

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 - Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	Total 2021	Total 2020
1. Financial assets at fair value through profit and loss:	23,641	3,442	3,224	30,307	41,419
1.1 Financial assets held for trading	19,482	-	3,224	22,706	26,811
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	4,159	3,442	-	7,601	14,608
2. Financial assets measured at fair value through other comprehensive income	145,395	-	X	145,395	148,875
3. Financial assets at amortised cost:	244,676	1,740,427	X	1,985,103	2,123,031
3.1 Loans to banks	10,744	28,179	X	38,923	44,372
3.2 Loans to customers	233,932	1,712,248	X	1,946,180	2,078,659
4. Hedging derivatives	X	X	(141,861)	(141,861)	(116,454)
5. Other assets	X	X	11,963	11,963	6,961
6. Financial liabilities	X	X	X	394,281	212,773
Total	413,712	1,743,869	(126,674)	2,425,188	2,416,605
of which: interest income on impaired financial assets	362	91,511	-	91,873	119,769
of which: interest income on finance leases	X	18,285	X	18,285	22,938

Item 1.1 “Financial assets held for trading – Other transactions” include the spreads of the derivative contracts operationally connected with the financial liabilities issued by the Bank measured at fair value (FVO).

Item 4 “Hedging derivatives - Other transactions” include the spreads accrued of the financial hedging derivative contracts for transactions on balance sheet assets.

Item 5 “Other assets – Other transactions” includes 5.3 million in interest income on tax credits.

Item 6 “Financial liabilities” refers to interest income accruing on ECB funding operations for 352.2 million, represented by TLTRO III loans payable. In 2020, it amounted to 169.2 million, of which 25.2 million relating to ECB funding operations represented by TLTRO II loans payable, fully repaid, and 144.0 million by TLTRO III loans.

For the accounting treatment relating to the recognition of interest pertaining to the year for this loan, refer to that illustrated in the paragraph “Other significant aspects relating to Group accounting policies” contained in Part A of the Notes.

Interest income on impaired assets is recorded according to the methods set out in IFRS 9. In particular, they include the effect attributable to the “time reversal” due to the recoveries from discounting non-performing loans.

1.2 Interest and similar income: other information

1.2.1 Interest income on financial assets in foreign currency

Items	2021	2020
Interest income on financial assets in foreign currency	58,097	73,502

1.3 Interest and similar expense: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 2021	Total 2020
1. Financial liabilities at amortised cost	(83,745)	(248,740)	X	(332,485)	(445,151)
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	(32,914)	X	X	(32,914)	(65,846)
1.3 Due to customers	(50,831)	X	X	(50,831)	(64,974)
1.4 Debt securities in issue	X	(248,740)	X	(248,740)	(314,331)
2. Financial liabilities held for trading	(11,405)	-	-	(11,405)	(13,109)
3. Financial liabilities designated at fair value	-	(2,922)	-	(2,922)	(3,832)
4. Other liabilities and provisions	X	X	(52)	(52)	(449)
5. Hedging derivatives	X	X	44,784	44,784	43,071
6. Financial assets	X	X	X	(106,968)	(40,535)
Total	(95,150)	(251,662)	44,732	(409,048)	(460,005)
of which: interest expense relating to lease payables	(7,473)	X	X	(7,473)	(9,402)

Item 5 "Hedging derivatives - Other transactions" include the spreads accrued of the financial hedging derivative contracts for transactions on balance sheet liabilities.

Item 6 "Financial assets - Other transactions" contains the negative interest income relating to repurchase agreements with commitment, securities lending, loans, current accounts and deposits with customers and banks.

1.4 Interest and similar expense: other information

1.4.1 Interest expense on financial liabilities in foreign currency

Items	2021	2020
Interest expense on financial liabilities in foreign currency	(10,994)	(6,543)

1.5 Hedging spreads

Items	2021	2020
A. Positive hedging spreads:	157,108	290,289
B. Negative hedging spreads:	(254,185)	(363,672)
C. Balance (A-B)	(97,077)	(73,383)

Section 2 - Fees and commissions – Items 40 and 50

2.1 Fee and commission income: breakdown

Service type/Amounts	Total 2021	Total 2020 (*)
a) Financial instruments	119,268	143,724
1. Placement of securities	16,252	47,631
1.1 With underwriting commitments and/or on the basis of an irrevocable commitment	11	19,513
1.2 Without irrevocable commitment	16,241	28,118
2. Receipt and transmission of orders and execution of orders for customers	66,063	64,806
2.1 Receipt and transmission of orders for one or more financial instruments	45,305	43,503
2.2 Execution of orders for customers	20,758	21,303
3. Other fees and commissions relating to activities associated with financial instruments	36,953	31,287
of which: own account trading	-	-
of which: individual portfolio management	30,915	25,588
b) Corporate Finance	9,469	3,732
1. Merger and acquisition advisory services	7,353	2,899
2. Treasury services	2,116	833
3. Other fees and commissions with corporate finance services	-	-
c) Investment advisory activities	855	880
d) Offsetting and settlement	-	-
e) Collective portfolio management	-	-
f) Custody and administration	13,793	11,182
1. Custodian bank	-	-
2. Other fees and commissions related to custody and administration activities	13,793	11,182
g) Central administrative services for collective portfolio management	-	-
h) Trust activities	2,053	1,926
i) Payment services	541,313	456,857
1. Current accounts	257,858	201,135
2. Credit cards	24,320	25,832
3. Debit cards and other payment cards	72,278	62,994
4. Bank transfers and other payment orders	177,815	157,309
5. Other fees and commissions relating to payment services	9,042	9,587
j) Distribution of third party services	815,604	645,073
1. Collective portfolio management	592,224	462,717
2. Insurance products	137,196	114,389
3. Other products	86,184	67,967
of which: individual portfolio management	1,727	2,041
k) Structured finance	894	1,288
l) Servicing for securitisation transactions	-	176
m) Commitments to disburse funds	-	-
n) Financial guarantees given	81,081	73,769
of which: credit derivatives	-	-
o) Financing operations	138,157	108,124
of which: for factoring transactions	-	-
p) Foreign currency trading	3,796	3,517
q) Commodities	-	-
r) Other fee and commission income	292,318	315,621
of which: for management of multilateral trading facilities	-	-
of which: for management of organised trading facilities	-	-
Total	2,018,601	1,765,869

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

Sub-item j) "other services" includes fees for making funds available (Credit Availability Fee) of 248.4 million (264.9 million the previous year) and fee and commission income from securities lending of 9.6 million.

It should be specified that, in relation to Group operations, cash flows associated with fees recognised in the income statement for 2021 involve limited uncertainties, in that these are fees accrued, and largely collected, against the provision of financial services which are now complete. Operating receivables relative to services provided but not yet received are, in fact, of an insignificant amount, as illustrated in "Section 4 - Financial assets at amortised cost", in Part B of the Balance sheet assets in these Notes.

For certain revenues associated with the placement of single premium insurance policies, the risk of returning a portion of the commissions received to the insurance company against early termination of said policies by the customers is protected against through the allocation of adequate provisions, as illustrated in "Section 10 - Provisions for risks and charges", in Part B - Liabilities of these Notes.

To that end, also note that adjustments in fees recognised in 2021, against services rendered in previous years amounted to a negative 6.7 million, equal to the difference between the verification of greater revenues totalling 7.7 million (of which 3 million relating to the distribution of insurance products and 1.8 million to the distribution of third-party lending products) and lower revenues for 14.4 million (mainly relating to 5.9 million for the distribution of insurance products and 5.7 million for the distribution of third party lending products).

2.2 Fee and commission expense: breakdown

Services/Amounts	Total 2021	Total 2020 (*)
a) Financial instruments	(16,980)	(24,975)
of which: financial instrument trading	(10,069)	(10,248)
of which: placement of financial instruments	(6,911)	(14,727)
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
d) Offsetting and settlement	-	-
c) Collective portfolio management	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(11,475)	(9,415)
e) Collection and payment services	(56,898)	(53,692)
of which: credit cards, debit cards and other payment cards	(48,288)	(44,293)
f) Servicing for securitisation transactions	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	(11,655)	(8,693)
of which: credit derivatives	-	-
i) Off-site offer of financial instruments, products and services	(6,688)	(9,034)
l) Foreign currency trading	(7)	(8)
m) Other fee and commission expense	(14,203)	(18,179)
Total	(117,906)	(123,996)

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

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 2021		Total 2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	41,052	-	17,654	-
B. Other financial assets mandatorily measured at fair value	1,525	4,221	1,046	6,162
C. Financial assets measured at fair value through other comprehensive income	6,920	-	17,153	-
D. Interests in associates and joint ventures	-	-	-	-
Total	49,497	4,221	35,853	6,162

Section 4 - Net trading income – Item 80

4.1 Net trading income: breakdown

Transactions/Income components	Capital gains (A)	Trading income (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial liabilities held for trading	107,811	170,969	(42,550)	(96,880)	139,350
1.1 Debt securities	1,121	69,678	(9,185)	(32,516)	29,098
1.2 Equity instruments	106,149	99,351	(32,639)	(64,285)	108,576
1.3 UCIT units	535	561	(15)	(3)	1,078
1.4 Loans	6	-	(711)	-	(705)
1.5 Other	-	1,379	-	(76)	1,303
2. Financial liabilities held for trading	5,858	25,786	(44,803)	(53,532)	(66,691)
2.1 Debt securities	-	-	-	-	-
2.2 Payables	1,344	23,711	(597)	(6,098)	18,360
2.3 Other	4,514	2,075	(44,206)	(47,434)	(85,051)
Financial assets and liabilities: exchange rate differences	X	X	X	X	38,539
3. Derivative instruments	1,561,990	2,424,999	(1,535,229)	(2,497,634)	(31,675)
3.1 Financial derivatives:	1,560,856	2,420,283	(1,532,877)	(2,492,723)	(30,262)
- On debt securities and interest rates	1,008,425	1,516,704	(1,066,852)	(1,602,311)	(144,034)
- On equity instruments and share indices	500,860	688,902	(414,175)	(676,160)	99,427
- On currencies and gold	X	X	X	X	14,199
- Other	51,571	214,677	(51,850)	(214,252)	146
3.2 Credit derivatives	1,134	4,716	(2,352)	(4,911)	(1,413)
of which: natural hedges connected with the fair value option	X	X	X	X	-
Total	1,675,659	2,621,754	(1,622,582)	(2,648,046)	79,523

It must be specified that, based on the provisions set out in the Bank of Italy Circular no. 262, the specification regarding "of which: natural hedges associated with the fair value option" refers to a specific type of hedge set out in IFRS 9. In that regard it is noted that there are no amounts to be reported, as Banco BPM Group opted to continue using the hedge accounting regime set out in IAS 39.

Section 5 - Fair value gains/losses on hedging derivatives - Item 90

5.1 Fair value gains/losses on hedging derivatives: breakdown

Income components/Amounts	Total 2021	Total 2020
A. Income relating to:		
A.1 Fair value hedging derivatives	498,034	174,278
A.2 Hedged financial assets (fair value)	385,890	453,842
A.3 Hedged financial liabilities (fair value)	213,797	497,978
A.4 Cash flow hedging derivatives	191	8
A.5 Assets and liabilities in foreign currency	1,861	605
Total gains on hedging derivatives (A)	1,099,773	1,126,711
B. Charges relating to:		
B.1 Fair value hedging derivatives	(216,431)	(217,017)
B.2 Hedged financial assets (fair value)	(860,865)	(342,330)
B.3 Hedged financial liabilities (fair value)	(22,661)	(574,428)
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currency	(664)	(593)
Total losses on hedging derivatives (B)	(1,100,621)	(1,134,368)
C. Fair value gains/losses on hedging derivatives (A - B)	(848)	(7,657)
of which: gains/losses of hedging on net positions	-	-

Section 6 - Gains (losses) on disposal/repurchase - Item 100

6.1 Gains (losses) on disposal/repurchase: breakdown

Items/Income components	Total 2021			Total 2020		
	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets						
1. Financial assets at amortised cost	301,281	(446,543)	(145,262)	105,973	(377,507)	(271,534)
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans to customers	301,281	(446,543)	(145,262)	105,973	(377,507)	(271,534)
2. Financial assets measured at fair value through other comprehensive income	40,063	(23,807)	16,256	124,715	(404)	124,311
2.1 Debt securities	40,063	(23,807)	16,256	124,715	(404)	124,311
2.2 Loans	-	-	-	-	-	-
Total assets (A)	341,344	(470,350)	(129,006)	230,688	(377,911)	(147,223)
Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	17,724	(17,798)	(74)	2,158	(4,061)	(1,903)
Total liabilities (B)	17,724	(17,798)	(74)	2,158	(4,061)	(1,903)

The result shown under item "1.2. Loans to customers" includes profits of 101.9 million deriving from the sale of securities classified in the portfolio of loans to customers, mainly represented by both Italian and foreign government securities, as well as the effect of early redemptions of HTC securities.

Excluding this component, the net loss of that item is 247.2 million, attributable for 214.4 million to the disposal of the "Rockets" portfolio of non-performing loans.

For more details of the above transactions, please see the section "Other significant aspects relating to Group accounting policies", found in Part A - Accounting Policies, Section A.1 - General Part of these Notes.

Gains on disposal of financial assets measured at fair value through other comprehensive income mainly refer to profits from sales of Italian and foreign government securities.

Section 7 - Net gains (losses) from other financial assets and liabilities measured at fair value through profit and loss – Item 110

7.1 Net change in value of other financial assets and liabilities measured at fair value through profit and loss: breakdown of financial assets and liabilities designated at fair value

Transactions/Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. Financial liabilities	18,041	3,216	(4,131)	(9,232)	7,894
2.1 Debt securities in issue	18,041	3,216	(4,131)	(9,232)	7,894
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange rate differences	X	X	X	X	-
Total	18,041	3,216	(4,131)	(9,232)	7,894

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit and loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	85,043	5,179	(41,374)	(50,570)	(1,722)
1.1 Debt securities	2,125	2,688	(2,541)	(5)	2,267
1.2 Equity instruments	5,499	527	(10,175)	(37,462)	(41,611)
1.3 UCIT units	47,361	1,959	(15,762)	(384)	33,174
1.4 Loans	30,058	5	(12,896)	(12,719)	4,448
2. Financial assets in foreign currency: exchange rate differences	X	X	X	X	10,170
Total	85,043	5,179	(41,374)	(50,570)	8,448

Section 8 - Net credit impairment losses/recoveries – Item 130

8.1 Net credit impairment losses relating to financial assets at amortised cost: breakdown

Transactions/Income components	Impairment losses (1)				Recoveries (2)			Total 2020
	Stage 1	Stage 2	Stage 3	Other	Write-offs	Acquired or originated impaired	Other	
A. Loans to banks	(346)	-	-	-	-	561	93	308
- Loans	-	-	-	-	-	489	93	582
- Debt securities	(346)	-	-	-	-	72	-	(274)
B. Loans to customers	(5,049)	(48,968)	(65,974)	(983,476)	(1,091)	37,715	20,074	43,270
- Loans	(4,094)	(48,923)	(65,974)	(983,476)	(1,091)	37,158	19,310	43,270
- Debt securities	(955)	(45)	-	-	-	557	764	321
Total	(5,395)	(48,968)	(65,974)	(983,476)	(1,091)	38,276	20,074	43,270

8.1 a Net credit impairment losses relating to loans at amortised cost subject to Covid-19 support measures: breakdown

Transactions/Income components	Net impairment losses				Total 2021	Total 2020
	Stage 1	Stage 2	Stage 3	Other		
1. Loans subject to forbearance measures compliant with GL	97	(160)	-	(1,086)	6	(56,946)
2. Loans subject to current moratorium measures no longer compliant with GL and not assessed as forborne	2,482	(20,622)	-	(58,953)	(2,897)	(79,990)
3. Loans subject to other forbearance measures	-	207	-	(2,836)	-	(4,499)
4. New loans	1,518	(145)	-	(15,487)	-	(10,625)
Total	4,097	(20,720)	-	(78,362)	(2,891)	(72,070)

8.2 Net credit impairment losses relating to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income components	Impairment losses (1)			Recoveries (2)			Acquired or originated impaired	Total 2021	Total 2020
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3			
			Write-offs	Other	Write-offs	Other			
A. Debt securities	(1,490)	-	-	-	-	516	-	(957)	(219)
B. Loans	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-
Total	(1,490)	-	-	-	-	516	-	(957)	(219)

8.2.a Net credit impairment losses related to financial assets measured at fair value through other comprehensive income subject to Covid-19 support measures: breakdown

The Group has none of this type. Therefore, the related table is omitted.

Section 9 - Gains (losses) from contractual modification without derecognition - Item 140

9.1 Gains (losses) from contractual modification: breakdown

Items/Income components	Total 2021			Total 2020		
	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets at FV through other comprehensive income						
Contractual modification on Financial assets at FV through other comprehensive income	-	-	-	-	-	-
Financial assets at amortised cost						
Contractual modification on Financial assets at amortised cost	2,507	(11,028)	(8,521)	-	(1,256)	(1,256)
Total	2,507	(11,028)	(8,521)	-	(1,256)	(1,256)

The item, negative by 8.5 million, represents the net impact deriving from contractual modification during the year in relation to types of loans that did not entail total or partial derecognition of the previous credit exposure from the financial statements.

Section 10 - Net premiums - Item 160

This item is of no significance for the Group.

Section 11 - Balance of other income and expenses from insurance activities - Item 170

This item is of no significance for the Group.

Section 12 - Administrative expenses – Item 190

12.1 Personnel expenses: breakdown

Type of expense/Sector	Total 2021	Total 2020
1) Employees	(1,663,228)	(1,829,467)
a) wages and salaries	(1,164,009)	(1,099,055)
b) social security contributions	(307,291)	(287,732)
c) severance indemnities	(66,017)	(65,926)
d) pension expenses	(289)	(295)
e) provisions for employee severance pay	(2,141)	(2,431)
f) provisions for post-employment benefits and similar obligations:	(333)	(1,015)
- defined contribution	-	-
- defined benefit	(333)	(1,015)
g) payments to external supplementary pension funds:	(41,937)	(42,817)
- defined contribution	(41,937)	(42,817)
- defined benefit	-	-
h) costs deriving from share-based payment agreements	(7,782)	(3,286)
i) other employee benefits	(73,429)	(326,910)
2) Other personnel in service	(740)	(432)
3) Directors and statutory auditors	(6,754)	(6,302)
4) Retired personnel	(17)	(15)
Total	(1,670,739)	(1,836,216)

12.2 Average number of employees per category

	2021	2020
1) Employees	19,928	20,761
a) executives	312	323
b) total middle managers	7,954	8,299
<i>of which: 3rd and 4th level</i>	4,146	4,361
c) remaining employees	11,662	12,139
2) Other personnel	21	15
Average number of personnel	19,949	20,776

The average number of employees does not include directors and statutory auditors. In the case of employees, part-time is conventionally considered as 70%.

12.3 Defined benefit company pension funds: costs and revenues

	Total 2021	Total 2020
- Social security costs relative to current work provided	(371)	(490)
- Financial expense	36	(533)
- Expected return on plan assets	-	-
- Actuarial gains and losses	-	-
- Social security costs relative to past work provided	-	-
- Gains and losses from reductions or extinctions	2	8
Total	(333)	(1,015)

12.4 Other employee benefits

Other employee benefits, the costs of which are shown in table 12.1 above, under the item “i) other employee benefits”, amounted to 73.4 million (326.9 million in 2020).

This item mainly includes costs relating to the Group’s welfare system, such as - for example - the so-called “welfare” company bonus, luncheon vouchers and costs of managing company canteens, health and injury policies for the benefit of employees, study grants, contributions to corporate social clubs, loyalty bonuses, costs relating to professional training and refresher courses.

The figure for the previous year included charges for early retirement incentives, also through the voluntary use of the extraordinary benefits of the Solidarity Fund for the sector, for 257.0 million.

12.5 Other administrative expenses: breakdown

Type of expense/Sector	Total 2021	Total 2020 (*)
a) Expenses relating to real estate	(66,155)	(60,796)
- rents	(6,930)	(7,046)
- maintenance of premises	(13,852)	(14,980)
- cleaning expenses	(12,930)	(13,326)
- electricity, water and heating	(32,443)	(25,444)
b) Indirect taxes and duties	(320,133)	(312,976)
c) Postal charges, telephone charges, printed materials and other office expenses	(22,773)	(26,095)
d) Maintenance and fees for furniture, machines and systems	(86,709)	(81,292)
- fees	(20,689)	(22,549)
- maintenance	(66,020)	(58,743)
e) Professional and advisory services	(67,478)	(59,599)
f) Fees for surveys and information	(8,651)	(13,376)
g) Security and armoured cars	(16,850)	(18,488)
h) Services from third parties	(221,588)	(209,149)
i) Advertising, entertainment and gratuities	(9,501)	(10,740)
l) Insurance premiums	(10,472)	(9,287)
m) Transport, hiring and travel	(6,210)	(8,053)
- hiring	(777)	(2,274)
- other expenses	(5,433)	(5,779)
n) Banking industry charges	(214,821)	(192,044)
- ordinary contribution to Resolution Funds	(87,787)	(85,215)
- additional contributions to Resolution Funds	(28,595)	(26,919)
- ordinary contribution to the Interbank Deposit Guarantee Fund	(98,439)	(79,910)
o) Other costs and sundry expenses	(49,493)	(59,067)
Total	(1,100,834)	(1,060,962)

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

The item “a) Expenses relating to real estate – rents” includes rents of properties that are not included in the scope of IFRS 16 as they related to short-term contracts (less than 12 months).

The items “d) Maintenance and fees for furniture, machines and systems” and “m) Transport, hiring and travel – hiring” include the hiring of software, short-term or low value hiring of machinery and automobiles and support fees relating to hiring.

Contributions to guarantee deposit systems and resolution mechanisms

Following transposition into the national legislation of Directives 2014/49/EU (Deposit Guarantee Schemes Directive – “DGSD”) of 16 April 2014 and 2014/59/EU (Bank Recovery and Resolution Directive – “BRRD”) of 15 May 2014, starting from financial year 2015, credit institutions are obliged to provide the financial resources necessary for the financing of the Interbank Deposit Guarantee Fund and the National Resolution Fund (merged into the Single Resolution Fund starting from 2016), through payment of ex ante ordinary contributions to be paid

annually, until a certain target level is reached. Where the available financial resources of the IDGF and/or the SRF are insufficient to guarantee the protected reimbursement of depositors or to fund the resolution, respectively, it is set out that banks shall provide such funds via the payment of extraordinary contributions.

The contributions are recognised in the income statement item "190. b) Other administrative expenses" in application of IFRIC 21 interpretation "Levies", on the basis of which the liability relating to the payment of a levy arises at the time the "obligating event" occurs, namely at the time of the obligation to pay the annual fee. In the case in question, in accounting terms, the contributions are considered equivalent to a levy, and the time the "obligating event" occurs was identified in the first quarter for the SRF and in the third quarter for the IDGF.

The ordinary contribution to the Single Resolution Fund for 2021 amounted to 87.8 million (the contribution was 85.2 million in 2020). In that regard, it is noted that for 2021, as for the previous year, the Group did not avail of the option to fulfil the request by taking on an irrevocable payment commitment ("IPC - Irrevocable Payment Commitments").

The ordinary contribution to the Interbank Deposit Guarantee Fund, indicated in the income statement for 2021, amounted to 98.4 million (the contribution requested for 2020 was 79.9 million).

Lastly, we can note that in June 2021, the Bank of Italy called in additional contributions to the National Resolution Fund for 28.6 million, in relation to the financial requirements connected with the resolution measures carried out prior to the launch of the Single Resolution Fund. In detail, as these were measures initiated by the Bank of Italy in November 2015, as the national resolution authority pursuant to Italian Legislative Decree no. 180 of 16 November 2016, against the following four banks: Cassa di Risparmio di Ferrara S.p.A., Banca delle Marche S.p.A., Banca popolare dell'Etruria e del Lazio - Società cooperativa and Cassa di Risparmio della Provincia di Chieti S.p.A., said amount was also charged to item "190. b) Other administrative expenses" (in 2020 additional contributions of 26.9 million were requested).

The above-indicated amounts are shown in the table above under sub-item "n) Banking industry charges".

Fee to guarantee the convertibility of DTAs - legislative changes to Decree Law no. 59/2016

Please note that Art. 11 of Italian Decree Law no. 59 of 3 May 2016, converted with amendments into Italian Law no. 119 of 30 June 2016, introduced an optional regime by virtue of which the guarantee on the convertibility into tax credits of deferred tax assets (DTAs) which meet the requirements laid out in Law no. 214 of 22 December 2011 is subject to the payment of a fee, due for the years starting from 31 December 2015 until 31 December 2029, to be determined on an annual basis.

On 21 February 2017, the law (Law no. 15 of 17 February 2017) converting the "Salva Risparmio" Decree Law was published in the Official Gazette. In detail, Art. 26-bis, paragraph 4 amended Art. 11 of Decree Law 59/2016, postponing the period for which the annual fee is due, which is now from 31 December 2016 until 31 December 2030.

Pursuant to these regulatory references, the exercise of this option, which was carried out in 2016 by both groups involved in the merger, is considered irrevocable.

In more detail, the annual fee to be paid to ensure the convertibility of the above-mentioned deferred tax assets into tax credits must be determined on an annual basis by applying the rate of 1.5% to a base obtained by adding the difference between the convertible deferred tax assets recognised in the financial statements for the previous year and the corresponding deferred tax assets recognised in the 2007 financial statements, to the amount of conversions of the same deferred tax assets carried out from 2008 until the previous year, and subtracting the taxes set forth in the Decree and paid with reference to the above-mentioned tax periods (base also referred to as "type 2 DTAs"). The fees are deductible for both IRES and IRAP purposes in the year in which they are paid.

In virtue of the cited regulatory provisions, in the income statement item in question ("190. b) Other administrative expenses"), the charges accruing during 2021 were added, which came to 26.6 million (25.4 million was indicated in the income statement in 2020).

Section 13 - Net provisions for risks and charges - Item 200

13.1 Net provisions for risks and charges relating to commitments to disburse funds and financial guarantees given: breakdown

	Allocations	Reallocations	Total 2021	Total 2020
Commitments to disburse funds and financial guarantees given	(4,319)	16,393	12,074	(15,657)

13.2 Net provisions for other commitments and guarantees given: breakdown

	Allocations	Reallocations	Total 2021	Total 2020
Other commitments and guarantees given	(22,654)	5,326	(17,328)	4,193

13.3 Net provisions for other risks and charges: breakdown

	Allocations	Reallocations of surpluses	Total 2021	Total 2020
Risks and charges for legal disputes	(22,160)	15,141	(7,019)	(4,502)
Other risks and charges	(23,048)	9,282	(13,766)	(41,659)
Total	(45,208)	24,423	(20,785)	(46,161)

Net provisions for other risks and charges amounted to 20.8 million and included, inter alia, the allocations made against the contractual commitments envisaged for sales of loans finalised in the current year and in previous years.

For more details on the allocations made, refer to the disclosure set out in "Section 10 - Provisions for risks and charges" – Item 100 of Part B – Liabilities of these Notes to the consolidated financial statements.

Section 14 - Depreciation and impairment losses on property, plant and equipment - Item 210

14.1 Depreciation and impairment losses on property, plant and equipment: breakdown

Assets/Income components	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a + b - c)
A. Property, plant and equipment				
1 Used in operations	(165,990)	(891)	1,053	(165,828)
- Owned	(55,888)	-	-	(55,888)
- Rights of use acquired through leases	(110,102)	(891)	1,053	(109,940)
2 Held for investment purposes	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3 Inventories	X	-	-	-
Total	(165,990)	(891)	1,053	(165,828)

Section 15 - Amortisation and impairment losses on intangible assets - Item 220

15.1 Amortisation and impairment losses on intangible assets: breakdown

Asset/Income components	Amortisation (a)	Impairment losses (b)	Recoveries (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	(3,115)	-	-	(3,115)
A.1 Owned	(112,285)	(2,172)	-	(114,457)
- Internally generated	-	-	-	-
- Other	(112,285)	(2,172)	-	(114,457)
A.2 Rights of use acquired through leases	-	-	-	-
B. Assets held for sale	X	-	-	-
Total	(112,285)	(2,172)	-	(114,457)

Section 16 - Other operating expenses/income - Item 230

16.1 Other operating expenses: breakdown

	Total 2021	Total 2020
Expenses on leased assets	(26,173)	(14,775)
Other	(47,192)	(57,075)
Total	(73,365)	(71,850)

“Expenses on leased assets” relate to the costs incurred on assets used as collateral for non-performing exposures for the purchase and resale of assets under finance lease.

The item “Other” includes legal settlement charges exceeding the provisions allocated for 18.1 million (31.9 million in the previous year), operating losses relative to branch management (robbery, fraud, theft and other damages) for 7.2 million (7.1 million in 2020), as well as contingent liabilities and other contingencies.

16.2 Other operating income: breakdown

	Total 2021	Total 2020
Income on current accounts and loans	5,309	9,898
Tax recoveries	271,108	261,192
Expense recoveries	16,694	11,991
Rental income on real estate	33,885	39,508
Other	109,451	78,449
Total	436,447	401,038

The sub-item “Income on current accounts and loans” refers to the “*commissione di istruttoria veloce*” (fast track fee) introduced by Decree Law 201 of 6 December 2011, converted by Law 214/2011.

The sub-item “Other” includes sundry income for services rendered.

Section 17 - Gains (losses) of associates and joint ventures - Item 250

17.1 Gains (losses) of associates and joint ventures: breakdown

Income components/Sectors	Total 2021	Total 2020
1) Companies under joint control		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Recoveries	-	-
4. Other income	-	-
B. Charges	-	-
1. Write-downs	-	-
2. Losses on impairment	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	-	-
2) Companies subject to significant influence		
A. Income	232,068	130,975
1. Revaluations	232,021	130,975
2. Gains on disposal	47	-
3. Recoveries	-	-
4. Other income	-	-
B. Charges	(18,754)	(176)
1. Write-downs	(81)	(176)
2. Losses on impairment	(18,673)	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	213,314	130,799
Total	213,314	130,799

The items Revaluations and Write-downs include gains and losses deriving from measurement of interests in companies subject to significant influence using the equity method. In particular, profits comprise: 156.0 million referring to Agos Ducato, 43.2 million referring to Anima Holding, 9.2 million referring to Vera Vita, 2.7 million referring to Vera Assicurazioni, 7.4 million to Bipiemme Vita, 6.4 million referring to Factorit, 2.1 million referring to Alba Leasing, 2.0 million referring to Gardant Liberty, 1.9 million referring to Etica SGR, 0.5 million referring to SelmaBipiemme; the losses are represented by HI-MTF.

The gains from sales refer to the economic effect of the sale of the 5% interest in HI-MTF.

Losses on impairment amounted to -18.7 million and include the amount resulting from the impairment made against the share of the investment held in Factorit.

Section 18 - Fair value gains (losses) on property, plant and equipment and intangible assets - Item 260

18.1 Fair value (or revalued value) gains (losses) or estimated realisable value gains (losses) on property, plant and equipment and intangible assets: breakdown

Asset/Income components	Revaluations (a)	Write- downs (b)	Exchange rate differences		Net result (a-b+c-d)
			Positive (c)	Negative (d)	
A. Property, plant and equipment	25,788	(167,421)	-	-	(141,633)
A.1 Used in operations:	2,437	(20,086)	-	-	(17,649)
- Owned	2,437	(20,086)	-	-	(17,649)
- Rights of use acquired through leases	-	-	-	-	-
A.2 Held for investment purposes:	23,351	(147,335)	-	-	(123,984)
- Owned	23,351	(147,335)	-	-	(123,984)
- Rights of use acquired through leases	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
B. Intangible assets	-	-	-	-	-
B.1 Owned:	-	-	-	-	-
B1.1 Internally generated	-	-	-	-	-
B1.2 Other	-	-	-	-	-
B.2 Rights of use acquired through leases	-	-	-	-	-
Total	25,788	(167,421)	-	-	(141,633)

This item, totalling a negative 141.6 million (the balance in the previous year was a negative 36.7 million), includes the results of the fair value measurement of "revalued property, plant and equipment used in operations" and "property, plant and equipment held for investment purposes", represented by owned real estate assets and valuable works of art.

Section 19 - Value adjustments to goodwill - Item 270

19.1 - Value adjustments to goodwill: breakdown

The results of recoverability checks on goodwill recognised in the financial statements did not lead to adjustments during the year.

For a description of the methods used to perform impairment tests on goodwill, please see that indicated in "Section 10 - Intangible assets" in Part B of these Notes to the consolidated financial statements.

Section 20 - Gains (losses) on disposal of investments - Item 280

20.1 Gains (losses) on disposal of investments: breakdown

Income components/Sectors	Total 2021	Total 2020
A. Real estate	(723)	1,452
- Gains on disposal	585	3,045
- Losses on disposal	(1,308)	(1,593)
B. Other assets	581	(262)
- Gains on disposal	596	20
- Losses on disposal	(15)	(282)
Net result	(142)	1,190

Section 21 - Taxation charge related to profit or loss from continuing operations – Item 300

21.1 Taxation charge related to profit or loss from continuing operations: breakdown

Income components/Sectors	Total 2021	Total 2020
1. Current taxes (-)	(56,468)	(49,537)
2. Changes in current taxes for previous years (+/-)	(7,260)	(3,421)
3. Decreases in current taxes for the year (+)	108,218	106,286
3.bis Decreases in current taxes for the year due to tax credits pursuant to Italian Law no. 214/2011 (+)	36,654	5,233
4. Change in deferred tax assets (+/-)	(289,404)	19,060
5. Change in deferred tax liabilities (+/-)	123,305	188,339
6. Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(84,955)	265,960

As previously indicated, during the year Banco BPM exercised the option set out in Art. 110 of Decree Law no. 104 of 14 August 2020 to realign tax values to the higher book values of owned properties. The exercise of this option resulted in i) the immediate recognition of substitute tax of 16.4 million charged to the income statement; ii) the derecognition of net deferred tax liabilities (DTL) for 98.1 million, with a positive impact on the income statement of 81.7 million.

21.2 Reconciliation between theoretical tax charge and actual tax charge

IRES	2021	2020
Profit (loss) before tax from continuing operations	653,739	(249,328)
Negative components of gross profit (loss) not definitively significant (+)	187,960	140,995
Non-deductible interest expense	391	1,593
Capital losses from disposal/valuation of interests in associates and joint ventures/OCI	69,598	21,065
Non-deductible taxes other than income taxes	15,438	16,261
Non-deductible loan losses	4,791	428
Administrative expenses with limited deductibility	4,184	4,646
Other non-deductible expenses	40,528	37,862
Goodwill impairment		25,100
Losses of foreign companies	1,353	1,610
Consolidation effects of intragroup equity interests		22,309
Allocations	21,877	5,997
Other	29,800	4,124
Positive components of gross profit (loss) not definitively significant (-)	(246,014)	(320,553)
Insignificant portion of capital gains from disposal/valuation of interests in associates and joint ventures/OCI	(6,570)	(174,272)
Insignificant portion of dividends before consolidation entries	(72,883)	(79,690)
Cancellation of intragroup dividends	73,435	70,847
Consolidation effects of intragroup equity interests	(235,715)	(130,799)
Other	(4,281)	(6,639)
Definitive increases not associated with gross profit (loss) elements (+)	-	3,845
Other	-	3,845
Definitive decreases not associated with gross profit (loss) elements (-)	(95,644)	(97,898)
Lump sum 10% IRAP deduction and cost of labour for employees IRAP deduction	(283)	(294)
Portion of ACE subsidisable income	(75,058)	(75,891)
Other	(20,303)	(21,713)
IRES calculation base, income statement	500,041	(522,939)
IRES nominal rate	24%	24%
Actual IRES	(120,010)	125,505
IRES tax rate	(18.36%)	50.34%

IRAP	2021	2020
Profit (loss) before tax from continuing operations	653,739	(249,328)
Negative components of gross profit (loss) not definitively significant (+)	393,762	459,972
Non-deductible interest expense	606	2,413
Non-deductible portion of amortisation/depreciation of assets used in operations	30,854	30,744
Other non-deductible administrative expenses	162,308	163,081
Personnel expenses net of deductions allowed (tax wedge reduction, disabled, etc.)	2,769	68,621
Other value adjustments pursuant to item 130 of the income statement	9,077	76
Net provisions for risks and charges	24,988	94,525
Other operating expenses	31,817	24,686
Losses on interests in associates and joint ventures	23,359	2,108
Goodwill impairment	-	25,100
Consolidation effects of intragroup equity interests	-	22,309
Other	107,984	26,309
Positive components of gross profit (loss) not definitively significant (-)	(261,862)	(193,831)
Gains on interests in associates and joint ventures	-	(24,434)
Insignificant portion of dividends before consolidation entries	(61,466)	(53,349)
Cancellation of intragroup dividends	73,435	70,847
Other operating income	(32,366)	(26,887)
Profits on disposal of insignificant investments	(960)	-
Consolidation effects of intragroup equity interests	(235,715)	(130,799)
Other	(4,790)	(29,209)
Definitive increases not associated with gross profit (loss) elements (+)	-	412,566
Adjustments to neutralise negative value of production	-	406,286
Other	-	6,280
Definitive decreases not associated with gross profit (loss) elements (-)	(24,243)	(241,170)
Other	(24,243)	(241,170)
IRAP calculation base, income statement	761,396	188,209
Nominal average weighted IRAP rate	5.46%	4.91%
Actual IRAP	(41,567)	(9,242)
IRAP tax rate	(6.36%)	(3.71%)

IRES and IRAP not accruing during the year and other taxes	2021	2020
Total impact	76,622	149,697
IREs - Current taxes and deferred tax assets and liabilities from previous years	12,175	1,845
IREs - Additional 3.5% rate	(19,483)	17,409
IRAP - Current taxes and deferred tax assets and liabilities from previous years	2,374	2,275
Realignment	81,709	128,323
Foreign taxes - other	(153)	(155)
IREs and IRAP tax rate not accruing during the year and other taxes	11.72%	60.04%

Total taxes on gross profit (loss)	2021	2020
Total IRES + IRAP + Other taxes	(84,955)	265,960
Total tax rate	(13%)	106.67%

Section 22 - Profit (loss) after tax from discontinued operations - Item 320

22.1 Profit (loss) after tax from discontinued operations: breakdown

This item was blank for the current year and the previous year. Therefore, the related table is omitted.

22.2 Breakdown of taxation charge related to profit or loss from discontinued operations

This item was blank for the current year and the previous year. Therefore, the related table is omitted.

Section 23 - Profit (loss) for the year attributable to non-controlling interests - Item 340

23.1 Breakdown of item 340 "profit (loss) for the year attributable to non-controlling interests"

Company names	2021	2020
Interests in consolidated companies with significant non-controlling interests	-	-
Other interests	284	(4,248)
Total	284	(4,248)

The amount mainly refers to the non-controlling share of profit (loss) of the subsidiary Release.

Section 24 - Other information

There is no other significant information other than that already provided in the above sections.

Section 25 - Earnings per share

	31/12/2021		31/12/2020	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Weighted average of ordinary shares (number)	1,510,823,282	1,510,823,282	1,509,504,749	1,509,504,749
Attributable profit (loss) (thousands of euro)	567,068	567,068	20,880	20,880
EPS (euro)	0.375	0.375	0.014	0.014

25.1 Average number of ordinary shares with diluted capital

Note that as at 31 December 2021 the Basic EPS matched the Diluted EPS, as there were no financial instruments with potential dilution effects.

25.2 Other information

There is no other significant information other than that already provided in the above sections.