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 31/12/2022	Total 31/12/2021
a) Cash	676,459	787,733
b) Current accounts and demand deposits with Central Banks	12,034,192	28,008,297
c) Current accounts and demand deposits with banks	420,164	357,286
Total	**13,130,815**	**29,153,316**

The sub-item b) "Current accounts and demand deposits with Central Banks", of 12.0 billion, shows one short-term deposit with the Bank of Italy.

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 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	219,452	40,789	-	1,057,713	2,051	-
1.1 Structured securities	657	32,476	-	53,225	-	-
1.2 Other debt securities	218,795	8,313	-	1,004,488	2,051	-
2. Equity instruments	1,333,525	-	18	1,270,245	-	18
3. UCIT units	33,398	-	128	18,888	-	134
4. Loans	-	157,184	-	-	194,122	-
4.1 Repurchase agreements	-	157,184	-	-	194,122	-
4.2 Other	-	-	-	-	-	-
Total (A)	**1,586,375**	**197,973**	**146**	**2,346,846**	**196,173**	**152**
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	134,634	2,587,772	1,186	172,004	1,821,274	2,037
1.1 held for trading	134,634	2,465,536	1,186	172,004	1,786,116	2,037
1.2 connected with the fair value	-	122,222	-	-	34,956	-
1.3 other	-	14	-	-	202	-
2. Credit derivatives	-	411	-	-	139	-
2.1 held for trading	-	411	-	-	139	-
2.2 connected with the fair value	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**134,634**	**2,588,183**	**1,186**	**172,004**	**1,821,413**	**2,037**
Total (A+B)	**1,721,009**	**2,786,156**	**1,332**	**2,518,850**	**2,017,586**	**2,189**

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

Sub-item 1.2 "Other debt securities" includes subordinated financial assets mainly issued by banks and insurance companies of 31.2 million classified as level 1 and 0.5 million classified as level 2. The previous year they amounted to 45.7 million, classified as level 1.

Item 4. "Loans" is fully represented by trading repurchase agreements, mainly entered into with Central Counterparties.

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

Items/Amounts	**31/12/2022**	**31/12/2021**
Share Funds	27,659	17,901
Real Estate Funds	5,867	1,121
Total	**33,526**	**19,022**

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

Items/Amounts	**Total 31/12/2022**	**Total 31/12/2021**
A. On-balance sheet assets		
1. Debt securities	**260,241**	**1,059,764**
a) Central Banks	-	-
b) Public Administrations	28,950	828,411
c) Banks	137,602	141,056
d) Other financial companies	42,746	54,114
of which: insurance companies	7,989	9,975
e) Non-financial companies	50,943	36,183
2. Equity instruments	**1,333,543**	**1,270,263**
a) Banks	52,897	22,327
b) Other financial companies	83,230	94,980
of which: insurance companies	1,589	1,988
c) Non-financial companies	1,197,412	1,152,946
d) Other issuers	4	10
3. UCIT units	**33,526**	**19,022**
4. Loans	**157,184**	**194,122**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	125,388	192,086
d) Other financial companies	31,796	2,036
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**1,784,494**	**2,543,171**
B. Derivative instruments		
a) Central Counterparties	44,980	61,060
b) Other	2,679,023	1,934,394
Total (B)	**2,724,003**	**1,995,454**
Total (A+B)	**4,508,497**	**4,538,625**

2.3 Financial assets designated at fair value: breakdown by product

As at 31 December 2022, 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 2022, 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 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	38,063	-	41,789	40,601	-	48,520
1.1 Structured securities	-	-	1,000	-	-	-
1.2 Other debt securities	38,063	-	40,789	40,601	-	48,520
2. Equity instruments	266,088	36,892	32,056	252,623	26,896	38,277
3. UCIT units	2,859,428	-	637,895	566,983	-	505,559
4. Loans	-	-	514,787	-	-	319,026
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	514,787	-	-	319,026
Total	**3,163,579**	**36,892**	**1,226,527**	**860,207**	**26,896**	**911,382**

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

Exposure to debt securities amounts to a total 79.9 million, represented almost entirely by bonds issued by financial companies and banks. In particular, sub-item 1.2 “Other debt securities” includes:

- subordinated financial assets due to banks and insurance companies classified as level 1 for 38.1 million (nominal value of 38.4 million) compared to 40.6 million (nominal value of 40 million) in 2021 classified in the same level;
- Asset Backed Securities (ABS) for 40.8 million (45.3 million in 2021), of which 39.9 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, Tevere SPV, Aurelia SPV and Sun SPV. Those securities are classified as level 3. For further details please refer to paragraph “C. Securitisation transactions” in Part E of these Notes.

In item 2 "Equity instruments", which amounts to a total of 335.0 million (317.8 million in 2021), 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 132.9 million (252.4 million in 2021).

Item 4 “Loans” includes, for 219 million, the exposure recognised in this portfolio following the restructuring that took place in 2022, as part of the “Wolf Project”, as illustrated in more detail in the paragraph “Other significant aspects relating to Group accounting policies” contained in Part A of these Notes. The above-mentioned recognition is able to justify the increase in the item in question.

Lastly, it should be noted that the change with respect to the previous year in “Financial assets mandatorily measured at fair value” is mainly due to the business combination represented by the acquisition of the insurance companies. The assets pertaining to these companies amount to 2,445.8 million and are mainly represented by UCIT units for 2,310.6 million. These assets are represented by 1,402.0 million of investments underlying the Unit-linked contracts as illustrated in detail in “Part B - Information on the consolidated balance sheet - Other information” of these Notes.

The table below presents the breakdown of UCIT units.

Items/Amounts	31/12/2022	31/12/2021
Share Funds	942,398	223,828
Balanced Funds	12,081	5,859
Bond Funds	2,080,100	608,554
Liquidity Funds	113,458	-
Flexible Funds	63,333	-
Hedge Funds	3,456	3,820
Real Estate Funds	71,116	49,976
Private Debt and similar funds	211,381	180,505
Total	**3,497,323**	**1,072,542**

"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 31/12/2022	Total 31/12/2021
1. Equity instruments	**335,036**	**317,796**
of which: banks	-	-
of which: other financial companies	144,656	270,933
of which: non-financial companies	57,405	46,863
2. Debt securities	**79,852**	**89,121**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	22,647	23,565
d) Other financial companies	56,205	62,685
of which: insurance companies	15,416	17,036
e) Non-financial companies	1,000	2,871
3. UCIT units	**3,497,323**	**1,072,542**
4. Loans	**514,787**	**319,026**
a) Central Banks	-	-
b) Public Administrations	2,930	3,303
c) Banks	-	-
d) Other financial companies	99,000	108,000
of which: insurance companies	-	-
e) Non-financial companies	375,856	160,265
f) Households	37,001	47,458
Total	**4,426,998**	**1,798,485**

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 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	12,477,891	62,952	-	10,283,038	52,684	-
1.1 Structured securities	-	6,218	-	6,564	-	-
1.2 Other debt securities	12,477,891	56,734	-	10,276,474	52,684	-
2. Equity instruments	9,745	113,525	162,578	29,027	113,525	196,805
3. Loans	-	-	-	-	-	-
Total	**12,487,636**	**176,477**	**162,578**	**10,312,065**	**166,209**	**196,805**

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

Exposure in debt securities amounted to a total of 12,540.8 million (10,335.7 million as at 31 December 2021) and was mainly represented by bonds issued by governments and banks. Note that the difference was affected by the business combination of the insurance companies; their contribution as at 31 December 2022 amounted to 3,446.2 million.

Subordinated assets amounted to 44.8 million (53.0 million in terms of nominal value) and refer to securities issued by banks and insurance 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 114.2 million (107.0 million in terms of nominal value), classified under level 1.

The exposure held in equity instruments amounted to a total of 285.8 million (339.4 million as at 31 December 2021). More specifically:

- Level 2 equity instruments include the stakes held in the share capital of the Bank of Italy (4,541 shares), 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 share. 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 share;
- Level 3 equity instruments include shares held in C.R. Asti S.p.A. and Palladio Holding S.p.A. for 56.9 million and 34.1 million, respectively.

Equity instruments deriving from the recovery of impaired financial assets came to 29.6 million.

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

Items/Amounts	Total 31/12/2022	Total 31/12/2021
1. Debt securities	**12,540,843**	**10,335,722**
a) Central Banks	-	-
b) Public Administrations	10,087,530	7,494,826
c) Banks	1,080,972	1,491,945
d) Other financial companies	926,007	967,075
of which: insurance companies	45,153	67,484
e) Non-financial companies	446,334	381,876
2. Equity instruments	**285,848**	**339,357**
a) Banks	170,478	174,671
b) Other issuers:	115,370	164,686
- other financial companies	49,918	63,337
of which: insurance companies	-	20
- non-financial companies	61,120	101,349
- other	4,332	-
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	**12,826,691**	**10,675,079**

3.3 Financial assets measured at fair value through other comprehensive income: 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	12,498,030	6,723,157	47,477	-	-	(3,814)	(850)	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2022	**12,498,030**	**6,723,157**	**47,477**	**-**	**-**	**(3,814)**	**(850)**	**-**	**-**	**-**
Total 31/12/2021	**10,272,950**	**7,486,752**	**65,899**	**-**	**-**	**(2,745)**	**(382)**	**-**	**-**	**-**

(*) 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 2022, 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 31/12/2022						Total 31/12/2021					
	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	**1,297,716**	**-**	**-**	**-**	**-**	**1,297,716**	**10,036,899**	**-**	**-**	**-**	**-**	**10,036,899**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Minimum reserve	1,297,716	-	-	X	X	X	10,036,899	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	**4,194,522**	**-**	**-**	**1,213,783**	**60,478**	**2,880,451**	**2,737,091**	**-**	**-**	**837,726**	**79,028**	**1,848,444**
1. Loans	2,880,185	-	-	-	-	2,880,451	1,840,979	-	-	-	-	1,848,444
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	113,414	-	-	X	X	X	154,496	-	-	X	X	X
1.3. Other loans:	2,766,771	-	-	X	X	X	1,686,483	-	-	X	X	X
- Reverse repurchase agreements	792,744	-	-	X	X	X	293,490	-	-	X	X	X
- Loans for leases	372	-	-	X	X	X	666	-	-	X	X	X
- Other	1,973,655	-	-	X	X	X	1,392,327	-	-	X	X	X
2. Debt securities	1,314,337	-	-	1,213,783	60,478	-	896,112	-	-	837,726	79,028	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	1,314,337	-	-	1,213,783	60,478	-	896,112	-	-	837,726	79,028	-
Total	**5,492,238**	**-**	**-**	**1,213,783**	**60,478**	**4,178,167**	**12,773,990**	**-**	**-**	**837,726**	**79,028**	**11,885,343**

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 995.6 million (434.5 million in 2021), 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 3.8 million, associated with revenues accruing in 2022 but not yet received as of the end of the year.

Item B.2 "Debt securities" includes subordinated securities for an amount of 36.9 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 31/12/2022						Total 31/12/2021					
	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	**105,032,995**	**2,260,700**	**228,303**	**-**	**-**	**104,649,814**	**103,678,315**	**3,063,186**	**344,321**	**-**	**-**	**112,608,922**
1. Current accounts	8,367,448	170,260	34,156	X	X	X	8,223,489	240,496	78,652	X	X	X
2. Reverse repurchase agreements	1,883,322	-	-	X	X	X	3,658,922	-	-	X	X	X
3. Mortgage loans	80,358,094	1,554,835	106,840	X	X	X	77,212,146	1,911,505	162,190	X	X	X
4. Credit cards, personal loans and salary-backed loans	953,951	13,902	88	X	X	X	1,333,945	16,508	97	X	X	X
5. Loans for leases	532,078	245,953	2,155	X	X	X	702,296	516,984	3,450	X	X	X
6. Factoring	90,585	-	-	X	X	X	78,116	-	-	X	X	X
7. Other loans	12,847,517	275,750	85,064	X	X	X	12,469,401	377,693	99,932	X	X	X
2. Debt securities	**26,125,530**	**-**	**-**	**22,992,888**	**115,720**	**2,233,543**	**20,588,576**	**-**	**-**	**18,430,425**	**205,821**	**2,461,687**
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	26,125,530	-	-	22,992,888	115,720	2,233,543	20,588,576	-	-	18,430,425	205,821	2,461,687
Total	**131,158,525**	**2,260,700**	**228,303**	**22,992,888**	**115,720**	**106,883,357**	**124,266,891**	**3,063,186**	**344,321**	**18,430,425**	**205,821**	**115,070,609**

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

Net loans to customers amounted to 133,647.5 million (127,674.4 million as at 31 December 2021). Excluding debt securities, the analysis of the portfolio by type shows mortgage loans accounting for the largest part, representing 76% of the total (74% in 2021), followed by current accounts totalling 8,571.9 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, loans with medium-long term repayment plans and operating receivables associated with the provision of financial services. In particular, operating receivables include 218.5 million for fees and commissions accruing in 2022, against ordinary contacts with customers, which will be received during 2023 (mainly relative to securities placement for 86.7 million and the distribution of insurance products for third parties for 107.5 million). In 2021 these amounted to 213.0 million, almost fully collected during 2022. 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.

Stage 3 non-performing loans amounted to 2,260.7 million, marking a decrease compared to the previous year (3,063.2 million), also due to additional derisking transactions finalised during the year.

For more details about credit quality, please see Part E "Section 1 - Risks of the consolidated book - A. Credit quality" and "Section 2 - Risks of prudential consolidation, 1.1 Credit risk - A. Credit quality".

Item 2. Debt securities, classified under level 3, include securities issued as part of own securitisation transactions for 1,933.7 million (2,297.6 million in 2021) of which:

- 761.1 million (920.2 million in 2021) relating to senior securities issued by Red Sea SPV;
- 743.6 million (938.3 million in 2021) relating to senior securities issued by Leviticus SPV;
- 42.2 million (67.7 million in 2021) relating to senior securities issued by Tiberina SPV;
- 24.2 million (29.7 million in 2021) relating to senior securities issued by Titan SPV;
- 266.6 million (341.7 million in 2021) relating to senior securities issued by Aurelia SPV;
- 96 million relating to senior securities issued by Tevere SPV.

Third-party securitisations of 206 million (99.4 million in 2021) are also included.
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 31/12/2022			Total 31/12/2021		
	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	**26,125,530**	**-**	**-**	**20,588,576**	**-**	**-**
a) Public Administrations	23,115,576	-	-	17,346,373	-	-
b) Other financial companies	2,779,572	-	-	2,966,254	-	-
of which: insurance companies	2,497	-	-	2,486	-	-
c) Non-financial companies	230,382	-	-	275,949	-	-
2. Loans to:	**105,032,995**	**2,260,700**	**228,303**	**103,678,315**	**3,063,186**	**344,321**
a) Public Administrations	1,873,998	360	17	1,679,631	1,163	17
b) Other financial companies	10,420,735	80,173	56	12,009,437	29,491	788
of which: insurance companies	86,401	-	-	104,645	-	-
c) Non-financial companies	58,496,660	1,536,722	195,805	56,542,173	2,214,909	302,039
d) Households	34,241,602	643,445	32,425	33,447,074	817,623	41,477
Total	**131,158,525**	**2,260,700**	**228,303**	**124,266,891**	**3,063,186**	**344,321**

4.4 Financial assets at amortised cost: 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	27,344,493	23,069,985	106,278	-	-	(10,206)	(698)	-	-	-
Loans	98,865,053	-	10,753,798	4,545,015	367,116	(150,089)	(257,866)	(2,284,315)	(138,813)	379,862
Total 31/12/2022	**126,209,546**	**23,069,985**	**10,860,076**	**4,545,015**	**367,116**	**(160,295)**	**(258,564)**	**(2,284,315)**	**(138,813)**	**379,862**
Total 31/12/2021	**125,730,401**	**17,319,355**	**11,759,529**	**5,928,733**	**604,373**	**(127,551)**	**(321,501)**	**(2,865,547)**	**(260,052)**	**427,545**

(*) Value to be shown for disclosure purposes.

The amount shown in the column "of which: Instruments with low credit risk", of 23,070.0 million (17,319.4 million in 2021) 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				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	
1. Loans subject to forbearance measures compliant with GL	3,532	-	5,218	1,144	118	(4)	(207)	(184)	(47)	-
2. Loans subject to current moratorium measures no longer compliant with GL and not assessed as forborne	-	-	309	-	-	-	(14)	-	-	-
3. Loans subject to other forbearance measures	-	-	105,189	34,448	-	-	(864)	(11,073)	-	-
4. New loans	14,156,496	-	1,862,487	291,530	30	(6,010)	(7,155)	(71,057)	-	-
Total 31/12/2022	**14,160,028**	**-**	**1,973,203**	**327,122**	**148**	**(6,014)**	**(8,240)**	**(82,314)**	**(47)**	**-**
Total 31/12/2021	**16,271,137**	**-**	**3,826,472**	**304,009**	**17,763**	**(7,315)**	**(75,969)**	**(91,526)**	**(3,370)**	**-**

(*) Value to be shown for disclosure purposes.

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 2022, like last year, refer entirely to the Parent Company.

For an illustration of the content of the sub-items, for more details on the support measures granted by the Group and on the relative credit quality of those still active, please refer to the content of the paragraph entitled "Most significant aspects for 2022 financial statement valuations" in "Section 5 - Other aspects" in Part A of these Notes.

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 31/12/2022			NV 31/12/2022	Fair Value 31/12/2021			NV 31/12/2021
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1) Fair value	-	1,717,211	-	22,177,838	-	127,076	-	18,224,949
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**1,717,211**	**-**	**22,177,838**	**-**	**127,076**	**-**	**18,224,949**

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	518,368	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	883,158	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	315,585	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**1,401,526**	**-**	**-**	**-**	**-**	**-**	**315,585**	**-**	**-**	**-**
1. Financial liabilities	39	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	61	X	-	X
Total liabilities	**39**	**-**	**-**	**-**	**-**	**-**	**61**	**-**	**-**	**-**
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 31/12/2022	Total 31/12/2021
1. Increase	**11,454**	**34,515**
1.1 of specific portfolios:	11,454	34,515
a) financial assets at amortised cost	11,454	34,515
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. Decrease	**(499,857)**	**(31,640)**
2.1 of specific portfolios:	(499,857)	(31,640)
a) financial assets at amortised cost	(499,857)	(31,640)
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	-	-
Total	**(488,403)**	**2,875**

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 2022, the book value of the item “Interests in associates and joint ventures” totalled 1,453.9 million (1,794.1 million as at 31 December 2021), relative to:

- significant interests of 1,231.4 million (1,391.6 million as at 31 December 2021), as shown in table 7.2 below, by individual interest;
- non-significant interests of 222.5 million (402.5 million as at 31 December 2021), 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	20.622%	20.622%
4. Aosta Factor S.p.A. Share capital € 14,993,000.00	Aosta	Aosta	1	Banco BPM	20.690%	20.690%
5. Bussentina S.c.a.r.l. in liquidation (*) Share capital € 25,500.00	Rome	Rome	1	Banco BPM	20.000%	20.000%
6. Calliope Finance S.r.l. in liquidation Share capital € 600,000.00	Milan	Milan	1	Banco BPM	50.000%	50.000%
7. Gardant Liberty Servicing S.p.A. Share capital € 150,000.00	Rome	Rome	1	Banco BPM	30.000%	30.000%
8. Etica SGR S.p.A. (**) Share capital € 4,500,000.00	Milan	Milan	1	Banco BPM	19.444%	19.444%
9. 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%
10. SelmaBipiemme Leasing S.p.A. Share capital € 41,305,000.00	Milan	Milan	1	Banco BPM	40.000%	40.000%
11. 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%
12. Vera Assicurazioni S.p.A. Share capital € 63,500,000.00	Verona	Verona	1	Banco BPM	35.000%	35.000%
13. Vera Vita S.p.A. Share capital € 219,600,005.00	Verona	Verona	1	Banco BPM	35.000%	35.000%
14. Vorvel SIM S.p.A. Share capital € 7,300,000.00	Milan	Milan	1	Banca Akros	20.000%	20.000%

(a) Type of relationship:
1= interest in share capital
(*) Company removed from the Companies' Register on 19 January 2023.
(**) Company 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.	755,849	-	85,410
Alba Leasing S.p.A.	165,811	-	-
Anima Holding S.p.A.	240,989	267,402	20,009
Vera Vita S.p.A.	68,792	-	-
Total	**1,231,441**	267,402	**105,419**

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 2021, 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 2022 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] For the interest held in Anima Holding, valued using the equity method, the contribution to the consolidated income statement for the year 2022 also includes the economic result achieved by the investee in the last quarter of 2021, equal to 11.8 million. Please recall that, for the preparation of the 2021 financial statements, it was not possible to recognise the contribution of the fourth quarter, as Anima Holding approved its draft financial statements after those of Banco BPM.

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	16,330,129	2,197,120	15,959,513	328,689	1,983,103	X	X	395,571	265,111	-	265,111	1,018	266,129
Alba Leasing S.p.A.	X	5,193,432	106,706	4,663,585	212,506	229,606	X	X	12,608	8,577	-	8,577	219	8,796
Anima Holding S.p.A.	X	705,714	1,629,197	796,735	146,736	1,015,736	X	X	184,966	120,801	_	120,801	3,844	124,645
Vera Vita S.p.A.	X	7,090,369	411,841	7,536,649	95,296	941,919	X	X	(11,188)	(6,321)	-	(6,321)	(546,336)	(552,657)

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.	2,239,047	39.000%	873,228	(117,379)	755,849
Alba Leasing S.p.A.	424,047	39.189%	166,180	(369)	165,811
Anima Holding S.p.A.	1,391,440	20.622%	286,943	(45,954)	240,989
Vera Vita S.p.A.	(129,735)	35.000%	(45,407)	103,552	68,792

(*) 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 Cattolica Assicurazioni, which belongs to the Generali 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 interests	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**	222,514	953,458	803,555	134,956	15,447	-	15,447	(14,104)	1,343

7.5 Interests in associates and joint ventures: annual changes

	31/12/2022	31/12/2021
A. Opening balance	**1,794,116**	**1,664,772**
B. Increases	**160,625**	**234,414**
B.1 Acquisitions	700	
B.2 Recoveries		
B.3 Revaluations		
B.4 Other changes	159,925	234,414
C. Decreases	**(500,786)**	**(105,070)**
C.1 Sales	(75,000)	(314)
C.2 Value adjustments		(18,673)
C.3 Write-downs		
C.4 Other changes	(425,786)	(86,083)
D. Closing balance	**1,453,955**	**1,794,116**
E. Total revaluations		-
F. Total adjustments	**(625,921)**	**(644,594)**

Acquisitions (item B.1) refer to the payment of the portion to hedge future losses and the subscription to the share capital increase of the investee Vorvel Sim (formerly HI-MTF), held by Banca Akros.

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 159.9 million (for details, please see "Section 17 - Gains (losses) of associates and joint ventures" in Part C of these Notes).

Sales (item C.1) refer to the sale of 39.5% of the interest in Factorit.

Other decreases (item C.4) include:

- the effect of the distribution of dividends on the capital of Agos Ducato (-85.4 million), Anima Holding (-20.0 million), Vera Assicurazioni (-10.5 million), Banco BPM Vita (-5.0 million), Gardant Liberty Servicing (-1.8 million), Etica SGR (-1.5 million) and Selmabipiemme (-1.3 million);
- the portion of losses for the year recorded by the investees pertaining to the Group, equal to -2.4 million;
- the effects pertaining to the Group of valuation reserves and other reserves of associates (-210.2 million);
- the effect of the transfer of the investee Banco BPM Vita S.p.A., consolidated on a line-by-line basis as from 1 July 2022 (-87.6 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 2022, 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 regard to Etica SGR, despite holding less than 20% of the shareholding, it is believed that there is significant influence by virtue of the shareholders' agreement signed with the other member banks containing corporate governance rules, as well as the placement agreements in place between Banco BPM Group and Etica SGR.

As at 31 December 2022 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, which retained the name ProFamily, 100%-owned by Banco BPM and subsequently merged into Banco BPM.

On 18 December 2020, an Amendment Agreement between the parties was 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. A fixed component of 60 million will be added to this value, of which 26 million against Cattolica's waiver to extend the distribution agreement to the branches currently served by another insurance partner. 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.

As regards the Non-Life/Protection business, following the competitive process aimed at evaluating possible partnership options, on 23 December 2022 Banco BPM signed a binding term-sheet with Crédit Agricole Assurances which provides for (i) the sale of the 65% stake in Banco BPM Assicurazioni's share capital and, subject to the repurchase by the Bank, of the 65% stake currently held by Cattolica Assicurazioni in the share capital of Vera Assicurazioni, which in turn wholly owns Vera Protezione, and (ii) the launch of a 20-year commercial partnership in the Non-Life/Protection sector.

Commitments deriving from bancassurance agreements with Covéa

As described in the section dedicated to significant events during the year in the Report on operations, after exercising the call option resolved on 12 April 2022 and obtaining the authorisations required by law from the competent Authorities, on 22 July 2022, Banco BPM completed the purchase from Covéa Coopérations S.A. of 81% of the share capital of Bipiemme Vita, which in turn holds 100% of the share capital of Bipiemme Assicurazioni, for a consideration of 309.4 million.

The insurance companies, Bipiemme Vita and Bipiemme Assicurazioni, which concurrently changed their company names to Banco BPM Vita and Banco BPM Assicurazioni, were consolidated on a line-by-line basis starting from the second half of 2022.

After gaining full control of the insurance companies, the Shareholders' Agreement in place prior to the completion of the transaction was terminated.

This transaction, concluded before the date of 31 December 2023 set out in the Strategic Plan, also served to obtain recognition of the status of a "financial conglomerate" to access benefits in the prudential treatment of the equity investment deriving from application of the so-called "Danish Compromise". As mentioned in "Section 4 - Events after the reporting date" of Part A of these Notes to the financial statements, on 7 March 2023 the European Central Bank announced that it had granted the status of "financial conglomerate" to Banco BPM.

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:

- the sale to Anima Holding of Aletti Gestielle SGR;
- the long-term partnership in the asset management sector between Banco BPM Group and Anima Group;
- 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 2022. For the purposes of measuring it using the equity method, the income statement was reconstructed from the second half of the financial year, 1 July 2021 - 30 June 2022, and an income statement approved by the company relative to the half year 1 July 2022 - 31 December 2022.

Impairment testing to determine whether there has been a permanent loss in value

Analysis of potential impairment triggers

The negative performance of the financial markets and the ensuing capital losses on the securities portfolio had negative repercussions on shareholders' equity and on the regulatory capital of the interests in associates held in the life insurance companies, particularly those operating in the Life segment, such as Vera Vita. This circumstance was considered a potential impairment indicator, which therefore suggested the execution of a test aimed at ascertaining the recoverability of the book values. This test is in addition to that indirectly carried out on the interests held in Vera Assicurazioni, by testing the recoverability of the Bancassurance Protection CGU, as described in Section 10 "Intangible assets - Item 100", which should be referenced for further details.

The total book value of the interests held in the insurance companies is detailed in the following table:

millions of euro	Book value
Vera Vita	68.8
Vera Assicurazioni	86.0

Calculation methodology, cost of equity and results

For the methodology for calculating the recoverable value of the interest held in Vera Assicurazioni and the relative cost of equity (equal to 8.39%), reference is made to that illustrated for the Bancassurance Protection CGU in Section "10.1.1 Intangible assets with an indefinite life" and in particular in paragraph "B. Criteria used to determine the recoverable value of the CGUs and interests in insurance companies".
To estimate the recoverable value of Vera Vita, the company's Fair Value was considered, calculated as 35% of Own Funds (only the Tier 1 Unrestricted + Tier 3 capital components) as at 31 December 2022. This valuation method is aligned with market best practices, which identify Own Funds as the minimum value of an insurance company.

As a result of the checks carried out, for the interests in associates held in Vera Vita and Vera Assicurazioni, the impairment test conducted as at 31 December 2022 did not reveal the need to recognise any impairment, showing a positive margin between the recoverable value and the book value.

Section 8 - Technical reserves of reinsurers - Item 80

8.1 Technical reserves of reinsurers

	Total 31/12/2022
A. Non-Life business	**482**
A1. Premium reserves	166
A2. Claims reserves	316
A3. Other reserves	-
B. Life business	**2,605**
B1. Mathematical reserves	1,142
B2. Reserves for amounts payable	1,463
B3. Other reserves	-
C. Technical reserves where the investment risk is borne by the policyholders	**-**
C1. Reserves relating to contracts whose performance is linked to investment funds and market indices	-
C2. Reserves from pension fund management	-
D. Total technical reserves of reinsurers	**3,087**

8.2 Change in item 80 "Technical reserves of reinsurers"

	Non-Life Business	Life Business	Total
Opening balance	**-**	**-**	**-**
Business combinations	540	3,412	3,952
Other changes	(58)	(807)	(865)
Closing balance	**482**	**2,605**	**3,087**

The item Business combinations includes the balance as at 1 July of the technical reserves of reinsurers of Banco BPM Vita, following the line-by-line consolidation of the Company.

Section 9 - Property, plant and equipment – Item 90

Property, plant and equipment totalled 3,034.7 million as at 31 December 2022, compared with the amount of 3,278.2 million of the previous year.

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

Asset/Amounts	Total 31/12/2022	Total 31/12/2021
1. Owned assets	**74,386**	**87,001**
a) land	-	-
b) buildings	-	-
c) furniture	12,976	16,829
d) electronic systems	52,879	55,522
e) other	8,531	14,650
2. Rights of use acquired through leases	**640,501**	**708,373**
a) land	-	-
b) buildings	605,978	698,160
c) furniture	34,115	9,067
d) electronic systems	-	-
e) other	408	1,146
Total	**714,887**	**795,374**
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 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Owned assets	**-**	**-**	**1,364,519**	**-**	**-**	**1,377,092**
a) land	-	-	994,246	-	-	1,004,302
b) buildings	-	-	317,304	-	-	322,690
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	52,969	-	-	50,100
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**1,364,519**	**-**	**-**	**1,377,092**
of which: obtained through the enforcement of guarantees received	-	-	20,385	-	-	24,500

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 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1. Owned assets	**-**	**-**	**955,283**	**-**	**-**	**1,105,779**
a) land	-	-	670,863	-	-	791,671
b) buildings	-	-	284,420	-	-	314,108
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**955,283**	**-**	**-**	**1,105,779**
of which: obtained through the enforcement of guarantees received	-	-	475,977	-	-	587,324

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 491.1 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	**1,004,302**	**1,434,623**	**486,985**	**876,212**	**350,345**	**4,152,467**
A.1 Total net impairment	-	(413,773)	(461,089)	(820,690)	(284,449)	(1,980,001)
A.2 Net opening balance	**1,004,302**	**1,020,850**	**25,896**	**55,522**	**65,896**	**2,172,466**
B. Increases:	**5,692**	**62,247**	**41,562**	**18,432**	**4,935**	**132,868**
B.1 Acquisitions	172	15,525	41,562	18,432	1,725	77,416
- of which business combinations	-	719	53	31	-	803
B.2 Capitalised expenses for improvements	-	2,688	-	-	64	2,752
B.3 Recoveries	-	-	-	-	-	-
B.4 Positive changes in fair value recognised to	1,894	10,273	-	-	3,138	15,305
a) shareholders' equity	1,823	9,627	-	-	3,138	14,588
b) income statement	71	646	-	-	-	717
B.5 Exchange gains	-	11	-	-	7	18
B.6 Transfers from property held for investment purposes	3,626	1,562	X	X	X	5,188
B.7 Other changes	-	32,188	-	-	1	32,189
C. Decreases:	**(15,748)**	**(159,815)**	**(20,367)**	**(21,075)**	**(8,923)**	**(225,928)**
C.1 Sales	-	(85)	-	-	-	(85)
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	(115,461)	(20,367)	(21,075)	(8,207)	(165,110)
C.3 Losses on impairment recognised to	-	(2,322)	-	-	-	(2,322)
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	(2,322)	-	-	-	(2,322)
C.4 Negative changes in fair value recognised to	(15,716)	(7,411)	-	-	(269)	(23,396)
a) shareholders' equity	(6,391)	(642)	-	-	(269)	(7,302)
b) income statement	(9,325)	(6,769)	-	-	-	(16,094)
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	(32)	(2)	-	-	(66)	(100)
a) property, plant and equipment held for investment purposes	(32)	(2)	X	X	X	(34)
b) non-current assets and disposal groups held for sale	-	-	-	-	(66)	(66)
C.7 Other changes	-	(34,534)	-	-	(381)	(34,915)
D. Net closing balance	**994,246**	**923,282**	**47,091**	**52,879**	**61,908**	**2,079,406**
D.1 Total net impairment	-	(481,936)	(482,148)	(840,318)	(290,199)	(2,094,601)
D.2 Gross closing balance	**994,246**	**1,405,218**	**529,239**	**893,197**	**352,107**	**4,174,007**
E. Measurement at cost	369,229	496,453	-	-	10,935	876,617

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 assets and valuable works of art, negative overall for 8.1 million. Said effects are reported in the statement of comprehensive income for 7.3 million and in the income statement item “260. Fair value gains (losses) on property, plant and equipment and intangible assets” for negative 15.4 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-item “C.3 Losses on impairment” includes 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	**-**	**1,019,274**	**14,425**	**-**	**3,839**	**1,037,538**
A.1 Total net impairment	-	(321,114)	(5,358)	-	(2,693)	(329,165)
A.2 Net opening balance	**-**	**698,160**	**9,067**	**-**	**1,146**	**708,373**
B. Increases:	**-**	**43,358**	**39,721**	**-**	**30**	**83,109**
B.1 Acquisitions	-	8,499	39,721	-	-	48,220
- of which business combinations	-	719	-	-	-	719
B.2 Capitalised expenses for improvements	-	2,660	-	-	-	2,660
B.3 Recoveries	-	-	-	-	-	-
B.4 Positive changes in fair value recognised to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	11	-	-	3	14
B.6 Transfers from property held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	32,188	-	-	27	32,215
C. Decreases:	**-**	**(135,540)**	**(14,673)**	**-**	**(768)**	**(150,981)**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	(98,685)	(14,673)	-	(737)	(114,095)
C.3 Losses on impairment recognised to	-	(2,322)	-	-	-	(2,322)
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	(2,322)	-	-	-	(2,322)
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	-	(34,533)	-	-	(31)	(34,564)
D. Net closing balance	**-**	**605,978**	**34,115**	**-**	**408**	**640,501**
D.1 Total net impairment	-	(419,867)	(20,003)	-	(2,670)	(442,540)
D.2 Gross closing balance	**-**	**1,025,845**	**54,118**	**-**	**3,078**	**1,083,041**
E. Measurement at cost	-	-	-	-	-	-

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

	Total	
	Land	Buildings
A. Opening balance	**791,671**	**314,108**
B. Increases	**52,823**	**56,069**
B.1 Acquisitions	5,628	39,246
- of which business combinations	-	-
B.2 Capitalised expenses for improvements	398	483
B.3 Positive changes in fair value	41,565	12,765
B.4 Recoveries	-	-
B.5 Exchange gains	-	-
B.6 Transfers from properties used in operations	32	2
B.7 Other changes	5,200	3,573
C. Decreases	**(173,631)**	**(85,757)**
C.1 Sales	(1,139)	(615)
- of which business combinations	-	-
C.2 Depreciation	-	-
C.3 Negative changes in fair value	(85,226)	(62,076)
C.4 Losses on impairment	-	-
C.5 Exchange losses	-	-
C.6 Transfers to:	(86,329)	(23,054)
a) properties used in operations	(3,626)	(1,562)
b) non-current assets and disposal groups held for sale	(82,703)	(21,492)
C.7 Other changes	(937)	(12)
D. Closing balance	**670,863**	**284,420**
E. Measurement at fair value through profit and loss	-	-

As at 31 December 2022, assets held for investment purposes, fully represented by owned properties at fair value, amounted to 955.3 million (1,105.8 million as at 31 December 2021).

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 93.0 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 31/12/2022		Total 31/12/2021	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	**56,709**	X	**54,858**
A.1.1 attributable to the Group	X	56,709	X	54,858
A.1.2 attributable to non-controlling interests	X	-	X	-
A.2 Other intangible assets	**725,753**	**504,272**	**654,592**	**504,272**
of which: software	398,022	**-**	**352,092**	**-**
A.2.1 Assets at cost:	725,753	504,272	654,592	504,272
a) Internally generated intangible assets	-	-	-	-
b) Other assets	725,753	504,272	654,592	504,272
A.2.2 Assets at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**725,753**	**560,981**	**654,592**	**559,130**

Intangible assets with a finite life include, in addition to software amounting to 398.0 million, the value of "Client Relationships" acquired as part of the business combinations of BPM Group and Banca Popolare Italiana Group for a total of 271.2 million and the "Value of Business Acquired" (so-called VoBA) generated through the acquisition of the controlling interest of the insurance companies Banco BPM Vita S.p.A. and Banco BPM Assicurazioni S.p.A. for 55.7 million.

Intangible assets with an indefinite life recognised in the financial statements are comprised:

- by goodwill of 42.9 million resulting from the combination of Banca Popolare Italiana (Bancassurance CGU), after the recognition of 8.1 million in impairment;
- by goodwill of 3.8 million resulting from the acquisition of control of Oaklins Italy S.r.l. by Banca Akros (Oaklins CGU);
- by goodwill of 10.0 million attributed to the Banco BPM CGU following the completion of the process of the Purchase Price Allocation (PPA) of the acquisition of control of the insurance companies Banco BPM Vita S.p.A. and Banco BPM Assicurazioni S.p.A. by the Parent Company in July 2022, as illustrated in more 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 is 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 2022, the residual value of said assets amounted to 107.8 million, following the recognition of the amortisation for the year of 13.2 million;
- acquisition of Banca Popolare di Milano Group 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 2022, the residual value of said assets amounted to 163.4 million, following the recognition of the amortisation for the year of 18.0 million.

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

<u>Core Deposits/Core Overdrafts</u>

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.

<u>Asset Management/Assets Under Custody (AuM/AuC)</u>

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.

<u>Amortisation of the Client Relationship</u>

With regard to the situation as at 31 December 2022, the Client Relationship recognised in the financial statements amounts to 271.2 million, of which 71.6 million in core deposits, fully referring to the PPA of Banca Popolare Italiana Group, and 199.6 million in AuM/AuC.

These assets are recognised in the financial statements of Banco BPM for 237.2 million, of which 104.2 million attributable to the PPA of BPI Group and 133.0 million to the PPA of BPM Group. The remaining assets, amounting to 34.0 million, related to the subsidiary Banca Aletti, following the company reorganisation processes, and in particular refer to 3.6 million for the PPA of BPI Group and 30.4 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 31.2 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 14 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 2022 will be amortised by 2028.
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 19 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 2022 will be amortised by 2029.

(in millions of euro)	BPI PPA			BPM PPA	Total
	Core Deposits	Core Overdrafts	AuM/AuC	AuM/AuC	
A. Opening balance	**343.4**	**30.6**	**154.5**	**298.6**	**827.1**
A.1 Total net impairment	(263.3)	(30.6)	(113.6)	(117.2)	(524.7)
A.2 Net opening balance	**80.1**	**-**	**40.8**	**181.4**	**302.4**
B. Increases	-	-	-	-	-
C. Decreases	(8.5)	-	(4.7)	(18.0)	(31.2)
of which: amortisation	(8.5)	-	(4.7)	(18.0)	(31.2)
D. Net closing balance	**71.6**	**-**	**36.2**	**163.4**	**271.2**
D.1 Total net adjustments	(271.8)	(30.6)	(118.3)	(135.2)	(555.9)
E. Closing balance	343.4	30.6	154.5	298.6	827.1

Sensitivity Analysis

For the Client Relationships (Core Deposit and AuM/AuC) of Banco BPM, a sensitivity analysis was conducted with respect to the growth rate of the terminal value (g) and the cost of capital (Ke). The results of those analyses are summarised in the table below, which shows the differential (in absolute value and percentage) between the recoverable value and the reference book value, in the case of an increase or decrease in the Ke and/or the growth rate (g) with respect to the data effectively used. In addition, the table shows that, even in a stress scenario (Ke +200 bps), the margins are positive.

The cost of equity Ke of the Client Relationships, estimated using a 3-month and 6-month average Risk-Free rate, would be 9.74% and 9.40%, respectively, both lower than the rate that eliminates the margin.

Client Relationship Core Deposit Banco BPM: 2022 financial statements 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 the central recoverable value)					
		Ke			
		8.62%		10.62%	
(g)	1.5%	3,141	95.4%	2,795	84.8%
	2.0%	3,223	97.8%	2,862	86.9%
	2.5%	3,308	100.4%	2,931	89.0%

Client Relationship AuM/AuC Banco BPM: 2022 financial statements 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 the central recoverable value)					
		Ke			
		8.62%		10.62%	
(g)	1.5%	1,178	85.0%	1,015	73.3%
	2.0%	1,219	88.0%	1,049	75.7%
	2.5%	1,263	91.2%	1,084	78.3%

Intangible assets with a finite life - Value of Business Acquired

In 2022, following the acquisition of control of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni, wholly owned by the former, new intangible assets emerged typical of the insurance business called Value of Business Acquired (VoBA), not previously recognised in the financial statements of insurance companies.
As described in part G "Business combinations concerning companies or divisions" of these Notes to the Financial Statements to which reference is made, on 22 July 2022, following IVASS authorisation, by exercising a call option, Banco BPM acquired 81% of Banco BPM Vita (and consequently of Banco BPM Assicurazioni) thus assuming exclusive control.
Following the Purchase Price Allocation (PPA) process, in addition to the recognition of residual unallocated differences of 10.0 million, which were allocated to goodwill, the VoBA was recognised for a total amount of 81.7 million (of which 61.1 million for Banco BPM Vita and 20.6 million for Banco BPM Assicurazioni). Both assets were allocated to the Banco BPM Vita CGU.
The VoBA represents the ability of contracts with customers, in place at the time of acquisition, to generate revenues over the residual useful life of the acquired relationships. Therefore, this is an intangible asset strictly linked to the specific contractual relationship with the acquired customers (insurance policies) which, by its nature, has a fixed duration and is therefore subject to amortisation over the estimated residual life of the relationships acquired on the acquisition date.
This intangible asset was valued on the date of acquisition of the insurance companies, by discounting the flows representing the profit margins over the residual duration, contractual or estimated, of the relationships in place on the date of the business combination, identified as 1 July 2022.
The amortisation charge, recognised in the income statement under item "220. Amortisation and impairment losses on intangible assets", for the intangible asset in question amounted to 6.9 million before tax (4.8 million net), of which 5.4 million relating to Banco BPM Vita and 1.5 million to Banco BPM Assicurazioni. This portion, referring to the second half of 2022, is based on an amortisation plan based on coverage units for Banco BPM Vita and duration for Banco BPM Assicurazioni.
The VoBA in place as at 31 December 2022 relating to Banco BPM Assicurazioni was reclassified as "Non-current assets held for sale", as required by accounting standard IFRS 5, following the agreement for the sale of 65% of the insurance company to Crédit Agricole Assurances S.A. as part of the partnership and relative reorganisation process of the non-life/protection bancassurance sector.
For further details, please refer to Part A (Section "5. Other aspects"- Other significant aspects relating to Group accounting policies) and in part B (Section 12 "Non-current assets and disposal groups held for sale and associated liabilities - Asset item 120 and liability item 70").
As at 31 December 2022, the residual value of the VoBA amounted to 55.7 million.

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 as at 31 December 2022 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 impairment test as at 31 December 2022 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 (O.I.V.) contained in the documents "Goodwill impairment test under situations of real and financial crises" dated 14 June 2012, "Guidelines for impairment testing after the effects of the Covid-19 pandemic" dated 16 March 2021, "Impairment testing of non-financial assets (IAS 36) following the war in Ukraine" dated 28 July 2022;
- various statements published by the ESMA on the topic, most recently that dated 28 October 2022 "European common enforcement priorities for 2022 annual financial reports" (ESMA32-63-1320);
- the recommendations issued by CONSOB in communication no. 3907 of 19 January 2015, as well as drawing attention to several points of the disclosure, in line with the above-mentioned documents of the ESMA.

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 2022 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 flows 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 2022, 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 and Retail Business segments, based on the revision of current customer portfolios in place at the end of 2022, consistent with 2022 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., coinciding with the Investment Banking segment of Segment Reporting excluding the Oaklins impact, to test the corresponding trademark following the business combination with the former Banca Popolare di Milano Group in 2017 (18.6 million);
- Oaklins CGU, set up by Oaklins, wholly owned by Banca Akros S.p.A. acquired in 2021 (3.8 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 and which amounted to 42.9 million as at 31 December 2022 following the impairment of 8.1 million recognised in the first half of 2022;
- Banco BPM Vita CGU: coinciding with Banco BPM Vita, for the purposes of impairment testing goodwill (10.0 million) referring to this operating segment, following the outcome of the PPA conducted on the investment following the acquisition of full control by Banco BPM during the current year.

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 2021 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, the target of long-term forecasts resulting from the latest ICAAP update (13.08% for 2022, 12.74% for 2023, 13.69% for 2024 and 14.06% for 2025) and adding any shortfall component, 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 and for the Banco BPM Vita CGU which correspond respectively to the legal entity Vera Assicurazioni and Banco BPM Vita, the relative value was specifically identified as the sum of the book values of the balance sheet assets and liabilities of the cited entities and of the goodwill allocated to the same, just like the controlling interest held by Banca Akros in Oaklins.
With regard to the "Banca Akros" trademark, in line with previous years, the approach adopted 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	3,169		486
Banca Akros (*)	19		19
Oaklins	6	4	
Bancassurance Protection	129	43	
Banco BPM Vita	322	10	
Total	**3,645**	**57**	**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, less 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, for the Bancassurance Protection CGU and for the Banco BPM Vita 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:

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

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 converge 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:

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

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

For the Oaklins CGU, the impairment test was conducted using the Value in Use, obtained through the application of the income-based approach.
The income-based approach estimates the value of economic capital by considering the profitability that the company is capable of generating on a forward-looking basis, identifying the fundamental driver of value in the contrast between revenues and costs for the year. With the income-based approach, "over a defined time period and with terminal value", the expected income flows are discounted year by year, until the end of the time horizon of the explicit forecast period and estimating a TV.
The application of the income-based approach entails the use of the following formula:

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

where:
W = General value of economic capital
Ke = Discount rate
Rt = Expected income in the period
n = Number of years in the explicit period
TV = Terminal Value determined as the present value of the average income of the plan for the years following the explicit planning period

B.1 - Estimates of cash flows

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.

The Retail CGU encompasses the Retail activities (consisting of households and businesses with turnover of less than 75 million), in line with the 2022 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 2021 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).
Alongside a scenario assumed as more likely ("baseline"), a more favourable scenario was developed ("benign") and a worse one ("adverse"), to which the following respective probabilities of occurrence were assigned: 50% baseline scenario, 30% adverse scenario and 20% benign scenario, in line with the IFRS 9 process.

The projection is based on preliminary evidence from the Commercial Network and the Retail macro-segment for 2023, estimating volumes and spreads for 2024 and 2025 consistent with the growth at consolidated level approved by the Board of Directors on 20 December 2022. The projection of the Retail macro-segment shows operating income for 2023-24 higher than those calculated at the time for the 2021 impairment test (consistent with the 2021-24 strategic plan), due to the scenario of significantly higher rates, partially offset by higher adjustments to loans that factor in a macro-prudential scenario (with expectations of a significant slowdown in the economy in 2023).
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 2023-25 projections, 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 8.7%. 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.

The projections for the three-year period 2023-25 used to verify the recoverability of the "Banca Akros" trademark and for Oaklins were developed in line with the three-year projections of the Group and with the preliminary figures of the 2023 budget. In particular, for Banca Akros a compound annual growth in operating income of 5.5% was calculated against substantially stable costs.
For Oaklins, a compound annual growth in operating income of 11.5% was calculated against substantially stable costs. As for the Retail CGU, the projections for the Banca Akros and Oaklins CGUs are based on three different scenarios, one more probable, one favourable and one adverse.

For the Banco BPM Vita CGU, the 2023-2025 projections were prepared by the company on the basis of scenario and new business growth indications shared with the Parent Company. The business mix confirms the trend of 2022 with a clear predominance of Class I and with a product catalogue aligned with the existing offer. The 2023-2025 projections include an increase in costs to also take into account the investments for the adoption of the new accounting standards (IFRS 17) and for the extraordinary activities linked to the insourcing of the Life insurance business in Banco BPM Group.
For the purposes of estimating distributable dividends, the maintenance of a target Solvency Capital Ratio (SCR) of 140% was considered as a constraint.

For the Bancassurance Protection CGU, the economic and financial forecasts for determining the Value in Use were prepared using as a basis the business plan included in the binding Term Sheet signed with Crédit Agricole Assurance regarding the implementation of the strategic partnership on Non-Life and Protection bancassurance.
For the purposes of estimating distributable dividends, the maintenance of a target Solvency Capital Ratio (SCR) of 130% was considered as a constraint.

<u>B.2 - Cash flow discount rates</u>

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 (Rf) 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 (Rf) 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 2021, by using the 1-year average yield on 10-year Italian government BTPs (3.13% is the value as at 31 December 2022).
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 2022, the coefficient ß was 1.06;

b) for the Banca Akros and Oaklins CGUs, an average indicator relative to a sample of companies in the Investment Banking sector, obtained from Bloomberg. As at 31 December 2022 the coefficient ß was 1.12;
c) for the Bancassurance Protection CGU and the Banco BPM Vita CGU, an indicator relating to a comparable sample of companies active in the insurance sector surveyed by Bloomberg. As at 31 December 2022 the coefficient ß was 1.01.

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	8.62%	2.00%
Banca Akros	Fair Value – Royalty Rate	8.92%	2.00%
Oaklins	Value in use - Income	8.92%	2.00%
Bancassurance Protection	Value in use – Dividend Discount Model	8.39%	2.00%
Banco BPM Vita	Value in use – Dividend Discount Model	8.39%	2.00%

D. Summary of results

Based on the guidelines illustrated, the impairment test as at 31 December 2022 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 "Most significant aspects for 2022 financial statement valuations" contained in "Section 5 - Other aspects" in Part A of these Notes, given the special and uncertain situation relative to the overall macroeconomic framework, it cannot be excluded that the assumptions adopted, however reasonable and prudential, might not be confirmed by future scenarios in which the Group may have to operate. 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 19.74%, 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 the central recoverable value)					
			(Ke)		
		8.62%		19.74%	
(g)	1.50%	4,044	53.0%	-45	-0.6%
	2.00%	4,462	58.5%	-	0.0%
	2.50%	4,948	64.8%	48	0.6%

The cost of equity Ke of the Retail CGU, estimated using a 3-month and 6-month average Risk-Free rate, would be 9.74% and 9.40%, respectively, both lower than the rate that eliminates the margin.

In addition, for the Retail CGU, a sensitivity analysis was conducted with respect to cash flow projections and the cost of equity (Ke). The results of those analyses are summarised in the table below, which shows the differential (in absolute value and percentage) between the recoverable value and the reference book value, in the case of an increase or decrease in the Ke and/or the net profit with respect to the data effectively used. Specifically, the table shows the percentage reduction that there should be in the profit, with the same Ke, to eliminate the positive delta between the recoverable value and the book value (-62%). The table also shows the existence of an impairment scenario equal to the value of the Trademarks allocated to the CGU in the event of an increase in the cost of equity (Ke) of 9.99%, combined with a decrease in forecast profits of -62%.

Retail CGU (2022 financial statements scenario probability: baseline (50%), best (20%), adverse (30%) % Change in net profit/Discount rates "Ke" (difference between recoverable value and reference value in millions of euro) (percentage impact on the central recoverable value)					
			Ke		
		8.62%		9.99%	
PROFIT	5%	4,822	63.2%	3,533	46.3%
	0%	4,462	58.5%	3,233	42.4%
	-5%	4,102	53.8%	2,933	38.4%
	-62%	0	0%	-486	-6.4%

For the Banca Akros CGU, the table below shows that an increase in the cost of capital at a value of 26.3% 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 the central recoverable value)					
			(Ke)		
		8.92%		26.3%	
(g)	1.50%	43	65.8%	-0.2	-0.4%
	2.00%	47	71.8%	-	0.0%
	2.50%	52	78.6%	0.3	0.4%

The cost of equity Ke of the Akros CGU, estimated using a 3-month and 6-month average Risk-Free rate, would be 10.04% and 9.71%, respectively, both lower than the rate that eliminates the margin.
For Oaklins, the table below shows that an increase in the cost of equity at a value of 22.0% combined with a decrease in the growth rate of the terminal value at 1.5% would result in a scenario of impairment.

Oaklins: 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 the central recoverable value)					
			(Ke)		
		8.92%		22.0%	
(g)	1.50%	10	60.5%	-0.1	-0.5%
	2.00%	11	66.6%	-	0.0%
	2.50%	12	73.5%	0.1	0.7%

The cost of equity Ke of Oaklins estimated using a 3-month and 6-month average Risk-Free rate would be 10.04% and 9.71% respectively, both lower than the rate that eliminates the margin.

For the Bancassurance Protection CGU, the table below shows that an increase in the cost of equity at a value of 10.42%, combined with 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 the central recoverable value)					
			(Ke)		
		8.39%		10.42%	
(g)	1.50%	35	19.9%	-6	-3.4%
	2.00%	46	26.2%	-	0.0%
	2.50%	59	33.5%	7	3.9%

The cost of equity Ke of the Bancassurance Protection CGU, estimated using a 3-month and 6-month average Risk-Free rate, would be 9.51% and 9.17% respectively, both lower than the rate that eliminates the margin.

For the Bancassurance Protection CGU, a sensitivity analysis was also conducted with respect to cash flow projections and the cost of equity (Ke). The results of those analyses are summarised in the table below, which shows the differential (in absolute value and percentage) between the recoverable value and the reference book value, in the case of an increase or decrease in the Ke and/or the net profit with respect to the data effectively used. Specifically, the table shows the percentage reduction that there should be in the profit, with the same Ke, to eliminate the positive delta between the recoverable value and the book value (-26.7%). The table also shows the existence of an impairment scenario in the event of an increase in the cost of equity (Ke) to 10.42%, combined with a decrease in forecast profits .

Bancassurance Protection / Vera Assicurazioni CGU Change in flows/Discount rates "Ke" (difference between recoverable value and reference value in millions of euro) (percentage impact on the central recoverable value)					
			(Ke)		
		8.39%		10.42%	
Profit	10%	63	36%	13	7.2%
	0%	46	26.2%	0	0%
	-5%	37	21.3%	-6	-3.6%
	-26.7%	0	0%	-34	-19.2%

For the Banco BPM Vita CGU, the table below shows that an increase in the cost of equity at a value of 11.54% combined with a decrease in the growth rate of the terminal value at 1.5% would result in a scenario of impairment.

Banco BPM Vita 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 the central recoverable value)					
		(Ke)			
		8.39%		11.54%	
(g)	1.50%	117	25.0%	-13	-2.7%
	2.00%	146	31.3%	-	0.0%
	2.50%	181	38.6%	14	3.0%

The cost of equity Ke of the Banco BPM Vita CGU, estimated using a 3-month and 6-month average Risk-Free rate, would be 9.51% and 9.17% respectively, both lower than the rate that eliminates the margin.

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 and the Banco BPM Vita CGU, a sensitivity analysis was conducted with respect to the cost of equity 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 44.25% 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 the central recoverable value)					
		CET 1			
		8.70%		44.25%	
PROFIT	5.00%	4,822	63.2%	363	4.8%
	0.00%	4,462	58.5%	-	0.0%
	-5.00%	4,102	53.8%	-363	-4.8%

For the Bancassurance Protection CGU, the table below shows that an increase in the target SCR at a value of 381%, combined with an increase in the cost of equity at 8.39%, 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 the central recoverable value)					
		SCR			
		130%		381%	
Ke	8.1%	55	31.3%	12	6.6%
	8.39%	46	26.2%	-	0.0%
	10.42%	0	0.0%	-58	-33.0%

For the Banco BPM Vita CGU, the table below shows that an increase in the target SCR at a value of 357%, combined with an increase in the cost of capital at 8.39%, would result in a scenario of impairment.

Banco BPM Vita CGU Change in ke/Target SCR (difference between recoverable value and reference value in millions of euro) (percentage impact on the central recoverable value)					
		SCR			
		140%		357%	
Ke	8.1%	168	35.8%	30	6.4%
	8.39%	146	31.3%	-	0.0%
	10.42%	0	0.0%	-205	-43.7%

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 2022, Group consolidated shareholders' equity amounted to 11.4 billion (net of equity instruments), against stock capitalisation of 5.1 billion (based on the stock market prices recorded at the end of December 2022). 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	**4,607,572**	**-**	**-**	**2,792,307**	**504,272**	**7,904,151**
A.1 Total net impairment	(4,552,714)	-	-	(2,137,715)	-	(6,690,429)
A.2 Net opening balance	**54,858**	**-**	**-**	**654,592**	**504,272**	**1,213,722**
B. Increases	**9,983**	**-**	**-**	**204,669**	**-**	**214,652**
B.1 Acquisitions	9,983	-	-	204,285	-	214,268
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	-	-	-	6	-	6
B.6 Other changes	-	-	-	378	-	378
C. Decreases	**(8,132)**	**-**	**-**	**(133,508)**	**-**	**(141,640)**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	(8,132)	-	-	(133,508)	-	(141,640)
- Amortisation	X	-	-	(128,778)	-	(128,778)
- Write-downs	(8,132)	-	-	(4,730)	-	(12,862)
+ shareholders' equity	X	-	-	-	-	-
+ income statement	(8,132)	-	-	(4,730)	-	(12,862)
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	-	-	-	-	-	-
D. Net closing balance	**56,709**	**-**	**-**	**725,753**	**504,272**	**1,286,734**
D.1 Total net adjustments	(4,560,846)	-	-	(2,277,875)	-	(6,838,721)
E. Gross closing balance	**4,617,555**	**-**	**-**	**3,003,628**	**504,272**	**8,125,455**
F. Measurement at cost	-	-	-	-	-	-

FIN: finite life
INDEF: indefinite life

With regard to the main changes recorded during 2022:

- sub-item "B.1 Acquisitions" includes the goodwill resulting from the acquisition of 81% of Banco BPM Vita and (indirectly) Banco BPM Assicurazioni; the 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 31.2 million and the amortisation charge of the Value of Business Acquired generated by the acquisition of the insurance companies for 6.9 million;
- sub-item "C.2 Value adjustments – Write-downs" includes the impairment of the goodwill of the Bancassurance Protection CGU (8.1 million) and impairment of software no longer used (4.7 million).

10.3 Other information

As at 31 December 2022, 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 2022 and the checks performed to support their recoverability.

A.Deferred tax assets – breakdown

As at 31 December 2022, total DTAs amounted to 4,357.3 million (4,293.6 million as at 31 December 2021), of which 3,917.5 million had an impact on the income statement, while 439.8 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 2022, 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 2,278.2 million (2,472.8 million as at 31 December 2021). 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 2022, 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 1,613.4 million (1,797.8 million as at 31 December 2021);
- temporary deductible differences relative to goodwill and other intangible assets recognised in previous years for 664.8 million (675.0 million as at 31 December 2021).

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 for 2022 amounts to 27.7 million.

As at 31 December 2022, residual deferred tax assets (non-convertible DTAs) amounted to 2,079.0 million (1,820.8 million as at 31 December 2021), of which 874.9 million deriving from IRES tax losses, which can be carried forward (904.7 million as at 31 December 2021) and 1,204.1 million deriving from costs and value adjustments deductible in years subsequent to those of recognition in the financial statements (916.2 million as at 31 December 2021).
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 2022 in relation to the absence of the relative assumptions came to 27.9 million, all of which refers to the Parent Company, of which 5.8 million of IRES DTAs and 22.1 million of IRAP DTAs.

A-1 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 2,278.2 million - corresponding to 52.3% of the total DTAs posted in the financial statements as at 31 December 2022 - 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 2,079.0 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 for 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;
- the estimates of future taxable income have been made using a multi-scenario approach, by taking as a reference the most recent cash flow projections of Banco BPM Group or Banco BPM for the 2023 - 2025 period;
- 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 (DTLs) 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.

<u>B.1 Estimated future taxable income</u>

The estimate of future taxable income was based on the most recent income projections of Banco BPM and the Group for 2023-2025, approved by the Board of Directors on 20 December 2022. The above-mentioned forecasts, drawn in accordance with the latest macroeconomic scenarios approved on the same date, are based on assumptions consistent with those of the 2021-2024 Strategic plan, approved by the Board of Directors on 4 November 2021; a plan that is still today considered valid, as it reflects the Group's strategic guidelines and business model.

Considering 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, an adverse scenario and a favourable scenario were drawn up, to which probabilities of occurrence of 50%, 30% and 20% respectively were assigned, consistent with the other valuation processes.
As at 31 December 2021, the above-mentioned probabilities were 50%, 30% and 20% respectively.
For long-term profitability, starting from 2026, we took as reference the expected income in 2025, determined by weighting the three scenarios indicated, appropriately normalised to take account of a number of components considered non-recurring. This income has been projected, starting from 2026, with an annual growth rate (g) of 2%, equal to the nominal growth forecasts of the national economy.

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 5.49% has been introduced. 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 1.056%, 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 5.49%, applied according to the compound capitalisation formula, from 2026 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 2022, which can be recovered through the income generated by all the companies participating in the tax consolidation, amount to 1,685.8 million. Full recovery of those DTAs is expected by the end of 2033 (11 years), in line with the results as at 31 December 2021. 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 completed in 2032 (10 years).
The IRES DTAs recognised based on the additional tax rate of 3.5% as at 31 December 2022, which can be recovered through the income generated in the separate financial statements of Banco BPM, amount to 254.8 million. The full recovery of the DTAs in question is expected to take place by the end of 2035 (13 years), one year prior to what emerged from the test as at 31 December 2021.

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 2032 (10 years), highlighting a reduction of one year with respect to 31 December 2021.
Lastly, referring to the IRAP DTAs of Banco BPM in place as at 31 December 2022, which can be recovered through income generated individually by Banco BPM, of 126.0 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% (1,685.8 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 (6.99% and 3.99% respectively) would result respectively in an extension of the time horizon by 1 year (2034) and a confirmation of recovery by the end of 2033, respectively;
- long-term income growth rate (g): a reduction of 0.5% (from 2% to 1.5%) would not have significant impacts on the horizon for recovery, which would be confirmed as by the end of 2033;
- a "normalised" taxable income expected from 2026 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 (9 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 2022 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 31/12/2022	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%)	
31/12/2027 (5 years)	36.6%	36.2%	36.9%	36.5%	35.0%	38.0%
31/12/2031 (9 years)	83.1%	79.9%	86.7%	82.3%	75.6%	100.0%
31/12/2032 (10 years)	95.3%	90.9%	99.9%	94.1%	86.4%	
31/12/2033 (11 years)	100.0%	99.7%	100.0%	100.0%	95.0%	
31/12/2034 (12 years)		100.0%			100.0%	

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

Note that as at 31 December 2022, the DTAs deriving from IRES tax losses that can be carried forward amount to 874.9 million, compared to 904.7 million as at 31 December 2021.
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.

11.1 Deferred tax assets: breakdown

	IRES	IRAP	Other taxes	31/12/2022	31/12/2021
A) As balancing entry in the Income Statement					
A.1) Convertible DTAs pursuant to Italian Law 214/2011	**2,019,304**	**258,924**	**-**	**2,278,228**	**2,472,820**
Write-downs of loans deductible in subsequent years	1,475,010	138,400	-	1,613,410	1,797,823
Costs deductible in subsequent years deriving from the tax relief on goodwill and other intangible assets	544,294	120,524	-	664,818	674,997
A.2) DTAs - Other types	**1,574,041**	**65,225**	**-**	**1,639,266**	**1,732,318**
Tax losses that can be carried forward	874,920	-	-	874,920	904,653
ECL adjustments of FTAs pursuant to IFRS 9 on loans to customers deductible in the subsequent years	219,504	44,380	-	263,884	304,585
Provisions and value adjustments deductible in subsequent years	102,136	-	-	102,136	112,045
Personnel expenses and provisions for employee severance pay deductible in subsequent years	95,244	1,133	-	96,377	152,104
Value adjustments to real estate deductible in subsequent years	249,648	15,260	-	264,908	217,099
Book values lower than the recognised tax values resulting from value adjustments to goodwill and other intangible assets	18,957	3,864	-	22,821	24,869
Book values lower than the recognised tax values resulting from fair value measurement of financial assets	1,116	48	-	1,164	1,182
Other cases of misalignment between book and tax values	12,516	540	-	13,056	15,781
Total A	**3,593,345**	**324,149**	**-**	**3,917,494**	**4,205,138**
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	310,332	68,634	-	378,966	24,803
Other cases of misalignment between book and tax values	51,006	9,809	-	60,815	63,687
Total B	**361,338**	**78,443**	**-**	**439,781**	**88,490**
Total (A+B)	**3,954,683**	**402,592**	**-**	**4,357,275**	**4,293,628**

11.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Other taxes	31/12/2022	31/12/2021
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	100,609	20,343	-	120,952	123,562
Recoveries in fair value of real estate taxable in coming years	47,326	1,647	-	48,973	38,141
Book values exceeding the recognised tax values resulting from fair value measurement of financial instruments	8,315	4,463	-	12,778	17,461
Book values exceeding the recognised tax values resulting from fair value measurement of loans to customers	9,624	1,870	-	11,494	16,651
Book values exceeding the recognised tax values following the Purchase Price Allocation at the time of business combinations	15,203	4,321	-	19,524	-
Deferred taxes on profits of investees taxable in subsequent years	-	-	-	-	-
Other cases of misalignment between book and tax values	8,843	139	-	8,982	9,548
Total A	**189,920**	**32,783**	**-**	**222,703**	**205,363**
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	35,679	7,214	-	42,893	42,707
Book values exceeding the recognised tax values resulting from fair value measurement of financial assets measured as a balancing entry in shareholders' equity	9,081	3,334	-	12,415	45,595
Other cases of misalignment between book and tax values	321	41	-	362	257
Total B	**45,081**	**10,589**	**-**	**55,670**	**88,559**
Total (A+B)	**235,001**	**43,372**	**-**	**278,373**	**293,922**

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

	31/12/2022	31/12/2021
1. Opening balance	**4,205,138**	**4,446,899**
2. Increases	**125,194**	**193,108**
2.1 Deferred tax assets recognised during the year	65,429	100,200
a) relative to previous years	14,426	11,433
b) due to changes in accounting criteria	-	-
c) recoveries	-	-
d) other	51,003	88,767
2.2 New taxes or increases in tax rates	12,015	-
2.3 Other increases	47,750	92,908
3. Decreases	**(412,838)**	**(434,869)**
3.1 Deferred tax assets cancelled during the year	(368,260)	(352,948)
a) reclassifications	(352,337)	(345,495)
b) write-downs due to unrecoverability	(4,609)	-
c) due to changes in accounting criteria	-	-
d) other	(11,314)	(7,453)
3.2 Decreases in tax rates	(1)	(1)
3.3 Other decreases:	(44,577)	(81,920)
a) conversion into tax credits pursuant to Law 214/2011	(8,175)	(36,655)
b) other	(36,402)	(45,265)
4. Closing balance	**3,917,494**	**4,205,138**

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

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**2,472,820**	**2,576,352**
2. Increases	**-**	**-**
3. Decreases	**(194,592)**	**(103,532)**
3.1 Reclassifications	(186,417)	(66,878)
3.2 Conversion into tax credits	(8,175)	(36,654)
a) deriving from losses for the year	(8,175)	(5,863)
b) deriving from tax losses	-	(30,791)
3.3 Other decreases	-	-
4. Closing balance	**2,278,228**	**2,472,820**

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

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**205,363**	**212,338**
2. Increases	**55,756**	**127,544**
2.1 Deferred tax liabilities recognised during the year	7,766	10,767
a) relative to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	7,766	10,767
2.2 New taxes or increases in tax rates	4,690	-
2.3 Other increases	43,300	116,777
3. Decreases	**(38,416)**	**(134,519)**
3.1 Deferred tax liabilities cancelled during the year	(38,414)	(134,462)
a) reclassifications	(33,748)	(41,093)
b) due to changes in accounting criteria	-	-
c) other	(4,666)	(93,369)
3.2 Decreases in tax rates	-	-
3.3 Other decreases	(2)	(57)
4. Closing balance	**222,703**	**205,363**

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

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**88,490**	**20,304**
2. Increases	**396,957**	**88,451**
2.1 Deferred tax assets recognised during the year	349,408	40,259
a) relative to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	349,408	40,259
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	47,549	48,192
3. Decreases	**(45,666)**	**(20,265)**
3.1 Deferred tax assets cancelled during the year	(16,815)	(1,536)
a) reclassifications	(16,559)	(1,525)
b) write-downs due to unrecoverability	-	-
c) due to changes in accounting criteria	-	-
d) other	(256)	(11)
3.2 Decreases in tax rates	-	-
3.3 Other decreases	(28,851)	(18,729)
4. Closing balance	**439,781**	**88,490**

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

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**88,559**	**246,560**
2. Increases	**10,618**	**95,802**
2.1 Deferred tax liabilities recognised during the year	10,472	43,811
a) relative to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	10,472	43,811
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	146	51,991
3. Decreases	**(43,507)**	**(253,803)**
3.1 Deferred tax liabilities derecognised during the year	(43,241)	(164,645)
a) reclassifications	(43,241)	(164,645)
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	(266)	(89,158)
4. Closing balance	**55,670**	**88,559**

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 2022 (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 S.p.A.
3. Banca Akros S.p.A.
4. BRF Property S.r.l.
5. Ge.Se.So. S.r.l.
6. Lido dei Coralli S.r.l.
7. P.M.G. S.r.l.
8. Sirio Immobiliare S.r.l.
9. Tecmarket Servizi S.p.A.
10. Terme Ioniche S.r.l.
11. Terme Ioniche Società Agricola S.r.l.
12. Oaklins Italy S.r.l.

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 2022 the participating companies were as follows:

1. Banco BPM S.p.A.
2. Banca Aletti S.p.A.
3. Aletti Fiduciaria S.p.A.
4. Banca Akros S.p.A.
5. BP Covered Bond S.r.l.
6. BPM Covered Bond 2 S.r.l.
7. BPM Covered Bond S.r.l.
8. BRF Property S.p.A.
9. Consorzio AT1 (**)
10. GE.SE.SO Gestione Servizi Sociali S.r.l.
11. Lido dei Coralli S.r.l.
12. Release S.p.A. (*)
13. Sirio Immobiliare S.r.l.
14. Tecmarket Servizi S.p.A.
15. Oaklins Italy S.r.l.

(*) The company was incorporated into Banco BPM in 2022.
(**) The company was excluded in 2022 due to its placement in liquidation.

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 31/12/2022	Total 31/12/2021
A. Assets held for sale		
A.1 Financial assets	51,860	123,943
A.2 Interests in associates and joint ventures	-	-
A.3 Property, plant and equipment	132,993	106,028
of which: obtained through the enforcement of guarantees received	78,272	23,868
A.4 Intangible assets	20,166	-
A.5 Other non-current assets	9,718	-
Total A	**214,737**	**229,971**
of which at cost	30,047	123,943
of which at fair value level 1	51,860	-
of which at fair value level 2	-	-
of which at fair value level 3	132,830	106,028
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	(19,655)	-
C.2 Securities	-	-
C.3 Other liabilities	(12,076)	-
Total C	**(31,731)**	**-**
of which at cost	(31,731)	-
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 2022, assets held for sale included the following types:
- owned properties for which sales negotiations in progress as at 31 December 2022 render probable the completion of the sales during the next year (indicated under item A.3 "Property, plant and equipment");
- net assets attributable to the investee Banco BPM Assicurazioni S.p.A., for which a term-sheet was signed with Crédit Agricole Assurances SA for the sale of 65% of the interest, represented by assets of 81.9 million and liabilities of 31.7 million.

For further details on the accounting treatment of the sales transactions of Banco BPM Assicurazioni S.p.A., refer to the paragraph entitled "Other significant aspects relating to Group accounting policies" contained in "Section 5 - Other aspects" in Part A.1 these Notes to the consolidated financial statements.

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 was finalised in 2022 (shown in item A.1 Financial Assets);
- owned properties for which sales negotiations in progress as at 31 December 2021 rendered probable the completion of the sales during 2022 (indicated under item A.3 "Property, plant and equipment").

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 31/12/2022	Total 31/12/2021
Receivables due from group companies relating to the tax consolidation	-	-
Receivables due from tax authorities (not classifiable among tax assets)	3,027,302	1,919,539
Receivables for sales of goods and provision of services	18,066	21,792
Other income to be received	1,942	3,438
Cash and other values on hand	7,103	6,037
Items being processed	586,449	582,231
Items in transit between branches	6,241	9,724
Illiquid items for portfolio transactions	683	407
Securities and coupons to be settled	65,922	50,104
Other transactions to be settled	3,440	6,698
Leasehold improvements	-	-
Accrued income and prepayments not included under their own item	30,559	33,005
Other items	60,584	56,114
Total	**3,808,291**	**2,689,089**

The item "Receivables due from tax authorities" mainly includes:
- receivables resulting from claims for the refund of direct taxes totalling 311.8 million concerning:
  - receivables of 210.4 million relating to 2018, the refund of which was requested in 2019;
  - IRPEG/ILOR receivables of 94.5 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;
  - IRES and IRAP receivables of 3.6 million attributed following the liquidation of Group companies;

- 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 Italian Presidential Decree no. 601/1973 identified by the most recent rulings of the Supreme Court. Banco BPM, as the incorporating company of Bipielle Real Estate, again filed a petition to the Tax Authority, also assessing, based on an analysis of the deed of sale by the Foundation, any recourse against the same. On this basis, it had been considered prudent to allocate a bad debt provision last year of 50% of the amount of receivables, namely 1.9 million;
- IRES and IRAP receivables of 1.4 million relating to Banco BPM Vita, of which 1.1 million arising from declarations relating to 2018 and 2019 and 0.3 million relating to the request for reimbursement for withholdings incurred in 2005;

- IRES receivables due to non-deduction of IRAP of 0.8 million, of which 0.5 million relating to Banco BPM and 0.3 million relating to Banco BPM Vita. The receivable of Banco BPM relates to the residual amount not repaid, equal to 1.2 million of the receivable due to the former Banco Popolare. For this receivable, an appeal has been presented to the Provincial Tax Commission. Considering that critical elements emerged from the examination of the counter-arguments of the Tax Authority to the appeal submitted, a specific bad debt provision of 0.7 million had been recognised last year;
- receivables resulting from claims for the refund of VAT and indirect taxes totalling 17.6 million concerning:
  - 7.4 million relating to tax years 1998, 1999 and 2000 of the former Banca Italease S.p.A.. The dispute, initiated for a total receivable of 179.9 million, was repaid during the year in the amount of 162.2 million, following the ruling during the resumption of the proceedings of the Regional Tax Commission of 9 November 2020, filed on 17 September 2021. With the aforementioned judgement, the Commission accepted the Bank's appeal with the exception of:
    - the amount of 1.7 million, relating to the VAT credit for the year 2000, for which the objection raised by the Office according to which there is no proof of the reimbursement due was considered valid;
    - the interest accrued on the VAT credit for the year 1999, for which the Commission denied the reimbursement of 7.7 million, considering that it concerned late payment interest. In the present case, according to the Commission, the Office should not be considered in default having requested additional documentation from the counterparty (documents relating to pending proceedings). The Bank's defence based on the irrelevance of this documentation for the purpose of proving the existence of the VAT credit was not accepted.

    Prudentially for the amounts not recognised, a specific bad debt provision of 9.4 million had been recognised as at 31 December 2021.

    The additional amount of 7.4 million is made up of interest accrued and not yet repaid. A further appeal was filed with the Court of Cassation;
  - 7.6 million referring to the dispute of the former Mercantile Leasing S.p.A. relating to the partial refusal of the VAT refund for the first and second quarters of 2007. Of this amount, 4.4 million was requested as a refund in the declaration and is not disputed. For the amount of 6.8 million, against the refusal of the reimbursement by the Tax Authority for the amount of 3.7 million, the Bank prudentially had recognised a specific bad debt provision of the same amount in the financial statements of the previous year, although filing the dispute in any event;
  - 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;
- receivables recorded as balancing entries to the provisional payments made pending the final judgement of the pending tax disputes, for a total of 210.3 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 and substitute taxes applied to customers during the year and which will be recovered through offsetting in the total amount of 263.1 million;
- various receivables due from the Tax Authorities of 57.6 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 83.0 million;
- tax credits connected with the VAT payment for 7.3 million;
- credits for Ecobonus of 1,966.9 million: the difference in these receivables compared to 31 December 2021 (817.4 million) can almost entirely explain the change in receivables due from Tax Authorities classified under "Other assets". For the accounting treatment relating to this case, refer to paragraph "Other significant aspects relating to Group accounting policies" contained in Part A - Accounting policies in the Notes to the consolidated financial statements;
- receivables for IMU of 0.4 million, of which 0.2 million relates to the merged company Release S.p.A. Prudently, last year the Bank had set aside a bad debt provision of 0.3 million; in 2022, 0.1 million of receivables were written off using this provision;
- 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 of 0.6 million, net of the bad debt provision of 0.4 million that had been prudently made by Banca Aletti;
- tax receivables due from Foreign tax authorities on dividends paid of 1.6 million;
- tax credits on mathematical reserves (Law 265/02) of 106 million relating to Banco BPM Vita;
- tax credits on insurance (Law 282/04) of 0.3 million relating to Banco BPM Vita.

In light of the above, the gross value of the tax credits is 3,043.6 million and the write-downs made amount to 16.3 million. Therefore, the net value of receivables due from the Tax Authority recognised in the financial statements is 3,027.3 million.

The item "Items being processed" essentially contains sums awaiting definitive assignment and various suspended items, the amounts to be settled in clearing houses, 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 31/12/2022				Total 31/12/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**26,332,411**	X	X	X	**39,041,403**	X	X	X
2. Due to banks	**6,304,095**	X	X	X	**6,650,175**	X	X	X
2.1 Current accounts and demand deposits	250,742	X	X	X	421,964	X	X	X
2.2 Fixed-term deposits	279,818	X	X	X	398,035	X	X	X
2.3 Loans	4,714,191	X	X	X	5,428,926	X	X	X
2.3.1 Repurchase agreements	4,526,453	X	X	X	5,062,398	X	X	X
2.3.2 Other	187,738	X	X	X	366,528	X	X	X
2.4 Payables for commitment to repurchase own capital instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	683	X	X	X	6,546	X	X	X
2.6 Other payables	1,058,661	X	X	X	394,704	X	X	X
Total	**32,636,506**	**-**	**-**	**32,636,506**	**45,691,578**	**-**	**-**	**45,691,578**

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

"Due to central banks" contains all refinancing operations with the European Central Bank. As at 31 December 2022, there were TLTRO III long-term refinancing operations for a nominal value of 26.7 billion (39.2 billion in the financial statements as at 31 December 2021).

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 31/12/2022				Total 31/12/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	103,410,941	X	X	X	104,038,158	X	X	X
2. Fixed-term deposits	288,335	X	X	X	990,688	X	X	X
3. Loans	1,984,183	X	X	X	1,216,023	X	X	X
3.1 Repurchase agreements	1,460,568	X	X	X	627,845	X	X	X
3.2 Other	523,615	X	X	X	588,178	X	X	X
4. Payables for commitment to repurchase own capital instruments	-	X	X	X	-	X	X	X
5. Lease payables	627,238	X	X	X	667,326	X	X	X
6. Other payables	1,996,370	X	X	X	876,024	X	X	X
Total	**108,307,067**	**-**	**-**	**108,307,067**	**107,788,219**	**-**	**-**	**107,788,219**

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 669.0 million (last year, they amounted to 309.1 million).

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

Type of securities/Amounts	Total 31/12/2022				Total 31/12/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	12,922,521	8,866,975	3,697,759	-	13,060,538	12,153,100	1,175,513	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	12,922,521	8,866,975	3,697,759	-	13,060,538	12,153,100	1,175,513	-
2. other securities	8,000	-	-	8,000	20,811	-	-	20,810
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	8,000	-	-	8,000	20,811	-	-	20,810
Total	**12,930,521**	**8,866,975**	**3,697,759**	**8,000**	**13,081,349**	**12,153,100**	**1,175,513**	**20,810**

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 6,809.4 million (compared to 6,066.8 million as at 31 December 2021).

1.4 Breakdown of subordinated debt/securities

At the reporting date, the only subordinated liabilities calculable for supervisory purposes, issued by the Group, classified under debt securities in issue at amortised cost, refer to 5 issues of securities for a book value of 1,863.6 million (in the previous year, 7 issues occurred, for a book value of 2,632.4 million).
In 2022, the Parent Company exercised the early redemption option on a "preference share" instrument (104.9 million) since, by virtue of the so-called "grandfathering", it was no longer included in the calculation of own funds from 1 January 2022 and two subordinated securities were repaid on maturity, both with a ten-year duration and a single repayment: the first for a nominal amount of 500 million (computable as at 31 December 2021 for 57.8 million) and the second for a nominal 500 million (computable as at 31 December 2021 for 500 million).
In January 2022, a new, 10-year subordinated security was issued for a nominal value of 398 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 four issues of instruments that can be calculated in additional Tier 1 capital for a total of 1,389.8 million (in the previous year, three issues were made for a total of 1,092.8 million).
The amount of additional regulatory capital was increased through a new issue of 297 million (eligible for calculation) placed in April 2022, 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 no. 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, to which reference should be made.

1.5 Breakdown of structured debt

As at 31 December 2022, 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	31/12/2022		31/12/2021	
	Due to banks	Due to customers	Due to banks	Due to customers
Up to 3 months	162	27,607	401	41,981
From 3 months to 1 year	458	83,100	1,004	104,501
From 1 year to 5 years	198	468,739	2,059	214,824
Over 5 years	-	95,811	3,738	357,636
Total	**818**	**675,257**	**7,202**	**718,942**
Time effect	**(135)**	**(48,019)**	**(656)**	**(40,681)**
Present value of lease payables	**683**	**627,238**	**6,546**	**678,261**

Section 2 - Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by product

Transaction type/Amounts	Total 31/12/2022					Total 31/12/2021				
	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	5,314,482	43,544	4,492,767	-	4,536,311	2,724,699	250,042	2,583,165	-	2,833,207
2. Due to customers	1,280,733	33,248	1,034,244	-	1,067,492	6,791,146	21,085	7,131,741	-	7,152,826
3. Debt securities	1,918,962	-	1,803,459	-	1,780,321	2,168,171	-	2,188,458	-	2,156,082
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	1,918,962	-	1,803,459	-	1,780,321	2,168,171	-	2,188,458	-	2,156,082
3.2.1 Structured	1,918,962	-	1,803,459	-	X	2,168,171	-	2,188,458	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**8,514,177**	**76,792**	**7,330,470**	**-**	**7,384,124**	**11,684,016**	**271,127**	**11,903,364**	**-**	**12,142,115**
B. Derivative instruments										
1. Financial derivatives	-	104,146	2,670,142	-	-	-	114,755	1,841,534	-	-
1.1 Held for trading	X	104,146	2,349,902	-	X	X	114,755	1,782,756	-	X
1.2 Connected with the fair value option	X	-	320,148	-	X	X	-	58,709	-	X
1.3 Other	X	-	92	-	X	X	-	69	-	X
2. Credit derivatives	-	-	142	-	-	-	-	2,151	-	-
2.1 Held for trading	X	-	142	-	X	X	-	2,151	-	X
2.2 Connected with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**104,146**	**2,670,284**	**-**	**X**	**X**	**114,755**	**1,843,685**	**-**	**X**
Total (A+B)	**X**	**180,938**	**10,000,754**	**-**	**X**	**X**	**385,882**	**13,747,049**	**-**	**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 2022 totalled 1,803.5 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 2021, the balance of these issues was 2,188.5 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 23.1 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 2021, the recognition of cumulative capital losses came to 32.4 million.
In addition, for certificates classified under financial derivatives (143.0 million as at 31 December 2022 and 168.3 million as at 31 December 2021), the cumulative effect of the change in the Group's credit risk, like in December 2021, was negative for 0.1 million. 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 2022, technical overdrafts on securities included subordinated securities for 167 thousand euro.

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

As at 31 December 2022, 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 31/12/2022					Total 31/12/2021				
	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
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. Due to customers	**1,460,125**	**-**	**1,441,830**	**18,295**	**1,441,830**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	1,460,125	-	1,441,830	18,295	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. Debt securities	**2,645,465**	**-**	**2,478,393**	**-**	**2,457,650**	**1,419,293**	**-**	**1,405,190**	**-**	**1,397,901**
3.1 Structured	2,635,465	-	2,467,534	-	X	1,409,293	-	1,394,416	-	X
3.2 Other	10,000	-	10,859	-	X	10,000	-	10,774	-	X
Total	**4,105,590**	**-**	**3,920,223**	**18,295**	**3,899,480**	**1,419,293**	**-**	**1,405,190**	**-**	**1,397,901**

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

Item "2. Due to customers "refers for 1,441.8 million to liabilities of the insurance companies in connection with the issue of Unit-linked policies and for 18.3 million to liabilities for assets sold and not derecognised, as illustrated above for both cases in "Part A - Accounting policies". The aforementioned liabilities refer to transactions completed in 2022, therefore as at 31 December 2021, the amount of the item was zero.

Item "3. Debt securities:" refers to several bond issues and protected capital certificates, the latter recognised under sub-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 20.7 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 2021 were equal to 7.3 million.

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

As at 31 December 2022, 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 31/12/2022			NV 31/12/2022	Fair value 31/12/2021			NV 31/12/2021
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**948,424**	**-**	**15,803,637**	**-**	**227,972**	**-**	**13,234,612**
1) Fair value	-	872,305	-	15,599,657	-	167,825	-	13,030,953
2) Cash flows	-	74,664	-	175,000	-	59,016	-	175,000
3) Foreign investments	-	1,455	-	28,980	-	1,131	-	28,659
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**948,424**	**-**	**15,803,637**	**-**	**227,972**	**-**	**13,234,612**

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						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	247	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	-	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	4,465	X	74,664	X
4. Other transactions	-	-	-	-	-	-	X	-	X	1,455
Total assets	**247**	**-**	**-**	**-**	**-**	**-**	**4,465**	**-**	**74,664**	**1,455**
1. Financial liabilities	130,981	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	736,612	X	-	X
Total liabilities	**130,981**	**-**	**-**	**-**	**-**	**-**	**736,612**	**-**	**-**	**-**
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	31/12/2022	31/12/2021
1. Positive fair value change of financial liabilities	6,292	34,996
2. Negative fair value change of financial liabilities	(1,179,370)	(82,808)
Total	**(1,173,078)**	**(47,812)**

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

	31/12/2022	31/12/2021
Due to tax authorities (not classifiable under tax liabilities)	170,054	133,573
Due to personnel	6,443	4,247
Due to social security institutions	55,513	56,977
Due to suppliers	197,182	233,916
Items in transit between branches not attributable to specific accounts	32,807	90,679
Sums on hand to be paid to third parties	284,399	320,187
Bank transfers for clearance	1,069,297	618,554
Items related to securities transactions	462,152	56,298
Other items being processed	888,538	769,264
Adjustments for illiquid items in portfolio	24,829	1,042,158
Accrued expenses and deferred income not included under their own item	46,353	42,420
Other items	193,417	245,695
Total	**3,430,984**	**3,613,968**

"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

	Total 31/12/2022	Total 31/12/2021
A. Opening balance	**320,303**	**369,498**
B. Increases	**36,396**	**7,415**
B.1 Allocations for the year	6,168	2,141
B.2 Other changes	30,228	5,274
- of which business combinations	1,562	42
C. Decreases	**(98,242)**	**(56,610)**
C.1 Settlements	(23,722)	(54,154)
C.2 Other changes	(74,520)	(2,456)
- of which business combinations	(317)	-
D. Closing balance	**258,457**	**320,303**
Total	**258,457**	**320,303**

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.

Among the increases, sub-item B.2 "Other changes" includes actuarial losses of 28.7 million (4.5 million as at 31 December 2021), while among decreases, sub-item C.2 "Other changes" includes actuarial gains of 70.0 million. 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 2022, compared to that as at 31 December 2021.

Main actuarial assumptions for measuring provisions for employee severance pay	
Demographic assumptions (2022-2021):	
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 (2022-2021):	
Yearly discount rate	weighted average of the rates in the Eur Composite AA curve (*) 31.12.2022: from 3.71% to 3.98% 31.12.2021: from 0.43% to 1.27%
Yearly inflation rate	weighted average of the rates in the European Zero-Coupon Inflation-Indexed Swap curve (**) 31.12.2022: 2.80% 31.12.2021: 2.20%

(*) 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 2022, with respect to the previous year, led to an overall decrease in the provisions of 41.3 million, equal to the combined effect of the following elements:

- changes in financial assumptions, for an overall positive net effect of 62.4 million. In detail, these are gains relating to the change in the discount rate by 69.5 million and losses relating to the change in the inflation rate of 7.1 million;
- changes in other actuarial assumptions, for a net negative effect of 21.1 million. In detail, these regard actuarial losses of 21.7 million attributable to the differences between the previous demographic actuarial assumptions used and what actually occurred, and gains relating to a change in the demographic assumptions of 0.7 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. 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 2022, for equal plans, was the same as that seen the previous year and reflected the overall interest rate trend.

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%	(8,783)	(3.42%)
-0.5%	9,262	3.60%
- Inflation rate:		
+0.5%	5,723	2.23%
-0.5%	(5,569)	(2.17%)

(*) 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 31/12/2022	Total 31/12/2021
1. Provisions for credit risk relating to commitments and financial guarantees given	55,933	42,361
2. Provisions for other commitments and guarantees given	88,231	88,747
3. Company pension funds	99,330	124,879
4. Other provisions	486,901	620,656
4.1 legal and tax disputes	83,695	99,404
4.2 personnel expenses	263,535	382,622
4.3 other	139,671	138,630
Total	**730,395**	**876,643**

10.2 Provisions for risks and charges: annual changes

	Provisions for other commitments and guarantees given	Pension funds	Other provisions	Total
A. Opening balance	**88,747**	**124,879**	**620,656**	**834,282**
B. Increases	**11,607**	**13,618**	**147,357**	**172,582**
B.1 Allocation for the year	11,581	182	144,692	156,455
B.2 Changes due to the passage of time	-	471	104	575
B.3 Changes due to discount rate variations	-	-	-	-
B.4 Other changes	26	12,965	2,561	15,552
C. Decreases	**(12,123)**	**(39,167)**	**(281,112)**	**(332,402)**
C.1 Use during the year	-	(11,929)	(225,985)	(237,914)
C.2 Changes due to discount rate variations	-	(26,370)	(2,226)	(28,596)
C.3 Other changes	(12,123)	(868)	(52,901)	(65,892)
D. Closing balance	**88,231**	**99,330**	**486,901**	**674,462**

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	21,143	7,039	15,871	299	44,352
Financial guarantees given	1,419	4,141	6,021	-	11,581
Total	**22,562**	**11,180**	**21,892**	**299**	**55,933**

10.4 Provisions for other commitments and guarantees given

Provisions for other commitments and guarantees given amounted to 88.2 million (88.7 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 99.3 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 99.3 million (124.9 million as at 31 December 2021). Charges for the year were allocated for 0.6 million to item 160 a) - "Personnel expenses" in the income statement and for 14.3 million as increase 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 98 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 51 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 4 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 41 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 19 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 54 beneficiaries;
- commitments relative to 33 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 28 beneficiaries of the additional fund for INPS payments for obligatory invalidity, old age and heir insurance for the former Banca Italease;
- commitments to 17 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 105 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 162 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 fund
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 83 beneficiaries;
- former Banca Agricola Milanese pension fund
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 was only one beneficiary;
- 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 4,948 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 204 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

	31/12/2022
A. Opening balance	**124,879**
B. Increases	**13,618**
B.1 Social security costs relative to past work provided (CSC)	182
B.2 Financial charges due to the passage of time	471
B.3 Other actuarial losses	12,965
B.4 Losses due to discount rate variations	-
B.5 Other increases	-
C. Decreases	**(39,167)**
C.1 Use during the year	(11,929)
C.2 Gains due to discount rate variations	(26,370)
C.3 Other actuarial gains	(862)
C.4 Other decreases	(6)
D. Closing balance	**99,330**

Net actuarial gains totalled 14.3 million and were attributable to the following:
- the change in the inflation rate, which led to an actuarial loss of 3.6 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 26.4 million, corresponding to sub-item "C.2 Gains due to discount rate variations";
- other actuarial assumptions that led to a net loss of 8.4 million recognised for 9.3 million under sub-item B.3 "Other actuarial losses", and for 0.9 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 2022, as well as at 31 December 2021, 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 2022 totalled 0.3 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 (2022-2021):	
Probability of death of retired or active employees	IPS55 with Age-Shifting demographic basis for annuity insurance
Financial assumptions (2022-2021):	
Yearly discount rate	weighted average of the rates in the Eur Composite AA curve (*): 2022: from 3.49% to 3.69% depending on the plan 2021: from 0.14% to 0.535% depending on the plan
Yearly inflation rate	weighted average of the rates in the European Zero-Coupon Inflation-Indexed Swap curve (**): **2022**: 2.90% **2020**: 2.30%

(*) 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%	(3,022)	(3.04%)
discount rate -0.5%	3,216	3.24%
inflation rate +0.50%	1,738	1.75%
inflation rate -0.50%	(1,659)	(1.67%)

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

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.
Furthermore, as permitted by paragraph 92 of the reference international accounting standard (IAS 37), the disclosure set out below does not include the information whose provision could harm the position of the Group banks involved in the actions to protect their position in the situation in the pending disputes.
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 83.7 million.

Legal disputes with customers

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.
Below, a brief description is provided of the developments during 2022 of the main legal disputes, whose settlement is deemed could entail a probable 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 its ruling of 11 January 2023, the Milan Court of Appeal confirmed the decision in favour of the bank handed down by the Court of Milan in 2020. The terms for the appeal to the Court of Cassation are pending.
- 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. In December 2022, proceedings were terminated without any economic impact for Banco BPM as a result of a settlement agreement.
- 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. On 11 October 2022, the conviction ruling was issued for the banks jointly and severally for the all-inclusive sum of 57.1 million; following the injunction served to all the losing parties, Banco BPM paid an amount including legal costs of 11.6 million. The Bank, in agreement with all the other banks mentioned, challenged the ruling by filing an appeal to the Court of Appeal of Rome on 6 December 2022.
- 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 Court of Rome, with ruling of 21 November 2022, fully rejected the claims of Malenco. The appeal proceedings are pending.
- Società Agricola La Meridiana S.r.l. in liquidation, with sole shareholder Realfin Group S.p.A., now bankrupt, summoned Banco BPM before the court on 17 January 2022, disputing the alleged unjustified granting of a loan of 14 million in 2006 secured by a mortgage. It is argued that the purpose of the loan was to cause the appearance of a restructuring of the company for the sole purpose of re-evaluating the value of the shareholding of the sole shareholder Realfin Group, so as not to have to write down the receivable from the latter. The loan allegedly worsened the financial situation of Società Agricola La Meridiana, which seeks the Bank's sentencing to provide compensation for damages of 18 million. The Court of Milan, with final ruling of 13 October 2022, rejected the counterparty's claims in full.
- The Companies I.F.I.T. S.r.l. and S.I.R.O. S.r.l. on 14 February 2022 summoned Banco BPM before the court to obtain the revocation of a pledge made by the other two defendants in the case, Luigi Servidati and Fabio Planamente, former managers of the group, as a guarantee for a loan of 23 million granted to the company Cantiere del Pardo S.p.A. The plaintiffs claim damages of approximately 15.2 million, an amount for which they obtained a precautionary seizure against the same two former managers (later

shareholders), for having transferred ownership of Cantiere del Pardo to third parties. The lawsuit is pending in the initial stage before the Court of Bologna.

- On 23 December 2022, the extraordinary receivers of Società Italiana per Condotte d'Acqua S.p.A. summoned the members of its Management and Supervisory Boards, the auditing firm and the banking class, including Banco BPM, and some insurance companies to court, to obtain a joint and several sentence of all defendants to pay the sum of over 389 million. The amount is requested by way of compensation for the alleged damages also caused by the abusive granting of credit by the banking class, which would have allowed the company to continue to operate despite the crisis situation, also causing the serious impoverishment of the company's net assets.
- 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.
  With regard to one of the portions of the site, on 7 March 2022, a settlement agreement was finalised with one of the current owners, regarding the reclamation of the portion of the former Necchi area it owns. The agreement envisages, inter alia, the contribution of Partecipazioni Italiane to bearing the reclamation costs for an amount of 1.4 million plus VAT (half of which already paid at the time of finalisation of the agreement and half to be paid to the counterparty on announcement of the start of the reclamation activities), already accounted for in the financial statements as at 31 December 2021.
  For the portion of the former Necchi area owned by INAIL and currently occupied by the Pavia Police Headquarters, through the technical consultant WSP Italia S.r.l. (formerly Golder Associates S.r.l.), the subsidiary completed the characterisation activities of the portion of the area, as per Characterisation Plan approved by decision of the Municipality of Pavia on 21 March 2022. As a result of the above-mentioned activities, WSP Italia estimated the costs for the probable future activities and for the reclamation as 160 thousand euro plus VAT, recognised in the financial statements as at 31 December 2022.
  For the other two areas into which the site is divided, given the uncertainty of the interventions to be carried out, it is not possible to reliably estimate any expenses borne by the investee, 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 334.8 million.
Claims classified as probable amount to a total of 248.8 million, against which 59.6 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.
Below, a brief description is provided of the developments during 2022 of the main legal disputes, whose settlement is deemed could entail a probable 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 examination of the court-appointed expert is scheduled for 24 January 2024.

- 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 19 January 2024.
- 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. An appeal was filed against the ruling by the counterparty; at the hearing for closing arguments held on 28 September 2022, the judge took the case under advisement.
- 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. The judgement in the Supreme Court ended with a ruling filed on 14 February 2022 which declared inadmissible the appeal of the receivership against the ruling of the Court of Appeal of Perugia.
- 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 and appeal proceedings concluded with rulings in the Bank's favour, which rejected the claims of the plaintiff. The ruling on appeal was challenged by the counterparty with an Appeal in the Supreme Court. Banco BPM is waiting for a hearing to be scheduled.

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 18.6 million.
Claims classified as probable amount to a total of 24.8 million, against which 5.7 million has been allocated under the item Provisions for risks and charges.

<u>Tax disputes</u>

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[1] as at 31 December 2022 (unchanged compared to claims as at 31 December 2021). During the year, no new claims arose, nor did any events change the amount of the claims already existing at the beginning of the year.

<u>Details of pending disputes as at 31 December 2022</u>

The main tax disputes pending as at 31 December 2022 (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

[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.

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. On 18 January 2023, the ruling of the Court of Cassation was published, which recognised the validity of the appeal filed by the Bank for the effective lack of a specific provision of regional law that exempts, for tax year 2006, the system suspending the application of the increase in the IRAP rate set forth by state law. However, the Court pointed out that following the suspension of the effectiveness of the increase in the IRAP rate for 2002 for banks and insurance companies, it believes that the rate of 4.75%, already envisaged at national level for 2002 by Art. 45, paragraph 2 of Italian Legislative Decree no. 446 of 1997, should be applied instead of the ordinary rate of 4.25%. The Court therefore overturned the decision of the Regional Tax Commission, referring to the second instance Tax Court of Veneto, which will have to redetermine the Bank's tax liability by applying the rate of 4.75%. The dispute is therefore still pending due to the referral to the Regional Tax Commission. However, the latter will no doubt reduce the amount of the claim and order the consequent reimbursement of the taxes and relative interest already paid following the ruling overturned.

- 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. On 30 November 2022, the Office served a decision to impose penalties with which it rejected the defensive arguments made by the Bank and imposed a penalty of 2.3 million against it. Considering the reasons contained in the decision to impose penalties contradictory and unfounded, on 30 January 2023, the Bank filed an appeal to the Milan Tax Court of first instance.
- 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. On 18 December 2015, 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 2022.

<u>Audits in progress as at 31 December 2022 conducted on Group companies</u>

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. During the year 2022, there were no new communications from the Tax Authority.

On 21 September 2022, the economic and financial police unit of the Italian Tax Police initiated an audit of IRES and IRAP against Banca Akros and in order to verify the application of substitute tax pursuant to Presidential Decree 600/1973 for the 2016 tax period. The audit was completed on 19 January 2023. In the report on findings drawn up on that date, it was indicated that the audit did not lead to any findings.

As illustrated in the section dedicated to significant events after the end of the year, on 24 January 2023, the Italian Tax Authority, Lombardy Regional Department, Large Taxpayers Office initiated a tax audit of the Parent Company Banco BPM for IRES, IRAP, VAT and withholding tax obligations for the 2017 and 2018 tax periods.

10.6.2 Other provisions - personnel expenses

These amounted to 263.5 million and include the amount (net of the payments made in 2021-2022) of 144.7 million (originally equal to 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 for early retirement on a voluntary basis of more than 1,600 resources.
This item also includes: i) the estimated expense deriving from the expected payment of variable remuneration in compliance with the provisions of the Group's incentive systems; and ii) the estimate relating to other disbursements planned in favour of the staff (e.g., loyalty bonuses, non-competition agreements, etc.).

10.6.3 Other provisions - other

This residual category of provisions amounts to a total of 139.7 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 (45.3 million);

b) estimate of probable reimbursements of fees consequent to the possible early termination of insurance policies by customers (21.1 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 (30.8 million);
d) risks associated with guarantees given for sales of non-performing loans already finalised as at 31 December 2022 (17.2 million);
e) charges relating to the restructuring of the distribution network (8.5 million).

Category a) includes 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.
With regard to these operations, a criminal proceeding was initiated before the Public Prosecutor's Office of Milan, with relation to which, on 19 February 2019 the Public Prosecutor's Office of Milan served to the Bank (i) a preventive seizure 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. 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.
During the preliminary hearing which began on 19 July 2021, the Judge established that it had no jurisdiction for the proceedings that involve the former managers and employees of the Group in relation to the crimes of aggravated fraud, self-laundering and 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 with which a former manager of the Bank has been charged.
Furthermore, the Judge, accepting the petitions submitted by Banco BPM and Banca Aletti and at the end of the preliminary hearing, on 8 April 2022 handed down a ruling applying the penalty at the request of the parties under the proposed conditions, thus applying the financial penalty of 240 thousand euro to Banco BPM and 56 thousand euro to Banca Aletti, at the same time ordering the confiscation of only the profit of the predicate offense of self-laundering, equal to 293 thousand euro, already subject to a real precautionary restriction. Furthermore, again with a measure dated last 8 April, the Judge ordered the release of the sum of 500 thousand euro initially subject to a real restriction for the case of corruption between private parties, ordering its return to the Bank.
With regard to the residual amounts involved in the seizure amounting to 83.8 million for the crime of aggravated fraud, the Prosecutor's Office of Verona was identified by the Court of Cassation as having territorial jurisdiction to proceed as a result of the conflict of territorial jurisdiction raised. Public Prosecutor's Office of Verona will also have to decide whether to initiate a new criminal action, with regard to the cases of aggravated fraud, self-laundering and obstructing the exercise of the functions of public supervisory authorities.
As illustrated in the section dedicated to significant events after the end of the year, on 16 February 2023 the Verona Public Prosecutor's Office ordered the release from seizure of 80.3 million in favour of the Bank. The Public Prosecutor acknowledged the relief activities implemented by the Bank, and, on this basis, also agreeing with the legal arguments of the Bank, retained the amount of the seizure "clearly excessive" ordering its return. In this stage, the Public Prosecutor decided to maintain the seizure of an amount of around a residual 3.5 million.

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 this regard, also with a view to standing by to its customers, the Group has implemented a large-scale customer care initiative over the last few years, aimed, if necessary, at finalising transactions by providing a free service for assistance to customers in submitting requests to the bankruptcy receiver for the return of stones and, lastly, for the return of diamonds in custody at the vaults managed by the IDB bankruptcy. As at 31 December 2022, over 24,000 claims had been received, and over 1,300 disputes notified (partly preceded by a claim) for total relief sought of around 718.4 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 total relief sought of 636.8 million.
Against the claims and disputes, both those not yet defined and those potentially estimated, the sub-item in question includes the specific provision recognised against the above disputes with customers amounting to 41.5 million as at 31 December 2022.

The total provision made over the years, from 2017, was 390 million, against which drawdowns for refunds to customers of 348.5 million were made.
As at 31 December 2021, the provision amounted to 67.9 million; during 2022, drawdowns for refunds of 30.8 million were made, and a further provision of 4.4 million was added, to take into account the updated estimates relating to the total expected remedy and the percentages of compensation.

Item a) also includes a provision of 3.8 million relating to the estimated reimbursements to customers following bank transparency checks and Constitutional Court ruling no. 263 of 22 December 2022 on the repayment to customers of up-front costs relating to the early termination of certain loan agreements.

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 (the agreements of which were significantly revised in the course of 2021) 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.

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 2021 an important agreement was entered into which revised the terms and methods of continuation of the partnership. Please refer to the "Interests in associates and joint ventures - Item 70" section of these Notes for a more complete disclosure regarding 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.
Since the option exercise prices (described in the "Interests in associates and joint ventures - Item 70" section of these Notes) were calculated taking into consideration amounts that - at the date on which the new agreements were entered into (March 2021) - would be due to Cattolica, it is deemed that the provision of 12.5 million in place as at 31 December 2021 should continue to be maintained as at 31 December 2022 as well, as implicitly included in the new contractual terms.

As regards the commitments relating to the new commercial targets envisaged by the new agreements, as at 31 December 2022, the targets were deemed achievable and consequently the use of financial resources for the payment of penalties/indemnities cannot be predicted.

With reference to the agreements with Anima Holding, on the basis of the amending agreements reviewed in 2020, a system of penalties is envisaged in the event of failure to achieve the Net Funding targets set for the two periods January 2020 – December 2022 and January 2023 – February 2025. Since the target for the first sub-period (January 2020 - December 2022) was not reached, a provision for a total of 18.3 million was made to take into account the net funding gap. It should be noted that this penalty may not be due if the Net Funding deficit recognised in the first sub-period is offset by any surplus recorded in the second sub-period (January 2023- February 2025).

Item d) refers to the amount allocated to cover probable future financial disbursements for guarantees granted as part of sales of non-performing loans finalised in 2022 and previous years.

Lastly, item e) refers to the rationalisation of the branch network of the Parent Company approved by the Board of Directors during the year, which envisages the closure of a maximum number of 75 branches.

Section 11 - Technical reserves - Item 110

11.1 Technical reserves: breakdown

	Direct business	Indirect business	Total 31/12/2022
A. Non-Life business	**2,281**	**-**	**2,281**
A1. premium reserves	800	-	800
A2. claims reserves	1,481	-	1,481
A3. other reserves	-	-	-
B. Life business	**4,412,143**	**-**	**4,412,143**
B1. mathematical reserves	4,366,336	-	4,366,336
B2. reserves for amounts payable	45,807	-	45,807
B3. other reserves	-	-	-
C. Technical reserves where the investment risk is borne by the policyholders	**-**	**-**	**-**
C1. reserves relating to contracts whose performance is linked to investment funds and market indices	-	-	-
C2. reserves from pension fund management	-	-	-
D. Total technical reserves	**4,414,424**	**-**	**4,414,424**

11.2 Technical reserves: annual changes

	Non-Life Business	Life Business	Total
Opening balance			**-**
Business combinations	2,467	4,434,515	4,436,982
Changes in premiums	(206)	352,485	352,279
Changes in payments	-	(295,991)	(295,991)
Change in income and other bonuses paid to policyholders	-	23,200	23,200
Change in other technical reserves(*)	20	(102,066)	(102,046)
Closing balance	**2,281**	**4,412,143**	**4,414,424**

(*) including the shadow accounting effect.

The item Business combinations includes the balance as at 1 July of the technical reserves of Banco BPM Vita, following the line-by-line consolidation of the Company.

Section 12 - Redeemable shares – Item 130

12.1 Redeemable shares: breakdown

The Group has no redeemable shares as at the reporting date, nor did it as at 31 December 2021.

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 2022 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 6,159,480 shares of the Parent Company, fully held by the same, for a book value of 18.3 million.

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

Items/Types	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 (-)	(3,569,511)	-
A.2 Shares in issue: opening balances	**1,511,612,615**	**-**
B. Increases	**1,995,460**	**-**
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	1,995,460	-
B.3 Other changes	-	-
C. Decreases	**(4,585,429)**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	(4,585,429)	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in issue: closing balances	**1,509,022,646**	**-**
D.1 Own shares (+)	6,159,480	-
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 mainly includes shares assigned during the year to employees, implementing remuneration and incentive policies as detailed in Part I of the Notes.
The item C.2 includes purchases of own shares made during the year to service the employee incentive plans equal to 4,582,640 shares.
Both items also include 2,789 shares purchased and sold with reference to transactions with customers of the so-called "error account".

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 4,219.4 million, classified as follows:

- Profit reserves of 3,875.0 million;
- Other reserves of 344.4 million.

Please see the "Statement of changes in consolidated shareholders' equity" for evidence of changes in the reserves during 2022, 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 2022 amounted to 1,389.8 million (1,092.8 million at the end of the previous year) and were represented by four issues of Additional Tier 1 securities: the first in April 2019 for a nominal amount of 300 million, the second, completed in January 2020, for a nominal amount of 400 million, the third, in January 2021, for a nominal amount of 400 million and the last one concluded in April 2022 for 300 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 2022, the shareholders' equity decreased by 63.3 million, as a result of the payment of the coupons (87.3 million) net of the related tax effect (IRES tax) of 24.0 million.
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	31/12/2022	31/12/2021
Interests in consolidated companies with significant non-controlling interests	-	-
Other interests	720	1,108
Total	**720**	**1,108**

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 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
1. Commitments to disburse funds	**42,162,724**	**3,318,728**	**315,437**	**13,413**	**45,810,302**	**44,790,153**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	1,412,525	40,048	868	-	1,453,441	1,240,057
c) Banks	1,748,261	177,688	-	-	1,925,949	1,872,246
d) Other financial companies	2,203,652	717,059	2,795	2	2,923,508	2,883,320
e) Non-financial companies	34,326,739	2,317,012	305,870	13,258	36,962,879	36,197,957
f) Households	2,471,547	66,921	5,904	153	2,544,525	2,596,573
2. Financial guarantees given	**416,869**	**73,533**	**19,759**	**-**	**510,161**	**463,098**
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	10,217	-	-	-	10,217	13,477
c) Banks	33,739	-	-	-	33,739	34,050
d) Other financial companies	35,647	116	16	-	35,779	45,177
e) Non-financial companies	284,463	68,777	17,702	-	370,942	319,546
f) Households	52,803	4,640	2,041	-	59,484	50,848

2. Other commitments and guarantees given

	Nominal value	
	Total 31/12/2022	Total 31/12/2021
1. Other guarantees given	**7,934,797**	**7,316,990**
of which: non-performing credit exposures	321,959	261,622
a) Central Banks	-	-
b) Public Administrations	9,043	15,627
c) Banks	460,782	463,523
d) Other financial companies	238,336	195,012
e) Non-financial companies	7,093,296	6,508,535
f) Households	133,340	134,293
2. Other commitments	**2,919,352**	**3,028,549**
of which: non-performing credit exposures	3,946	3,941
a) Central Banks	-	-
b) Public Administrations	9,643	7,082
c) Banks	145,594	70,757
d) Other financial companies	315,737	636,465
e) Non-financial companies	719,296	573,658
f) Households	1,729,082	1,740,587

3. Assets pledged to secure own liabilities and commitments

Portfolios	Amount 31/12/2022	Amount 31/12/2021
1. Financial assets at fair value through profit and loss	511,237	1,079,749
2. Financial assets measured at fair value through other comprehensive income	4,155,277	8,142,284
3. Financial assets at amortised cost	49,505,541	55,652,324
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 54,172.1 million, mostly attributable to the Parent Company. These refer to:

- 15,811.5 million (15,864.9 million in 2021) in financial assets relating to mortgage loans transferred by the Parent Company to the SPEs, 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;
- 364.7 million in financial assets, referring to mortgages sold to the special purpose entities of the securitisation transactions;
- 24,527.6 million (23,119.6 million in 2021) in loans serving to guarantee financing operations with central banks (Abaco);
- 9,678.0 million (11,804.0 million in 2021) in securities underlying repurchase agreements and securities lending;
- 3,296.4 million (13,305.0 million in 2021) in securities serving as deposits/guarantees for other operations, mainly associated with refinancing operations with central banks (pooling);
- 108.9 million (209.0 million in 2021) in assets serving to guarantee financing operations received from Cassa Depositi e Prestiti;
- 385.0 million (571.9 million in 2021) 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 2022 amounted to a nominal value of 26.7 billion (nominal value of 39.2 billion in 2021):

- securities deriving from own asset securitisation transactions for 2,380.2 million (2,495.0 million in 2021);
- covered bond issues repurchased for a nominal value of 3,001.8 million (5,744.5 million in 2021);
- securities deriving from repurchase agreements with securities use and/or lending delivery versus delivery for a residual nominal value of 422.0 million (860.0 million in 2021).

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 555.2 million (2,764.7 million in 2021), with nominal value of 565.2 million (2,465.4 million in 2021).

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

The breakdown of the investments underlying unit-linked policies (1,442.5 million) and the corresponding liabilities for the policies issued (1,441.8 million) is provided below.
In the consolidated financial statements, the above-mentioned investments are represented in the accounting portfolio of financial assets measured at fair value as described in "Part A - Accounting policies". The book value net of intercompany investments amounts to 1,404.2 million.

Items	**Services relating to investment funds and market indices**
Breakdown of financial assets underlying unit-linked policies:	
- UCIT units	1,401,962
- Loans and debt securities	40,495
Total	**1,442,457**
of which: intercompany loans	(38,272)
Other financial assets mandatorily measured at fair value	**1,404,185**
Financial liabilities designated at fair value	**1,441,830**

5. Management and brokering for third parties

Type of services	**Amount**
1. Execution of customer orders	
a) purchases	91,189,606
1. settled	90,673,501
2. not settled	516,105
b) sales	90,803,034
1. settled	90,317,960
2. not settled	485,074
2. Portfolio management	**3,038,359**
a) individual	3,038,359
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	59,340,367
1. securities issued by companies included in the scope of consolidation	5,450,601
2. other securities	53,889,766
c) third party securities under custody with third parties	56,778,742
d) own securities under custody with third parties	42,656,437
4. Other transactions	**17,239**

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 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 1,399 million and refer to derivative instruments offset at individual Group company level, 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 860 million;
- 50. Hedging derivatives – offset for 539 million.
- 20. Financial liabilities held for trading – offset for 860 million;
- 40. Hedging derivatives – offset for 539 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 4,441.2 million (recognised under items 20 and 50 of balance sheet assets) of which, net of offsetting, 4,426.2 million (5,825.3 million gross) is supported by netting agreements (99.7% in percentage terms), as indicated in table 6 (columns c) and a));
- those with a negative fair value amount to 3,722.9 million (recognised under items 20 and 40 of balance sheet liabilities) of which, net of offsetting, 2,758.9 million (4,157.9 million gross) is supported by netting agreements (74.1% in percentage terms), as indicated in table 7 (columns c) and a)). Positions not covered by netting arrangements for the most part refer to interest rate swap contracts signed by Banco BPM customers, which as at 31 December 2022 had a negative fair value of 733.3 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 2,558.4 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 0.6 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) 31/12/2022	Net amount 31/12/2021
				Financial instruments (d)	Cash deposits received as guarantee (e)		
1. Derivatives	5,825,252	1,398,989	4,426,263	2,277,293	2,030,460	118,510	114,298
2. Repurchase agreements	1,523,960	-	1,523,960	1,505,226	16,598	2,136	1,158
3. Securities lending	1,309,287	-	1,309,287	1,225,977	-	83,310	164,753
4. Other	-	-	-	-	-	-	-
Total 31/12/2022	**8,658,499**	**1,398,989**	**7,259,510**	**5,008,496**	**2,047,058**	**203,956**	**X**
Total 31/12/2021	**7,345,588**	**1,263,465**	**6,082,123**	**5,431,463**	**370,451**	**X**	**280,209**

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) 31/12/2022	Net amount 31/12/2021
				Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives	4,157,911	1,398,989	2,758,922	2,277,294	277,411	204,217	19,648
2. Repurchase agreements	12,596,200	-	12,596,200	12,516,490	66,660	13,050	1,842
3. Securities lending	1,475,689	-	1,475,689	1,418,073	-	57,616	6,623
4. Other transactions	-	-	-	-	-	-	-
Total 31/12/2022	**18,229,800**	**1,398,989**	**16,830,811**	**16,211,857**	**344,071**	**274,883**	**X**
Total 31/12/2021	**19,144,398**	**1,263,465**	**17,880,933**	**17,315,386**	**537,434**	**X**	**28,113**

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 2022 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	-	56,730	1,161,259
b) Financial intermediaries	-	15,785	75,503
c) Customers	-	-	-
Total receivables for securities lending	**-**	**72,515**	**1,236,762**
Security or cash-backed loaned securities received not available to the lender from:			
b) Financial intermediaries	-	-	-
c) Customers	15,897	352,317	35,886
Total (fair value)	**15,897**	**352,317**	**35,886**
Cash-backed loaned securities given - Due to:			
a) Banks	-	64,485	1,310,770
b) Financial intermediaries	-	2,384	98,044
c) Customers	-	277	286
Total payables for securities lending	**-**	**67,146**	**1,409,100**
Security-backed or non-guaranteed loaned securities given:			
a) Banks	-	351,285	47,612
b) Financial intermediaries	-	-	-
c) Customers	-	-	-
Total (fair value)	**-**	**351,285**	**47,612**

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.