 0.3 million;
- other receivables for withholdings incurred in a higher amount than that established by the Conventions on the avoidance of double taxation on share dividends, for which refunds are expected from foreign governments for 0.9 million;
- tax receivables due from Foreign tax authorities on dividends paid of 1.6 million;
- other receivables of 1.0 million.

Lastly, note that, following recent developments in case law and on the basis of the assessments made, the gross value of the above-detailed tax receivables (of 1,933.6 million) was written down by 14.1 million. Therefore, as indicated above, the net value of receivables due from the Tax Authority recognised in the financial statements is 1,919.5 million.

The item "Items being processed" essentially contains sums awaiting definitive assignment and various suspended items, as well as charges received from external companies relative to the payment of utilities to be settled using customer current accounts.

LIABILITIES

Section 1 – Financial liabilities at amortised cost – Item 10

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

Transaction type/Amounts	Total 31/12/2021				Total 31/12/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**39,041,403**	X	X	X	**27,820,559**	X	X	X
2. Due to banks	**6,650,175**	X	X	X	**6,124,039**	X	X	X
2.1 Current accounts and demand deposits	421,964	X	X	X	521,475	X	X	X
2.2 Fixed-term deposits	398,035	X	X	X	152,328	X	X	X
2.3 Loans	5,428,926	X	X	X	5,215,642	X	X	X
2.3.1 Repurchase agreements	5,062,398	X	X	X	4,619,012	X	X	X
2.3.2 Other	366,528	X	X	X	596,630	X	X	X
2.4 Payables for commitment to repurchase own capital instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	6,546	X	X	X	7,075	X	X	X
2.6 Other payables	394,704	X	X	X	227,519	X	X	X
Total	**45,691,578**	**-**	**-**	**45,691,578**	**33,944,598**	**-**	**-**	**33,944,596**

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

"Due to central banks" includes refinancing operations with the European Central Bank. As at 31 December 2021, there are TLTRO III long-term refinancing operations for a nominal value of 39.2 billion (27.5 billion in the financial statements as at 31 December 2020).

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

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

Transaction type/Amounts	Total 31/12/2021				Total 31/12/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	104,038,158	X	X	X	98,490,060	X	X	X
2. Fixed-term deposits	990,688	X	X	X	1,474,004	X	X	X
3. Loans	1,216,023	X	X	X	1,169,988	X	X	X
3.1 Repurchase agreements	627,845	X	X	X	495,505	X	X	X
3.2 Other	588,178	X	X	X	674,483	X	X	X
4. Payables for commitment to repurchase own capital instruments	-	X	X	X	-	X	X	X
5. Lease payables	667,326	X	X	X	753,205	X	X	X
6. Other payables	876,024	X	X	X	1,028,409	X	X	X
Total	**107,788,219**	**-**	**-**	**107,788,219**	**102,915,666**	**-**	**-**	**102,915,666**

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

Sub-item 3.1 "Repurchase agreements" includes transactions with Cassa Compensazione e Garanzia of 309.1 million (last year, they amounted to 390.8 million).

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

Security type/Amounts	Total 31/12/2021				Total 31/12/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	13,060,538	12,153,100	1,175,513	-	14,491,141	13,059,867	1,871,203	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	13,060,538	12,153,100	1,175,513	-	14,491,141	13,059,867	1,871,203	-
2. Other securities	20,811	-	-	20,810	69,489	-	-	69,489
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	20,811	-	-	20,810	69,489	-	-	69,489
Total	**13,081,349**	**12,153,100**	**1,175,513**	**20,810**	**14,560,630**	**13,059,867**	**1,871,203**	**69,489**

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

Debt securities in issue include the covered bonds issued by Banco BPM Group with a book value totalling 6,066.8 million (compared to 6,546.1 million as at 31 December 2020).

1.4 Breakdown of subordinated debt/securities

At the reporting date, the only subordinated liabilities issued by the Group, classified under debt securities in issue at amortised cost, refer to 7 issues of securities for a book value of 2,632.4 million (in the previous year, 8 issues occurred, for a book value of 3,129.3 million), of which one issue was represented by preference shares for an amount of 104.9 million (unchanged from 31 December 2020). The Parent Company advised the market of its intention to exercise the option for the early repayment of said instrument, insofar as, by virtue of so-called "grandfathering", it can no longer be calculated in own funds from 1 January 2022. Pursuant to the rules of said instrument, the first possible date for the exercise of the early repayment option is 21 March 2022.

In March and May 2021, two subordinated securities were redeemed at maturity, both with a ten-year duration and lump-sum redemption: the first for a nominal value of 448 million (calculable as at 31 December 2020 for 15 million) and the second for a nominal value of 318 million (calculable as at 31 December 2020 for 26 million).
In June 2021 a new, 10-year subordinated security was issued for a nominal value of 300 million, with a redemption option after five years, which is eligible for calculation in Tier 2 capital.

In addition to the above financial liabilities at amortised cost, the financial statement item "140. Equity instruments" includes three issues of instruments that can be calculated in additional Tier 1 capital for a total of 1,092.8 million (in the previous year, two issues were made for a total of 695.4 million).

The amount of additional regulatory capital was increased through a new issue of 397.4 million (eligible for calculation) placed in January 2021, with perpetual duration and a five-year redemption option subject to authorisation by the competent authorities.

During the year, no liability management operations were carried out referring to securities that can be calculated in regulatory capital.

Trading of own subordinated instruments was eliminated, as a consequence of the rules introduced under Delegated Regulation 241/2014 of the European Commission and the latest authorisation granted by the ECB to Banco BPM Group.

The features of subordinated liabilities used in calculations for regulatory purposes are indicated in the document Disclosure to the Public by Entities - Pillar III.

1.5 Breakdown of structured debt

As at 31 December 2021, as in the previous year, there were no payables which required the separation of incorporated derivatives ("structured debt").

1.6 Lease payables

Breakdown of flows from lease contracts based on contractual duration	31/12/2021		31/12/2020	
	Due to banks	Due to customers	Due to banks	Due to customers
Up to 3 months	401	41,981	262	34,632
From 3 months to 1 year	1,004	104,501	789	101,815
From 1 year to 5 years	2,059	214,824	3,698	384,698
Over 5 years	3,738	357,636	2,812	284,205
Total	**7,202**	**718,942**	**7,561**	**805,350**
Time effect	**(656)**	**(40,681)**	**(486)**	**(52,145)**
Present value of lease payables	**6,546**	**678,261**	**7,075**	**753,205**

Section 2 - Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by product

Transaction type/Amounts	Total 31/12/2021					Total 31/12/2020				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Due to banks	2,724,699	250,042	2,583,165	-	2,833,207	1,693	2,715	-	-	2,715
2. Due to customers	6,791,146	21,085	7,131,741	-	7,152,826	6,275,407	1,937,630	4,809,615	-	6,747,245
3. Debt securities	2,168,171	-	2,188,458	-	2,156,082	2,968,222	-	2,957,698	-	2,908,690
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	2,168,171	-	2,188,458	-	2,156,082	2,968,222	-	2,957,698	-	2,908,690
3.2.1 Structured	2,168,171	-	2,188,458	-	X	2,968,222	-	2,957,698	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**11,684,016**	**271,127**	**11,903,364**	**-**	**12,142,115**	**9,245,322**	**1,940,345**	**7,767,313**	**-**	**9,658,650**
B. Derivative instruments										
1. Financial derivatives	-	114,755	1,841,534	-	-	-	112,343	2,865,897	541	-
1.1 Held for trading	X	114,755	1,782,756	-	X	X	112,343	2,836,179	541	X
1.2 Connected with the fair value option	X	-	58,709	-	X	X	-	29,478	-	X
1.3 Other	X	-	69	-	X	X	-	240	-	X
2. Credit derivatives	-	-	2,151	-	-	-	-	1,105	-	-
2.1 Held for trading	X	-	2,151	-	X	X	-	1,105	-	X
2.2 Connected with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**114,755**	**1,843,685**	**-**	**X**	**X**	**112,343**	**2,867,002**	**541**	**X**
Total (A+B)	**X**	**385,882**	**13,747,049**	**-**	**X**	**X**	**2,052,688**	**10,634,315**	**541**	**X**

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

The items "1. Due to banks" and "2. Due to customers" refer to technical overdrafts on securities listed on active markets, classified as level 1, and repurchase agreements classified as level 2.

Item 3.2.1 "Other securities - structured", which as at 31 December 2021 totalled 2,188.5 million, is represented by certificates issued by Banca Akros, which include protection for the premium paid by the customer or a portion of the same, unconditional with respect to the trend in the financial parameters to which they are indexed. As at 31 December 2020, the balance of these issues was 2,957.7 million.
For those issues, the change in the Group's credit risk compared to the issue date resulted in the recognition of cumulative capital losses of 32.4 million (corresponding to the difference between the fair value in the financial statements and that on the date indicated in the column "Fair value*"). As at 31 December 2020, the recognition of cumulative capital losses came to 49.0 million.
In addition, for certificates classified under financial derivatives (168.3 million as at 31 December 2021), the cumulative effect of the change in the Group's credit risk was also negative for 0.1 million (3.3 million as at 31 December 2020). Specifically, these are conditionally protected certificates or certificates with a portion of protection of less than 50% of the premium paid.

2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

As at 31 December 2021, technical overdrafts on securities included subordinated securities for 742 thousand euro.

2.3 Breakdown of "Financial liabilities held for trading": structured debt

As at 31 December 2021, as well as in the previous year, there were no payables which required the separation of incorporated derivatives.

Section 3 - Financial liabilities designated at fair value – Item 30

3.1 Financial liabilities designated at fair value: breakdown by product

Transaction type/Amounts	Total 31/12/2021					Total 31/12/2020				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	X	X	X	X	X
- financial guarantees given	-	X	X	X	X	X	X	X	X	X
2. Due to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	X	X	X	X	X
- financial guarantees given	-	X	X	X	X	X	X	X	X	X
3. Debt securities	**1,419,293**	**-**	**1,405,190**	**-**	**1,397,901**	**949,433**	**-**	**955,781**	**-**	**943,781**
3.1 Structured	1,409,293	-	1,394,416	-	X	739,433	-	742,203	-	X
3.2 Other	10,000	-	10,774	-	X	210,000	-	213,578	-	X
Total	**1,419,293**	**-**	**1,405,190**	**-**	**1,397,901**	**949,433**	**-**	**955,781**	**-**	**943,781**

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

Financial liabilities designated at fair value refer to several bond issues and protected capital certificates, the latter recognised under item 3.1 "Debt securities: structured", as illustrated in paragraph 16 "Other information – financial liabilities designated at fair value" of Part A.2 of these Notes to the consolidated financial statements.

For those issues, the change in the Group's credit risk compared to the issue date resulted in the recognition of cumulative capital losses of 7.3 million (equal to the difference between the fair value in the financial statements and the figure indicated in the column "Fair value*"), mainly referring to certificates. Cumulative capital losses as at 31 December 2020 were equal to 12 million.

3.2 Breakdown of item 30 "Financial liabilities designated at fair value": subordinated liabilities

As at 31 December 2021, as well as in the previous year, there were no subordinated liabilities.

Section 4 - Hedging derivatives – Item 40

4.1 Hedging derivatives: breakdown by hedge type and by level

	Fair value 31/12/2021			NV 31/12/2021	Fair value 31/12/2020			NV 31/12/2020
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**227,972**	**-**	**13,234,612**	**-**	**585,680**	**-**	**20,287,784**
1) Fair value	-	167,825	-	13,030,953	-	527,000	-	20,012,784
2) Cash flows	-	59,016	-	175,000	-	58,680	-	275,000
3) Foreign investments	-	1,131	-	28,659	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**227,972**	**-**	**13,234,612**	**-**	**585,680**	**-**	**20,287,784**

NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Hedging derivatives: breakdown by portfolio hedged and type of hedge

Operations/Hedge type	Fair Value							Cash flows		Foreign investments
	Micro hedging									
	Debt securities and interest rates	Equity instruments and share indices	Currencies and gold	Credit	Commodities	Other	Macro Hedging	Micro hedging	Macro Hedging	
1. Financial assets measured at fair value through other comprehensive income	103	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	80,328	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	59,015	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**80,431**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**59,015**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	88,526	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**88,526**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 5 Fair value change of financial liabilities in macro fair value hedge portfolios - Item 50

5.1 Fair value change of hedged financial liabilities

Fair value change of hedged liabilities/Group components	31/12/2021	31/12/2020
1. Positive fair value change of financial liabilities	34,996	130,944
2. Negative fair value change of financial liabilities	(82,808)	(32)
Total	**(47,812)**	**130,912**

Section 6 - Tax liabilities – Item 60

This section is commented in Section 11 of the balance sheet assets, in Part B - Information on the Balance sheet in these Notes.

Section 7 - Liabilities associated with assets classified as held for sale - Item 70

The information in this section is commented in Section 12 of the balance sheet assets, in Part B - Information on the Balance sheet, in these Notes.

Section 8 - Other liabilities – Item 80

8.1 Other liabilities: breakdown

	31/12/2021	31/12/2020
Due to tax authorities (not classifiable under tax liabilities)	133,573	126,042
Due to personnel	4,247	3,688
Due to social security institutions	56,977	59,882
Due to suppliers	233,916	246,953
Items in transit between branches not attributable to specific accounts	90,679	37,915
Sums on hand to be paid to third parties	320,187	300,003
Bank transfers for clearance	618,554	545,078
Items related to securities transactions	56,298	371,414
Other items being processed	769,264	959,981
Adjustments for illiquid items in portfolio	1,042,158	877,670
Accrued expenses and deferred income not included under their own item	42,420	40,833
Other items	245,695	227,768
Total	**3,613,968**	**3,797,227**

"Due to tax authorities (not classifiable under tax liabilities)" includes net tax liabilities such as VAT payable, substitute tax on loans, withholdings on interest expense and income from employed work and similar, withholdings and other tax items not recognised under item 60 "Tax liabilities".

"Due to social security institutions" is mainly composed of charges relating to mandatory social security contributions.

"Bank transfers for clearance" mainly regard bank transfers to be credited.

"Items related to securities transactions" is comprised of securities cash purchase and sale transactions made between the end of one year and the beginning of the next, and amounts awaiting final allocation.

"Other items being processed" relate to transactions pending clearing or settlement.

"Adjustments for illiquid items in portfolio" includes mismatches of bills in the portfolio ("Portfolio of non-controlling interests" and "Own portfolio").

"Other items" is mainly comprised of liabilities relating to collections of F24 tax form mandates and other residual items linked to normal banking operations.

Section 9 - Provisions for employee severance pay - Item 90

9.1 Provisions for employee severance pay: annual changes

	31/12/2021	31/12/2020
A. Opening balance	**369,498**	**384,886**
B. Increases	**7,415**	**7,658**
B.1 Allocation for the year	2,141	2,431
B.2 Other changes	5,274	5,227
C. Decreases	**(56,610)**	**(23,046)**
C.1 Settlements	(54,154)	(12,361)
C.2 Other changes	(2,456)	(10,685)
D. Closing balance	**320,303**	**369,498**

The sub-item B.1 "Allocation for the year" refers to charges recognised in item 190 a) administrative expenses - personnel expenses, sub-item 1.e) provisions for employee severance pay in the income statement.

The actuarial measurement is included in sub-item B.2 "Other changes", with 4.5 million of actuarial losses (4.8 million of actuarial losses and 9.4 million of actuarial gains as at 31 December 2020). Actuarial gains and losses are recognised as a balancing entry to the related valuation reserve of shareholders' equity "Actuarial gains (losses) on defined benefit plans" and are reported in the statement of comprehensive income.

9.2 Other information

As described in "Part A - Accounting policies", "16 Other information – Provisions for employee severance pay and other employee benefits", following the reform of supplementary pension plans, the provisions for employee severance pay recognised in the present item refer only to the portion accruing since 31 December 2006, for companies with an average of at least 50 employees in 2006, which refers to almost all Group companies.
For said companies, the provision does not include benefits that, as a result of said reform, have been paid into supplementary pension plans or the INPS Treasury Fund. The employee severance pay accruing from 1 January 2007 is considered a "defined benefit plan" and is recognised in personnel costs, based on the contributions owed, without actuarial calculations, as a balancing entry to the balance sheet item "Other liabilities" or for the outflow of cash:

- under the sub-item "severance indemnities" if paid to the INPS Treasury fund;
- under the sub-item "payments to external supplementary pension funds - defined contribution" if paid to supplementary pension funds.

Main actuarial assumptions

Actuarial measurement of provisions for employee severance pay is performed by independent external actuaries, on the basis of "accrued benefit" methodology, using the Projected Unit Credit criteria, as established in IAS 19. The table below indicates the main demographic and economic/financial assumptions used as the basis for the measurement as at 31 December 2021, compared to that as at 31 December 2020.

Main actuarial assumptions for measuring provisions for employee severance pay	
Demographic assumptions (2021-2020):	
Employee mortality rate	IPS55 with Age-Shifting demographic basis for annuity insurance
Frequency and amount of advances on employee severance pay	0.50%
Frequency of turnover	1.50%
Probability of retirement	According to the latest legislative provisions, upon reaching the first pension qualifying condition, based on the provisions of Compulsory General Insurance
Financial assumptions (2021-2020):	
Yearly discount rate	weighted average of the rates in the Eur Composite AA curve (*) 31.12.2021: from 0.43% to 1.27% 31.12.2020: from -0.04% to 0.21%
Yearly inflation rate	weighted average of the rates in the European Zero-Coupon Inflation-Indexed Swap curve (**) 31.12.2021: 2.20% 31.12.2020: 1.10%

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

Actuarial gains/losses recognised in the statement of comprehensive income

As illustrated in paragraph 9.1 above, the changes to certain actuarial assumptions for the valuation of employee severance pay as at 31 December 2021, with respect to the previous year, led to an overall increase in the provisions of 4.5 million, due to actuarial losses, attributable to:

- changes in financial assumptions of 3.2 million. In detail, these entail losses relating to the change in the inflation rate for 20.0 million and gains relating to the change in the discount rate for 16.7 million;
- other actuarial assumptions of 1.3 million. In detail, actuarial losses of 1.0 million attributable to the differences between the previous demographic actuarial assumptions used and what actually occurred, and losses relating to a change in the demographic assumptions of 0.3 million.

With regards to the discount rate, which is one of the most important assumptions used in measuring obligations associated with defined benefit plans, reference was made to the returns for companies with an "AA" rating, considered to be the best expression of returns for high quality companies. In fact, the reference accounting standard IAS 19 specifies that this rate must reflect the time value of money, but not the specific credit risk of the entity, nor the actuarial or investment risk, nor the risk that, in the future, the actual figures may differ with respect to the actuarial assumptions used. Additionally, the standard states that this rate must be calculated in reference to market yields of the securities of primary companies in the country in which the entity operates (or, the High Quality Corporate Bond yield), as at the annual reporting date, and alternatively, if there is no market for such securities, with reference to market yields on government securities. Starting in 2020, Banco BPM Group uses as the discount rate the Eur Composite AA curve, using as weights the ratios of the amount paid and advanced for each maturity to the total amount to be paid and advanced up to the discharge of the population considered. In detail, only securities issued by corporate issuers included in the "AA" rating class, issued by companies in various sectors, including Utilities, Telephony, Financial, Banking and Industrial companies, were considered. As regards geographical area, reference was made to the Eurozone. The curve was taken from the information provider Bloomberg.
The increase of the discount rates is therefore attributable solely to changes in the market, since the reference parameter as at 31 December 2021, for equal plans, was the same as that seen the previous year.

Sensitivity Analysis

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

	Change in employee severance pay in absolute terms (*)	Change in employee severance pay in percentage terms
Change in actuarial assumption:		
- Discount rate:		
+0.5%	(12,861)	(4.02%)
-0.5%	13,668	4.27%
- Inflation rate:		
+0.5%	8,197	2.56%
-0.5%	(7,947)	(2.48%)

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

Section 10 - Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	Total 31/12/2021	Total 31/12/2020
1. Provisions for credit risk relating to commitments and financial guarantees given	42,361	56,024
2. Provisions for other commitments and guarantees given	88,747	71,418
3. Company pension funds	124,879	133,654
4. Other provisions	620,656	784,879
4.1 legal and tax disputes	99,404	109,493
4.2 personnel expenses	382,622	450,722
4.3 other	138,630	224,664
Total	**876,643**	**1,045,975**

10.2 Provisions for risks and charges: annual changes

	Provisions for other commitments and guarantees given	Pension funds	Other provisions	Total
A. Opening balance	**71,418**	**133,654**	**784,879**	**989,951**
B. Increases	**22,654**	**9,043**	**136,938**	**168,635**
B.1 Allocation for the year	22,654	371	134,760	157,785
B.2 Changes due to the passage of time	-	(36)	2	(34)
B.3 Changes due to discount rate variations	-	-	-	-
B.4 Other changes	-	8,708	2,176	10,884
C. Decreases	**(5,325)**	**(17,818)**	**(301,161)**	**(324,304)**
C.1 Use during the year	-	(12,156)	(240,662)	(252,818)
C.2 Changes due to discount rate variations	-	(4,389)	-	(4,389)
C.3 Other changes	(5,325)	(1,273)	(60,499)	(67,097)
D. Closing balance	**88,747**	**124,879**	**620,656**	**834,282**

Item C.1 “Use during the year” includes uses executed as a balancing entry to payments for personnel expenses and amounts deriving from the settlement of clawbacks and other disputes for which specific provisions were allocated.
Item C.3 “Other changes” in other provisions is mainly attributable to recoveries relating to personnel expenses (recognised in item 190 a) “personnel expenses”) and other provisions (included in item 200 b) “Net provisions for risks and charges – other net provisions”).

10.3 Provisions for credit risk relating to commitments and financial guarantees given

	Provisions for credit risk relating to commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	Total
Commitments to disburse funds	11,218	6,092	15,188	314	32,812
Financial guarantees given	2,334	1,432	5,783	-	9,549
Total	**13,552**	**7,524**	**20,971**	**314**	**42,361**

10.4 Provisions for other commitments and guarantees given

Provisions for other commitments and guarantees given amounted to 88.7 million (71.4 million at the end of the previous year) and mainly refer to commercial sureties issued for customers.

10.5 Defined benefit company pension funds

Pension funds identified in the financial statements represent the liabilities relative to defined benefit plans for a value of 124.9 million and all relate to external funds.

1. Illustration of fund characteristics and associated risks

For defined benefit supplementary pension funds, determination of actuarial values, as required in application of IAS 19 "Employee Benefits", is done by independent actuaries, as illustrated in "Part A - Accounting Policies, 16 Other Information - Provisions for employee severance pay and other employee benefits".

As at the reporting date, the funds in question amounted to 124.9 million (133.7 million as at 31 December 2020). Charges for the year were allocated for 0.4 million to item 160 a) - "Personnel expenses" in the income statement and for 3.0 million as a reduction of the shareholders' equity valuation reserve "Actuarial gains (losses) on defined benefit plans".

Below are pension funds, identifying those of the former Banco Popolare Group and former Banca Popolare di Milano Group.

Internal funds refer to:

a) Funds included under "Banco Popolare Group defined benefit pension fund", which as of 1 April 2017 was identified as the "container" of the defined benefit pension funds relative to the former Banco Popolare Group, with guarantees from the Bank. The rules governing the amounts transferred are, nonetheless, specific details of each form:
   - commitments pursuant to the former Banca Popolare Italiana (BPI) Fund, now the Banco Popolare Group's defined benefit pension fund: this represents the value of commitments relative to 102 beneficiaries of the former Banca Popolare di Lodi, consisting of pension payments in addition to those required by law for their personnel. This fund is governed by the Regulation of 17 June 1992. As a result of the provisions of Italian Legislative Decree 124/1993, the Bank transformed the Fund with an agreement on 6 October 2000, in order to allow adhesion by personnel hired after 27 April 1993, and from 1 April 2017 the Fund was identified as the "container" for the defined benefit pension funds relative to the former Banco Popolare Group with guarantees from the Bank;
   - commitments pursuant to the former Chiavari Fund: the fund was established through an agreement with the trade union on 11 December 1986, and ensures its participants and their heirs a payment in addition to pensions provided by INPS. As at the reporting date this fund had 2 beneficiaries;
   - commitments pursuant to the former Banca Industriale Gallaratese (BIG) Fund: this represents commitments to the personnel of the former Banca Industriale Gallaratese. It was established on 25 February 1986 and guarantees additional payments with respect to those required under the law in favour of those who were working for the former B.I.G. as of the stated date and is governed by the Regulations issued at the time the fund was established. On 21 August 1992, the former B.I.G. was merged by incorporation with Banca Popolare di Lodi and subsequently, those registered with the fund were given the option to transfer their position to the Banca Lodi pension fund or keep it with the original fund. As at the reporting date, there

were 53 beneficiaries of the treatment;

- commitments pursuant to the former Bipielle Adriatico Fund: this is a fund integrating INPS payments for obligatory payments for invalidity, old age and heirs relative to employees of Bipielle Adriatico (former Cassa di Risparmio di Imola), established with Regulation of 29 December 1954, later amended on 29 July 1997. As at the reporting date, there were 4 beneficiaries of the treatment;
- commitments pursuant to the former BPL Fund Regulation 1961 and 1973: this represents the additional social security payment for personnel of the former Banca Popolare di Lodi, as established under the regulations of 18 April 1961 and 12 December 1973. As at the reporting date, the beneficiaries respectively totalled 5 and 11;
- commitments pursuant to the former Banca Popolare Cremona pension fund: this represents social security payments in addition to those required under the law for employees of the former Banca Popolare di Cremona, as established under the regulations of 17 June 1972. As at the reporting date, there were 5 beneficiaries;
- commitments pursuant to the former Cassa di Risparmio di Lucca Fund: this represents a fund for additional payments relative to INPS and is governed by the regulation of 2 October 1986, subsequently amended on 16 December 1988. As at the reporting date, there were 50 beneficiaries;
- commitments pursuant to the Cassa di Risparmio di Pisa Fund: this involves the commitments associated with the fund providing additional social security payments, governed with regulations of 20 April 1959. As at the reporting date, there were 20 beneficiaries;
- commitments pursuant to the former Cassa di Risparmio di Livorno Fund: this represents a fund for additional payments relative to INPS and is governed by the regulation of 3 April 1991. As at the reporting date, there were 56 beneficiaries;
- commitments relative to 34 former employees of the former ICCRI-BFE, the Bank guarantees additional INPS payments for general obligatory invalidity, old age and heir insurance pursuant to the Agreement of 19 April 1994;
- commitments to 30 beneficiaries of the additional fund for INPS payments for obligatory invalidity, old age and heir insurance for the former Banca Italease;
- commitments to 18 former employees relative to the additional fund for INPS payments for obligatory invalidity, old age and heir insurance for retired personnel of the former Banca S. Geminiano e S. Prospero, established with an agreement of 30 July 1976, with the aim of granting an additional pension to Bank employees;
- commitments to 14 former employees relative to the defined benefit fund for retired personnel of the former Banca Popolare di Verona – Banco S. Geminiano e S. Prospero, governed by the Articles of Association - Regulation pursuant to the collective understandings in effect from 1 January 1999, with the aim of providing an additional pension over that of the general obligatory insurance for Bank personnel;
- commitments to 108 beneficiaries of the former Credito Bergamasco for the provision of pension payments defined under company agreements previously stipulated with the company union representatives (additional company payment - TIA).

b) Other funds for the former Banco Popolare Group

- commitments to 4 former executives relative to the additional fund for INPS payments for obligatory invalidity, old age and heir insurance for retired executives of the former Banca S. Geminiano e S. Prospero, established with a company agreement of 10 October 1996, with the aim of granting an additional pension over that of the general obligatory insurance to its employees;
- commitments to 3 former executives relative to the additional fund for INPS payments for obligatory invalidity, old age and heir insurance for retired executives of the former Banca Popolare di Verona, established with an agreement of 30 July 1976, with the aim of granting an additional pension to Bank employees;
- commitments to 191 pensioners retiring prior to 1 January 1988, relative to adjustment cheques in favour of retired personnel of the former Banca Popolare di Verona e Novara and a former executive;
- commitments to employees and pensioners of the former Credito Bergamasco: this represents the value of commitments relative to 3 former employees, who receive a social security payment established under a company agreement of 10 October 1996 and company largesse approved by the Board of Directors on 29 April 1985.

c) Former Banca Popolare di Milano Group funds

- Former Banca Popolare di Bologna e Ferrara pension funds
  This is a defined benefit fund associated with the commitment made by the incorporated former Banca Popolare di Bologna e Ferrara to pay a defined benefit to employees retiring as of 31 December 1995, in line with their level of service. As at the reporting date, there were 86 beneficiaries;
- Former Banca Agricola Milanese pension funds
  This represents the commitment made by the incorporated former Banca Agricola Milanese to provide an additional pension to employees retiring as of 31 December 1972. As at the reporting date, there were 2 beneficiaries;
- Additional social security payment for the former Banca Popolare di Milano
  In application of the additional social security payment regulations, the commitment consists of: the recognition of an additional pension to former retired employees whose INPS pension is lower than a pre-established percentage of their salary at the same level of service (referred to as employees with integrated pensions); or, in the case the INPS pension exceeds this percentage, a monthly payment to all pensioners of 50% of a scale frozen at the values of 31 December 1991. These benefits are not paid to employees who began service after 28 April 1993 and those hired in the context of mergers. As at the reporting date, there were 4,964 beneficiaries;
- Former Cassa di Risparmio di Alessandria pension fund
  This is a defined benefit fund without legal personality and capital independence, additional (substitute only for certain special situations) to the INPS pension payment. Those enrolled with the Fund consist solely of former employees who are now retired or their heirs. As at the reporting date, there were 213 beneficiaries.

Internal funds also include the liability relating to S.I.PRE. for 0.2 million.

Statements for Banco BPM's internal funds are annexed to the Parent Company's separate financial statements.

2. Changes during the year in net defined benefit liabilities (assets) and in repayment rights

	31/12/2021
A. Opening balance	**133,654**
B. Increases	**9,043**
B.1 Social security costs relative to past work provided (CSC)	371
B.2 Financial charges due to the passage of time	(36)
B.3 Other actuarial losses	8,695
B.4 Losses due to discount rate variations	-
B.5 Other increases	13
C. Decreases	**(17,818)**
C.1 Use during the year	(12,156)
C.2 Gains due to discount rate variations	(4,389)
C.3 Other actuarial gains	(1,271)
C.4 Other decreases	(2)
D. Closing balance	**124,879**

Net actuarial losses totalled 3.0 million and were attributable to the following:

- the change in the inflation rate, which led to an actuarial loss of 7.0 million, included under item B.3 "Other actuarial losses";
- the change in the discount rate, as illustrated in Section 9 "Provisions for employee severance pay", above, which led to an actuarial gain of 4.4 million, corresponding to sub-item "C.2 Gains due to discount rate variations";
- other actuarial assumptions that led to a net loss of 0.4 million recognised for 1.7 million under sub-item B.3 "Other actuarial losses", and for 1.3 million under sub-item C.3 "Other actuarial gains".

3. Fair value disclosure on plan assets

Based on IAS 19, plan assets are those held by an entity (a fund) that is legally separate from the entity which prepares the financial statements (external fund) and which can be used solely to pay or fund employee benefits and which are therefore not available to the creditors of the entity which prepares the financial statements. On the basis of this definition, as at 31 December 2021, as well as at 31 December 2020, there were no plan assets.
For the sake of completeness, we note that certain insurance policies exist, classified under item 20 c) "Financial assets at fair value through profit and loss - Other financial assets mandatorily measured at fair value", with the objective of providing the funding needed to pay the indemnities of the plans entered into with certain executives (known as the "S.I.PRE. Plan"), for which the fair value as at 31 December 2021 totalled 0.2 million.

4. Description of main actuarial assumptions

Below are the demographic, financial and economic actuarial assumptions used for the main funds.

Main demographic and actuarial assumptions used to measure pension funds	
Demographic assumptions (2021-2020):	
Probability of death of retired or active employees	IPS55 with Age-Shifting demographic basis for annuity insurance
Financial assumptions (2021-2020):	
Yearly discount rate	weighted average of the rates in the Eur Composite AA curve (*): 2021: from 0.14% to 0.535 depending on the plan 2020: from -0.17% to 0.05 depending on the plan
Yearly inflation rate	weighted average of the rates in the European Zero-Coupon Inflation-Indexed Swap curve (**): **2021**: 2.30% **2020**: 1.10%

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

5. Information on amounts, timing and uncertainties of cash flows

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

	Changes in defined benefit funds in absolute terms (*)	**Changes in defined benefit funds in percentage terms**
discount rate +0.5%	(4,668)	(3.74%)
discount rate -0.5%	5,033	4.03%
inflation rate +0.50%	3,034	2.43%
inflation rate -0.50%	(2,887)	(2.31%)

(*) the amounts in parentheses indicate a decrease in the fund

6. Multi-employer plans

There are no plans of this type.

7. Defined benefit plans that share risks between entities under common control

There are no plans of this type.

10.6 Provisions for risks and charges - other provisions

10.6.1 Other provisions - legal and tax disputes

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

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

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

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

For disputes for which the entity is retained to have a current obligation that may lead to the use of resources embodying economic benefits, the disclosure on the amount of the allocation to provisions for risks and charges is not provided for single dispute in order not to cause harm to the Group in the evolution of the dispute with the counterparty, either in court or by way of settlement. In any event, the total amount of the allocations broken down by type of dispute is provided where the disputes can be grouped into categories of similar nature. As indicated in the paragraph "Significant accounting policies and uncertainties regarding the use of estimates in the preparation of consolidated financial statements", to which reference is made, the complexity of the situations and corporate transactions that form the basis of the disputes entail significant elements of judgement which may involve the existence and the amount, and the related timing for the liabilities to arise. In that regard, to the extent that the estimates made by the Group are deemed reliable and compliant with the reference accounting standards, it cannot be ruled out that the charges which may arise from the settlement of disputes may differ, also by significant amounts, from the amount of the provisions allocated.

The provisions allocated against all existing legal and tax disputes, including cases associated with clawback actions, total 99.4 million.

<u>Legal disputes with customers</u>

The high number of disputes prevents us from providing a detailed list, while their diverse nature makes it extremely difficult, if not impossible, to group them into categories of similar nature.
Note that the BM 124 S.r.l. dispute, illustrated in last year's Annual financial report, is no longer disclosed in this Report as the risk has been classified as remote.
Said dispute was initiated on 15 December 2020 by BM 124 S.r.l., which had summoned Banco BPM before the court, along with a further 18 parties (including seven banks), for the purpose of ordering the joint payment of 37.5 million (equal to the greater losses recorded) or, alternatively, 22.9 million (equal to the total prejudicial operations, of which 9.2 million referring to Banco BPM) as compensation for the damages allegedly caused by the unlawful granting of credit.
Below, a brief description is provided of the main legal disputes pending as at 31 December 2021, whose settlement is deemed could entail a probably or possible use of financial resources.

- On 10 July 2019 a customer, along with several of his family members, summoned Banco BPM before the court to obtain total compensation for damages of around 21 million for having allowed a proxy/delegate of the customer to carry out a series of unauthorised transactions on various current accounts and securities portfolios. With judgement of 31 December 2020 the Court of Milan rejected all of the opponents' claims. The sentence was appealed by the counterparties who at the same time reduced the claims to approximately 11.8 million.
- On 18 July 2019, the heirs of a customer summoned Banco BPM before the court to request the cancellation of several transactions, mainly financial in nature, which were allegedly carried out on accounts held by the customer without authorisation and in violation of the MiFID regulations. The counterparties requested that the Bank be ordered to return a total amount of around 37 million. The lawsuit is pending before the Court of Milan.
- On 28 October 2019 Società Cooperativa Agricola Centro Lazio summoned Banco BPM before the court to verify the liability of the Bank which, based on the reconstruction by the adversary, allegedly demanded excess guarantees in providing several agricultural loans, initiated repayment of one of the loans granted in advance and forced the company to cease operating its own plant. The counterparty also submitted claims for damages for 40 million relating to the alleged damages incurred due to the claimed negligent business conduct carried out and requested that the loan contracts and related mortgages be declared null and void. The lawsuit is pending before the Court of Milan following the declaration of the lack of geographical jurisdiction of the Court of Latina where the counterparty initially initiated the lawsuit.
- On 4 February 2020, Malenco S.r.l. summoned Banco BPM before the court, together with another bank that led the pooled operations, in relation to the granting of loans for the construction and completion of a property complex. The company requested that the invalidity of the loans be ascertained for allegedly exceeding the usury threshold rate and the invalidity of the derivative contracts taken out to hedge the loans granted, with a request to order Banco BPM to pay the sum of 31 million, 10 million of which together with the other bank. The lawsuit is pending before the Court of Rome.
- On 20 December 2019 Banco BPM was summoned, along with a pool of banks, by the receivership of Privilege Yard for the alleged unlawful granting of credit which, according to the counterparty, was granted based on a business plan defined as unlikely, due to the clear inability to repay the loan, and the lack of suitable guarantees. The receivership requested that the liability of the banks be verified for collusion in the mala gestio (poor management) by the directors of Privilege Yard, ordering them to jointly pay compensation for the damages of around 97 million (Banco BPM share 27 million). The lawsuit is pending in the initial stage before the Court of Rome. At the hearing on 19 April 2021, the Judge scheduled the hearing for closing arguments for 10 May 2022.
- The subsidiary Partecipazioni Italiane in liquidation, as the former owner of land located in Pavia that was the industrial site of the former Necchi S.p.A., (which ceased business operations many years ago), was the subject of an order of the Province of Pavia which requested that the subsidiary, as the party "historically" responsible, along with another party, carry out the reclamation and containment of that area, which for many years now has been owned by third parties outside Banco BPM Group.
  The Lombardy Regional Administrative Court rejected the appeal of the subsidiary against the order of the Province; the ruling on the appeal before the Council of State is pending, for which the public hearing on the merits has not yet been scheduled.
  Within the parallel environmental proceedings, both some of the current owners of the various portions of the former Necchi site and Partecipazioni Italiane submitted autonomous area characterisation plans. Considering the various positions of the parties, new administrative proceedings arose which are currently pending before the Lombardy Regional Administrative Court, with the involvement of the Municipality of Pavia, the Province of Pavia and the Lombardy Regional Environmental Protection Agency as well, and for which the public hearing on the merits has not yet been scheduled. As at 31 December 2021, with regard to one of the portions of the site, the subsidiary made an allocation to provisions for risks and charges of 1.7 million, based on a reasonable estimate of the charges it will have to pay; for the other three zones the site is divided into, given the continuing difficulty of determining the interventions to be made, any charges to be borne by the investee company cannot be reliably estimated, even within a certain range.

In light of the successful outcomes in the courts of first instance and/or the existence of valid grounds on which to challenge the claims made by the claimants with regard to proceedings under way, the claims classified as possible but unlikely amount to a total of 396.3 million.
Claims classified as probable amount to a total of 244.3 million, against which 60.2 million has been allocated under the item Provisions for risks and charges.

Clawbacks - lawsuits initiated for bad loans

The high number of disputes prevents us from providing a detailed list, while their diverse nature makes it extremely difficult, if not impossible, to group them into categories of similar nature.
Note that the dispute initiated by Technogas S.p.A., requesting that the Bank return amounts totalling 11.2 million, was settled with a favourable ruling of the Bank and the full rejection of the challenges of the counterparty. The ruling was not appealed and became definitive on 16 July 2021.
Below, a brief description is provided of the main legal disputes pending as at 31 December 2021, whose settlement is deemed could entail a probably or possible use of financial resources.

- CE.DI.SISA Centro Nord S.p.A. (in liquidation) – On 5 August 2020 the Bank was summoned for a liability action against Directors, Statutory Auditors, the Independent Auditors and consultants of the bankrupt company and the banks that colluded with the management body in aggravating liabilities. The Bank, which never granted loans but operated through advances on invoices, lodged a preliminary objection to the statute of limitations of the claim formulated. The total remedy sought against all the banks is 120 million. The hearing for the discussion of the case is set as 16 March 2022.
- Presidency of the Council of Ministers/Left-wing Democrats: following the appeal by means of an injunction requested against Left-wing Democrats (bad loans) and the Presidency of the Council of Ministers (guarantors of the Left-wing Democrats by virtue of sureties) for 3 pooled loans (of which one leading bank Efibanca and a further two investees) for a total of 26.5 million, opposition to the injunction was submitted in 2015; the courts of the first and second instance rules in favour of the Banks, at the same time rejecting the challenges of the injunction. The ruling of the appeal was not challenged in the Supreme Court by the parties, but for the Barletta section of the Left-wing Democrats, the decision is still pending, with the next hearing set for 6 March 2023.
- La Redenta Società Cooperativa Agricola - The Bank received a summons for 4 September 2018 for a liability action, together with the Directors, Statutory Auditors and another 6 banks, who were alleged to have acted in complicity to increase liabilities. The total remedy sought against all the banks is 20 million. The court of the first instance ruled in the Bank's favour, and rejected the claims of the plaintiff. The counterparty appealed against the ruling.
- Ecorecuperi S.r.l. in liquidation - In August 2014, the Bank received a summons, together with another 4 banks and the Directors for contractual liability and compensation of damages in favour of the Receivership for 17.8 million (equal to total bankruptcy liabilities) due to loans granted. The courts of the first and second instance ruled in favour of the Banks, and rejected the claims of the plaintiff; the ruling on appeal was challenged with an Appeal in the Supreme Court.
- Compagnia Finanza e Servizi (Co.fi.se.) S.r.l., Tabellini Paolo - On 8 November 2016, the Banks received a summons, together with Alba Leasing, for contractual liability, causation and increasing the damages suffered by the company for a total of 15 million. The court of the first instance ruled in the Bank's favour, and rejected the claims of the plaintiff. The counterparty appealed against the ruling.

In light of the successful outcomes in the courts of first instance and/or the existence of valid grounds on which to challenge the claims made by the claimants with regard to proceedings under way, the claims classified as possible but unlikely amount to a total of 28.8 million.
Claims classified as probable amount to a total of 25.7 million, against which 6.6 million has been allocated under the item Provisions for risks and charges.

Tax disputes

The total claims made by the Tax Authorities as part of the tax disputes initiated involving Banco BPM and its subsidiaries amounted to 225.0 million as at 31 December 2021[1] (as at 31 December 2020, claims totalled 222.7 million).

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

Details of pending disputes as at 31 December 2021

The main tax disputes pending as at 31 December 2021 (with claims equal to or exceeding 1 million) are as follows:

- Banco BPM (former Banca Popolare di Verona e Novara Soc. Coop.) - tax demand regarding IRAP tax paid to the Regional Headquarters for Veneto for 2006. The claim refers to the application of the ordinary rate of 4.25% to the net value of production resulting from business activities performed in Veneto and in Tuscany, instead of the higher rate of 5.25% and amounts to a total of 7.1 million. The tax demand has been challenged. The Provincial Tax Commission partially accepted the appeal, declaring that the fines imposed are not due. The Regional Tax Commission confirmed the first instance judgement, also cancelling the tax demand relating to the additional IRAP referring to the Tuscany Region. The appeal submitted to the Supreme Court is pending. It is deemed that the settlement of the dispute may entail the actual use of economic resources of 5.6 million. Said amount was covered by a specific provision, while the difference is classified as a potential liability in relation to which no provisions have been recognised in the financial statements.
- Banca Akros - formal notification received in December 2021 relating to the alleged infringement of the transmission obligations to the Tax Authority envisaged by Article 1, of Italian Decree Law 167 of 1990 with the application of the minimum sanction envisaged by Art. 5, paragraph 1, for the amount of 2.3 million. Defence briefs were submitted.
- Banco BPM (former Banca Popolare Italiana Soc. Coop.) - notices of assessment relating to tax year 2005 regarding the claimed non-deductibility for IRES and IRAP purposes of costs and value adjustments to receivables relating to facts or actions classified as offences (regarding offences of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by Banca Popolare Italiana with relation to the attempted takeover of Banca Antonveneta). The claims amount to 199.8 million (including interest and tax collection fees). With separate judgements filed on 15 October 2014, no. 8,562 (IRES) and no. 8561 (IRAP), the Section 22 of the Provincial Tax Commission of Milan fully rejected the appeals submitted by the Bank, though not justifying in any way the rationale underlying the confirmation of the tax demand. Said judgement was appealed against before the Lombardy Regional Tax Commission. The discussion of the appeals filed on 3 February 2015 was held before Section 2 of the Milan Regional Tax Commission on 6 May 2015. With judgement no. 670 filed on 19 May 2015, also lacking adequate justification, the Commission rejected the joint appeals submitted and confirmed the challenged judgements. An appeal was submitted to the Supreme Court, which is still pending.

  The notices illustrated were followed by additional notices of assessment served on 22 December 2014 relating to the formal report on findings dated 30 June 2011 for tax years 2006-2009. The claims contained in these notices also regard the claimed non-deductibility for IRES and IRAP purposes of the costs deemed attributable to facts or actions classified as offences. More specifically, they regard value adjustments on loans already disputed with reference to tax year 2005. Said value adjustments, although recognised by Banca Popolare Italiana in its financial statements for 2005, were deductible on a straight-line basis over the following 18 financial years pursuant to the version in effect at the time of Art. 106, paragraph 3 of Italian Presidential Decree no. 917 of 22 December 1986. The notices of assessment served therefore charge the claimed non-deductibility of the portions of those adjustments to loans deducted in 2006, 2007, 2008 and 2009. Total claims amount to 15.8 million. An appeal has been presented to the Provincial Tax Commission. The Commission suspended the proceedings until the final judgement of the Supreme Court is passed on the notices of assessment relating to 2005, pursuant to the previous point. The claims illustrated, which amount to a total of 215.6 million, were carefully assessed by the Bank in light of the negative rulings made in the courts of the first two instances. In that regard, it must firstly be noted that, in the parallel criminal proceedings initiated against the parties that signed the tax returns for the offence of inaccurate tax return (offense founded on the same charges contained in the notices of assessment in question), the judge issued a judgement of acquittal of the defendants "because there is no case to answer". Even though the criminal proceedings are independent from the administrative disputes, which, thus, may conclude with a different result, it is noted that, in the operative part of the ruling, the criminal judge justified his decision using the arguments analogous to those formulated by the Bank in its defence in the appeals submitted in the administrative proceedings illustrated. Furthermore, an analysis of the order and the content of the ruling of the Regional Tax Commission shows that the Commission's decision on the merits of the case contains no specific justification and is based on a mere reference to the Authority's claims, with no express indication of the reasons for its decision not to accept the precise arguments laid out by Banco Popolare in support of its appeal.

In the light of these analyses and considerations, it being believed that there are grounds to challenge the ruling as, in fact, all the defensive arguments regarding aspects of legitimacy not considered by the judges in the first and second instances can be submitted again to the court, on 18 December 2015, the aforementioned appeal was lodged with the Supreme Court.
The in-depth analyses of the situation conducted with the support of the advisors assigned to draw up the appeal, as well as the additional opinions requested from other authoritative experts on the matter confirmed the belief that the claim of the Tax Authority is illegitimate and the possibility to finally see the defensive arguments considered and agreed with in the proceedings before the Supreme Court is unchanged. The same analyses were conducted by the Board of Directors to confirm the classification of the claim as a potential liability, as the risk of losing the lawsuit is possible but not probable. In light of the evaluations carried out, no provision has been recognised for the above contingent liabilities in the financial statements as at 31 December 2021.

Audits under way as at 31 December 2021

On 5 December 2019, as part of a wider tax audit of a company external to Banco BPM Group, the Italian Tax Police launched an audit for the purposes of direct taxes and VAT of Banco BPM for the tax year 2017. The audit was suspended due to the emergency situation relating to the Coronavirus.

On 2 March 2020, the Italian Tax Authority - Regional Department of Lombardy had informed, in compliance with the principles set forth in the taxpayers' statute, that it intends to initiate a tax audit for the purposes of IRES, IRAP, VAT and withholding tax obligations for the year 2016 of the subsidiary Banca Aletti. By subsequent communication of 6 March, the Authority decided to postpone the opening of the verification until a date to be defined in relation to the emergency situation related to the Coronavirus.

10.6.2 Other provisions - personnel expenses

These amounted to 382.6 million as at 31 December 2021 and include the amount of 228.7 million (originally 257.0 million) allocated for the charges expected for the use of the extraordinary benefits of the Solidarity Fund and for early retirement incentives following the agreements reached with the trade unions announced to the market on 30 December 2020, which envisage the early retirement on a voluntary basis of 1,600 resources, of which around 1,300 had already left on the date of 31 December 2021.
These also include the residual charges to be paid to finance the Solidarity Fund for early retirement incentive plans for personnel begun in previous years and the estimate of charges deriving from the foreseeable payment of variable compensation in compliance with that established under the Group's incentive systems.

10.6.3 Other provisions - other

This residual category of provisions amounts to a total of 138.6 million and mainly includes allocations against the following liabilities:

a) risks associated with disputes and claims, both pending and expected, associated with operations with customers and possible developments in the interpretation of certain regulations governing banking activities (67.9 million);
b) estimate of probable reimbursements of fees consequent to the possible early termination of insurance policies by customers (20.6 million);
c) risks associated with commitments undertaken as part of partnership agreements and guarantees granted against the disposal of interests or other assets or groups of assets (12.5 million);
d) risks associated with guarantees given for sales of non-performing loans already finalised as at 31 December 2021 (17.1 million).

Category a) refers to the provision made against residual risks associated with reporting activities carried out of customers interested in purchasing diamonds to the specialised company Intermarket Diamond Business S.p.A. ("IDB"). Almost all of those reporting activities were carried out from 2003 to 2016 and, thus, prior to the merger that gave rise to Banco BPM. That activity was suspended in the initial months of 2017 and then definitively stopped. Said operations are also the focus of criminal proceedings before the Public Prosecutor's Office of Milan. As part of these, on 19 February 2019 the Public Prosecutor's Office of Milan served to the Bank (i) a pre-judgement attachment order for a total of 84.6 million and (ii) a notice of investigation to Banco BPM and Banca Aletti under

the terms of Italian Legislative Decree 231/2001 for an administrative offence for the predicate crimes of self-laundering and to Banco BPM for the allegation of obstructing the performance of the functions of the public supervisory authorities. In the notice of closing of the preliminary investigations, the Public Prosecutor's Office also charged several former managers and employees of the Group with the crimes of aggravated fraud, self-laundering, obstructing the performance of the functions of the public supervisory authorities and corruption between private parties. In February 2021, a request was filed for the committal for trial of the defendants for the various offences charged, including the administrative offences pursuant to Italian Legislative Decree 231/2001 with respect to Banco BPM and Banca Aletti. Following the preliminary hearing of 21 January 2022, the Judge established that the Verona Public Prosecutor's Office had territorial jurisdiction for the current proceedings that involve the former managers and employees of the Group with relation to the crimes of aggravated fraud, self-laundering, obstructing the performance of the functions of the public supervisory authorities. The Court of Milan only has jurisdiction for the crime of corruption between private parties charged to a former manager of the bank and for the positions of Banco BPM and Banca Aletti as defendant entities pursuant to Italian Legislative Decree 231/2001.
These situations resulted in the receipt of a high number of complaints from the Group customers involved and the launch of disputes in civil court. In that regard, also with a view to being close to customers, in the last few years the Group has implemented a large-scale customer care initiative. This entails a case-by-case analysis of the aspects reported by customers in their complaints, for the purpose, if necessary, of finalising settlements that envisage the customer retaining ownership of the gem along with the provision of an economic compensation by the Group banks involved. Moreover, following the bankruptcy of IDB, declared in January 2019, the Group further strengthened its oversight of customer care, setting up a free service for assistance to customers in submitting requests for return of the gems to the bankruptcy receiver and, lastly, for return of diamonds still in custody at the vaults managed by the IDB bankruptcy to customers that have already received their authorisations from the Presiding Judge. As at 31 December 2021, over 24,000 claims had been received, and over 1,100 disputes initiated (partly preceded by a claim) for a total relief sought of around 716 million.
At the same date, due to the previously illustrated management and customer care activities, claims and disputes were resolved, through a settlement or the issue of a final ruling, for a total remedy sought exceeding 593 million.
Against the claims and disputes, both those not yet defined and therefore still pending and those potentially estimated, the sub-item in question includes the specific provision recognised against the above disputes with customers amounting to 67.9 million.
The total provision made over the years, from 2017, was 385.6 million, against which drawdowns for refunds to customers of 317.7 million were made.
As at 31 December 2020, the provision amounted to 126.7 million; during 2021, drawdowns for refunds of 61.0 million were made, and a further provision of 2.2 million was added, to take into account the updated estimates relating to the total expected remedy and the percentages of compensation.

As permitted by paragraph 92 of the reference international accounting standard (IAS 37), the disclosure set out above does not include the information whose provision could harm the position of the Group banks involved (Banco BPM and Banca Aletti) in the actions to protect their third party position in the situation and in the pending disputes.

Item b) represents the provision allocated in application of that established under accounting standard IFRS 15 against the risk of having to return a portion of commissions received for the placement of insurance policies with customers, in the case that these customers decide to close the insurance coverage in advance.

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

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

- sale finalised in 2017 of the controlling interest in Aletti Gestielle SGR to Anima Holding;

- the sale finalised in 2018 of the contracts relating to delegated insurance asset management mandates placed through Banco BPM Group network to Anima SGR;
- sale finalised in 2018 of a share of 65% of the equity interests held in the insurance companies Popolare Vita and Avipop Assicurazioni (now named Vera Vita and Vera Assicurazioni, respectively) to Società Cattolica Assicurazioni;
- the sale of a business unit relative to custodian bank business segment to BNP Paribas Securities Services in 2018 and the consequent revision of the obligations established at the time of the sale of the custodian bank business segment of the former Banca Popolare di Milano to the same buyer in 2010;
- the sale finalised in 2015 of the subsidiary B.P. Luxembourg S.A. to Banque Havilland;
- the sale finalised in 2011 of a share of 81% of the interest held in Bipiemme Vita to Covéa. In this regard, please recall that during the year, the Parent Company redefined its partnership agreements with Covéa; please refer to section 7 - Interests in associates and joint ventures of these Notes for the relative disclosure.

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

With reference to the agreements with Cattolica Assicurazioni, during the year an important agreement was entered into which revised the terms and methods of continuation of the partnership. Please refer to section 7 - Interests in associates and joint ventures of these Notes for a more complete disclosure concerning the put and call option agreements relating to the transfer of interests. As regards business targets, the new agreement establishes the waiver of all claims concerning the period 2018-2020 and introduces a new system of penalties and additional commissions for the period between 1 January 2021 and the quarter prior to the transfer of the interests.
As the exercise prices of the options (illustrated in section 7 - Interests in associates and joint ventures) were calculated taking into account the amounts that - as at date of signature of the new agreements (March 2021) - would have been due to Cattolica, it was decided that the provision of 38.5 million recognised in the 2020 financial statements should continue to be maintained in the balance sheet as at 31 December 2021.
Moreover, taking into account the fact that the sum of 26 million linked to the failure to transfer 65% of the share capital of BPM Vita to Cattolica constitutes a certain liability, when preparing the financial statements as at 31 December 2021, a "payable" to Cattolica was recognised, reclassifying the amount of the expected expense already recognised in the 2020 financial statements to provisions for risks and charges; the amount of 12.5 million representing the estimated penalty due for failure to achieve the distribution targets set forth in the previous agreements was maintained as implicitly included in the exercise price of the new options.

As regards the commitments relating to the new commercial targets envisaged by the new agreements, as at 31 December 2021, the targets were deemed achievable and consequently the use of financial resources for the payment of penalties/indemnities cannot be predicted.

Item d) refers to the amount allocated to cover probable future financial disbursements for guarantees granted as part of assignments of non-performing loans finalised in 2021 and previous years.

Section 11 - Technical reserves - Item 110

The Group does not have any equity interests in insurance companies included under consolidation.

Section 12 - Redeemable shares – Item 130

12.1 Redeemable shares: breakdown

The Group has no redeemable shares as of the reporting date, nor did it as at 31 December 2020.

Section 13 - Group equity Items 120, 130, 140, 150, 160, 170 and 180

13.1 “Share capital” and “Own shares”: breakdown

The share capital as at 31 December 2021 was 7,100 million and consisted of 1,515,182,126 ordinary shares, fully subscribed and paid up.

The “own shares” item is represented by 3,569,511 shares of the Parent Company, fully held by the same, for a book value of 8.2 million.

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

	Ordinary	Other
A. Outstanding shares at the beginning of the year	**1,515,182,126**	**-**
- fully paid-up	1,515,182,126	-
- not fully paid-up	-	-
A.1 Own shares (-)	(6,125,659)	-
A.2 Shares in issue: opening balances	**1,509,056,467**	**-**
B. Increases	**2,556,148**	**-**
B.1 New issues	-	-
against payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
free of charge:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of own shares	2,556,148	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in issue: closing balances	**1,511,612,615**	**-**
D.1 Own shares (+)	3,569,511	-
D.2 Outstanding shares at the end of the year	1,515,182,126	-
- fully paid-up	1,515,182,126	-
- not fully paid-up	-	-

Item B.2 includes shares assigned during the year to employees, implementing remuneration and incentive policies as detailed in Part I of the Notes.

13.3 Share capital: other information

There is no other information worthy of note with respect to that already provided in the previous points of this section.

13.4 Profit reserves: other information

Group Reserves recognised under item 150 of the Balance Sheet liabilities amount to a total of 3,999.8 million, classified as follows:

- Profit reserves of 3,670.2 million;
- Other reserves of 329.6 million.

Please see the "Statement of changes in consolidated shareholders' equity" for evidence of changes in the reserves during 2021, as well as the schedule included in the Notes to Banco BPM separate financial statements for the information required under Art. 2427 of the Italian Civil Code.
Lastly, note that the Parent Company has a "Legal Reserve" within its own capital reserves, established in accordance with the provisions of Art. 2430 of the Italian Civil Code, that corresponds to one fifth of share capital, and amounts to 1,420.0 million.

13.5 Equity instruments: breakdown and annual changes

Equity instruments outstanding as at 31 December 2021 amounted to 1,092.8 million (695.4 million at the end of the previous year) and were represented by three issues of Additional Tier 1 securities: the first in 2019 for a nominal amount of 300 million, the second, completed in January 2020, for a nominal amount of 400 million and the last, in January 2021, for a nominal amount of 400 million.
These were, in particular, subordinated instruments classified in Additional Tier 1 capital, under the terms of Regulation no. 575 of 2013 (CRR).
Such issues are classifiable as equity instruments under the terms of the accounting standard IAS 32. The price received from the issue, after deducting the directly-attributable transaction costs net of the tax effect was recognised in the item "140. Equity instruments".
In line with the nature of the instrument, the coupons are recognised as a decrease of shareholders' equity (item "150. Reserves"). As at 31 December 2021 the shareholders' equity decreased by 46.2 million, as a result of the payment of the coupons net of the related tax effect.
For further details on the accounting treatment of the instruments in question, refer to the paragraph entitled "Other significant aspects relating to Group accounting policies" contained in "Part A - Accounting Policies" of these Notes.

13.6 Other information

There is no other information worthy of note with respect to that already provided in previous sections.

Section 14 - Non-controlling interests - Item 190

14.1 Breakdown of item 190 "Non-controlling interests"

Company names	31/12/2021	31/12/2020
Interests in consolidated companies with significant non-controlling interests	-	-
Other interests	1,108	1,894
Total	**1,108**	**1,894**

14.2 Equity instruments: breakdown and annual changes

There are no financial instruments issued by companies of the Group not subject to full control.

Other information

1. Commitments and financial guarantees given

	Nominal value of commitments and financial guarantees given				Total 31/12/2021	Total 31/12/2020
	Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
1. Commitments to disburse funds	**41,416,299**	**2,843,781**	**520,397**	**9,676**	**44,790,153**	**45,149,940**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	1,026,735	199,742	13,580	-	1,240,057	1,354,479
c) Banks	1,851,496	20,750	-	-	1,872,246	1,852,289
d) Other financial companies	2,817,820	65,384	115	1	2,883,320	2,763,978
e) Non-financial companies	33,252,562	2,434,408	501,435	9,552	36,197,957	36,607,477
f) Households	2,467,686	123,497	5,267	123	2,596,573	2,571,717
2. Financial guarantees given	**413,908**	**29,056**	**20,134**	**-**	**463,098**	**504,714**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	13,477	-	-	-	13,477	20,405
c) Banks	34,050	-	-	-	34,050	34,361
d) Other financial companies	45,074	87	16	-	45,177	52,956
e) Non-financial companies	280,368	21,235	17,943	-	319,546	355,052
f) Households	40,939	7,734	2,175	-	50,848	41,940

2. Other commitments and guarantees given

	Nominal value	
	Total 31/12/2021	Total 31/12/2020
1. Other guarantees given	**7,316,990**	**6,769,898**
of which: non-performing credit exposures	261,622	367,872
a) Central Banks	-	-
b) Public Administrations	15,627	18,410
c) Banks	463,523	446,291
d) Other financial companies	195,012	152,319
e) Non-financial companies	6,508,535	6,016,780
f) Households	134,293	136,098
2. Other commitments	**3,028,549**	**5,287,756**
of which: non-performing credit exposures	3,941	4,486
a) Central Banks	-	-
b) Public Administrations	7,082	4,532
c) Banks	70,757	44
d) Other financial companies	636,465	2,858,226
e) Non-financial companies	573,658	530,165
f) Households	1,740,587	1,894,789

3. Assets pledged to secure own liabilities and commitments

Portfolios	Amount 31/12/2021	Amount 31/12/2020
1. Financial assets at fair value through profit and loss	1,079,749	631,715
2. Financial assets measured at fair value through other comprehensive income	8,142,284	4,532,735
3. Financial assets at amortised cost	55,652,324	46,303,101
4. Property, plant and equipment	-	-
of which: property, plant and equipment classified as inventories	-	-

Assets pledged to secure own liabilities and commitments recognised under balance sheet assets totalled 65,034.7 million, mostly attributable to the Parent Company. These refer to:

- 15,864.9 million in financial assets (15,167.6 million in 2020) relative to mortgage loans transferred by the Parent Company to the SPE BP Covered Bond, to guarantee the holders of covered bonds issued as described in detail in the section D.4 Prudential consolidation - Covered bond transactions, contained in Part E - Section 1.1 of these Notes;
- 23,119.6 million (17,536.2 million in 2020) in loans serving to guarantee financing operations with central banks (Abaco);
- 11,804.0 million (8,900.3 million in 2020) in securities underlying repurchase agreements and securities lending;
- 13,305.0 million (8,213.7 million in 2020) in securities serving as deposits/guarantees for other operations, mainly associated with refinancing operations with central banks (pooling);
- 209.0 million (314.9 million in 2020) in assets serving to guarantee financing operations received from Cassa Depositi e Prestiti;
- 732.2 million (1,334.9 million in 2020) in guarantee deposits for the securitisation of Master Agreements signed by Group companies and to the deposits for variation margins with central counterparties relating to transactions in OTC derivatives. Said deposits were recognised in the financial statements under item 40. "Financial assets at amortised cost".

In addition, attention is drawn to the following assets, which are not represented from an accounting perspective in balance sheet assets, used as part of the collateral for the loans received from the ECB, which, as at 31 December 2021 amounted to a nominal value of 39.2 billion (nominal value of 27.5 billion in 2020):

- securities deriving from own asset securitisation transactions for 2,495.0 million (2,919.3 million in 2020);
- covered bond issues repurchased for a nominal value of 5,744.5 million (5,283.7 million in 2020);
- securities deriving from repurchase agreements with securities use and/or lending delivery versus delivery for a residual nominal value of 860.0 million (265.0 million in 2020).

Lastly, we note that at the reporting date there were covered funding operations represented by repurchase agreements payable with underlying securities acquired in the context of reverse repurchase agreements. The book value of these reverse repurchase agreements, recognised among loans to banks and customers, based on the counterparty, amounted to 2,764.7 million (1,771.6 million in 2020), with nominal value of 2,465.4 million (1,582.3 million in 2020).

4. Breakdown of investments against unit-linked and index-linked policies

As at 31 December 2021 the Group had no investments against unit-linked or index-linked policies.

5. Management and brokering for third parties

Type of services	Amount 31/12/2021
1. Execution of customer orders	
a) purchases	65,281,522
1. settled	65,103,671
2. not settled	177,851
b) sales	34,300,158
1. settled	34,120,486
2. not settled	179,672
2. Portfolio management	
a) individual	3,068,392
b) collective	-
3. Securities custody and administration	
a) third party securities under custody: associated with custodian bank services (excluding portfolio management)	-
1. securities issued by companies included in the scope of consolidation	-
2. other securities	-
b) third party securities under custody (excluding portfolio management): other	54,394,989
1. securities issued by companies included in the scope of consolidation	4,731,785
2. other securities	49,663,204
c) third party securities under custody with third parties	51,667,585
d) own securities under custody with third parties	34,711,830
4. Other transactions	48,106

Financial assets and liabilities subject to offsetting in financial statements, or subject to master netting arrangements or similar arrangements

This section provides the information required under standard IFRS 7 relative to "offsetting of financial assets and liabilities" for financial instruments which:

- were offset in the balance sheet pursuant to IAS 32;
- could potentially be offset, given certain conditions, but presented in the balance sheet as open balances, as they are governed by "master netting arrangements or similar arrangements", which do not meet the criteria established in IAS 32 for offsetting.

In providing disclosure on these agreements, the standard also requires that the effects of real financial collateral (including guarantees in cash equivalents) received or granted be taken into effect.

More specifically, instruments offset in the balance sheet pursuant to IAS 32 refer to certain repurchase agreements entered into by the Parent Company with Banks and some over-the-counter (OTC) financial derivatives entered into by individual Group companies with the counterparty London Clearing House (LCH).

In particular, the amounts offset shown in tables 6 and 7 below, corresponding to the columns "Amount of financial liabilities offset in the financial statements (b)" and "Amount of financial assets offset in the financial statements (b)", amounted to 1,263.5 million, of which 829.4 million relative to repurchase agreements the effect of which decreases the following balance sheet items:

- 40. Financial assets at amortised cost
  a) loans to banks - offset for 829.4 million;
- 10. Financial liabilities at amortised cost
  a) due to banks - offset for 459.0 million;
  b) debt securities in issue - offset for 370.4 million.

The effect of the offset decreasing "debt securities in issue" is due to the representation used for funding repurchase agreements with the use of repurchased own issues.

The remaining 434.1 million relating to derivative instruments offset at the level of individual Group company are represented as a decrease of the following balance sheet items:

- 20. Financial assets at fair value through profit and loss
  a) Financial assets held for trading – offset for 342.5 million;
- 50. Hedging derivatives – offset for 91.6 million.
- 20. Financial liabilities held for trading – offset for 342.5 million;
- 40. Hedging derivatives – offset for 91.6 million.

For instruments that could potentially be offset, should certain events occur and that would be presented in tables 6 and 7 below in the column "Related amounts not subject to offsetting in the financial statements", note that the Group has the following agreements in place:

- for derivative instruments: "ISDA Master Agreement" and netting arrangements with clearing houses;
- for repurchase agreements and reverse repurchase agreements: "Global Master Repurchase Agreements (GMRA)" and netting arrangements with "Cassa di Compensazione e Garanzia (CC&G)";
- for securities lending transactions: "Global Master Securities Lending Agreements (GMSLA)".

With regards to derivatives, whether for trading or hedging, note that:

- those with a positive fair value amount to 2,122.5 million (recognised under items 20 and 50 of the balance sheet assets) of which, net of offsetting, 1,935.6 million (2,369.7 million gross) is supported by netting agreements (91.2% in percentage terms), as indicated in table 6 (columns c) and a));
- those with a negative fair value amount to 2,186.4 million (recognised under items 20 and 40 of the balance sheet liabilities) of which, net of offsetting, 1,976.8 million (2,410.9 million gross) is supported by netting agreements (90.4% in percentage terms), as indicated in table 7 (columns c) and a)). Positions not covered by netting arrangements for the most part refer to certificates contracts signed by customers and issued by the subsidiary Banca Akros, which as at 31 December 2021 had a fair value of 168.3 million.

With reference to securities lending transactions, it should be noted that tables 6 and 7 below include operations which involve the payment of cash guarantees which are fully available to the lender, as these are single operations recognised in the balance sheet. For the purposes of reconciliation with the balance sheet figures for securities lending transactions and repurchase agreements falling under netting or similar arrangements, note that these operations are represented under the items "Reverse repurchase agreements/repurchase agreements" indicated in the tables showing the breakdown of loans to/due to banks and customers and financial assets and liabilities held for trading, based on the type of counterparty and the purpose of the transactions, found in Part B - Information on the consolidated balance sheet. Note that table 7 shows 500 million in funding repurchase agreements with the use of its own issues repurchased, recognised in the financial statements and in the relative tables of Part B. "Item 10. Financial liabilities at amortised cost – c) Debt securities in issue", while some securities lending transactions to customers guaranteed in cash without netting arrangements are not reported for 1.0 million, which represent the differences with respect to that shown in the tables in Part B.

For the purposes of creating tables 6 and 7 below, in line with standard IFRS 7 and the instructions contained in Circular 262, note that:

- the effects of potential offsetting of financial statement values for financial assets and liabilities are indicated in column (d) "Financial instruments", together with the fair value of the real financial guarantees represented by securities;
- the effects of potential offsetting for the exposure with the relative cash guarantees are shown under column (e) "Cash deposits received/given as guarantee".

These effects are calculated for each individual counterparty supported by a master netting arrangement within the limits of the net exposure indicated under column (c).

Based on the methods identified above, netting arrangements between financial instruments and the relative financial guarantees make it possible to significantly decrease the creditor/debtor exposure relative to the counterparty, as indicated in column (f) "Net amount" in tables 6 and 7 below.

6. Financial assets subject to offsetting in financial statements, or subject to master netting arrangements or similar arrangements

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets presented in the financial statements (c=a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e) 31/12/2021	Net amount (f=c-d-e) 31/12/2020
				Financial instruments (d)	Cash deposits received as guarantee (e)		
1. Derivatives	2,369,686	434,098	1,935,588	1,451,450	369,840	114,298	71,433
2. Repurchase agreements	3,600,940	829,367	2,771,573	2,769,804	611	1,158	7
3. Securities lending	1,374,962	-	1,374,962	1,210,209	-	164,753	2,411
4. Other	-	-	-	-	-	-	-
Total 31/12/2021	**7,345,588**	**1,263,465**	**6,082,123**	**5,431,463**	**370,451**	**280,209**	**X**
Total 31/12/2020	**10,802,804**	**2,248,927**	**8,553,877**	**8,228,352**	**251,674**	**X**	**73,851**

7. Financial liabilities subject to offsetting in the financial statements, or subject to master netting arrangements or similar arrangements

Technical forms	Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities presented in the financial statements (c=a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e) 31/12/2021	Net amount (f=c-d-e) 31/12/2020
				Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives	2,410,880	434,098	1,976,782	1,451,449	505,685	19,648	65,321
2. Repurchase agreements	14,825,005	829,367	13,995,638	13,962,047	31,749	1,842	273
3. Securities lending	1,908,513	-	1,908,513	1,901,890	-	6,623	40,639
4. Other transactions	-	-	-	-	-	-	-
Total 31/12/2021	**19,144,398**	**1,263,465**	**17,880,933**	**17,315,386**	**537,434**	**28,113**	**X**
Total 31/12/2020	**16,276,211**	**2,248,927**	**14,027,284**	**12,801,115**	**1,119,936**	**X**	**106,233**

8. Securities lending transactions

The table below provides information about Group securities lending transactions (receivable and payable), broken down by the type of securities (government, bank, other), market counterparty (bank, financial brokers, customers) and the relative technical forms (loan guaranteed by cash or by other securities).
These are mainly carried out by the Parent Company Banco BPM and the subsidiary Banca Akros. Securities obtained as a loan are, as a rule, used for mirrored securities lending transactions (where the Group is the lender) or as underlying assets for repurchase agreements for funding.
Note that securities lending transactions that involve the payment of cash guarantees that are fully available to the lender are represented in the balance sheet in the loans to/due to banks or customers, in the technical form of "repurchase agreements". Securities lending transactions with guarantees consisting of other securities or cash, which are not fully available to the lender, are not indicated in the balance sheet, but are included among off-balance sheet exposures with regards to the relative counterparty risk.

The table below provides information about receivables and payables recognised in the financial statements as at 31 December 2021 against securities received and given in cash-backed loans. Transactions not included in the balance sheet, as noted in the previous paragraph, are exposed on the basis of the fair value of the securities loaned, whether received or given.

Type of securities lending transaction	Type of securities		
	Government securities	Bank securities	Other securities
Cash-backed loaned securities received - Loans to:			
a) Banks	-	2,227	36,614
b) Financial intermediaries	-	116,048	1,220,074
c) Customers	-	-	-
Total receivables for securities lending	**-**	**118,275**	**1,256,688**
Security or cash-backed loaned securities received not available to the lender from:			
b) Financial intermediaries	-	-	-
c) Customers	1,499	364,545	40,764
Total (fair value)	**1,499**	**364,545**	**40,764**
Cash-backed loaned securities given - Due to:			
a) Banks	-	125,019	1,723,686
b) Financial intermediaries	-	3,829	55,980
c) Customers	-	362	647
Total payables for securities lending	**-**	**129,210**	**1,780,313**
Security-backed or non-guaranteed loaned securities given:			
a) Banks	2,056,553	368,034	4,431
b) Financial intermediaries	-	-	-
c) Customers	-	138	6,283
Total (fair value)	**2,056,553**	**368,172**	**10,714**

The 2,056.6 million under "Security-backed or non-guaranteed loaned securities given" (1,912.9 million in 2020), refers to transactions on government securities loaned by the Parent Company, without guaranteed received.

9. Information on joint operations

As at the reporting date, as in the previous year, there were no joint control agreements classifiable as "joint operations" pursuant to accounting standard IFRS 11, on the basis of which the parties holding joint control have rights over the assets and obligations regarding the liabilities relative to the agreement.