

SIGNIFICANT EVENTS DURING THE YEAR

In 2022, the fragile recovery from the international emergency due to the Coronavirus pandemic was heavily impacted by the conflict in Ukraine which, from the end of February, generated harsh repercussions on the international economic system and on business operations.

In this context, which continues to be characterised by strong elements of uncertainty on the global and Italian economy, the Group's operations focused on the areas of intervention described below.

Integration of the insurance business

During the period, the Group laid the foundations for a complete integration of the insurance business through the acquisition finalised on 22 July 2022, after obtaining the legal authorisations from the competent authorities, of 81% of Bipiemme Vita S.p.A.'s share capital, for a sum of 309.4 million. In turn, Bipiemme Vita holds the entire share capital of Bipiemme Assicurazioni S.p.A., operating in the non-life sector.

In April, the Board of Directors of Banco BPM resolved to exercise the option for the purchase from the partner Covéa Coopération SA of 81% of the share capital of Bipiemme Vita S.p.A., an insurance company operating in the life sector, in which Banco BPM already held a 19% interest.

The two insurance companies, which concurrently changed their company names to Banco BPM Vita S.p.A. and Banco BPM Assicurazioni S.p.A., were consolidated on a line-by-line basis from 1 July 2022.

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"¹. As illustrated in the section dedicated to significant events after the end of the financial year in the Notes to the consolidated financial statements, on 7 March 2023 the European Central Bank informed Banco BPM Group that it had been acknowledged the status of "financial conglomerate".

With regard to the Non-Life/Protection class, in the second half of the year the Group launched a competitive process to assess any partnership options, in which leading insurance operators competed. Following this, in November, Banco BPM's Board of Directors examined the offers received and resolved to grant Crédit Agricole Assurances SA (hereinafter "CAA") a period of exclusivity.

The aim of this exclusivity agreement was to negotiate and establish the terms and conditions of the potential purchase by CAA of a majority interest in Banco BPM Assicurazioni and, subject to the repurchase by the Bank, of Vera Assicurazioni, which in turn holds, respectively, 100% of Vera Protezione (hereinafter the "Insurance Companies"), with the launch of a potential long-term partnership in the Non-Life/Protection sector.

On 23 December 2022, Banco BPM signed a binding term-sheet with CAA that envisages (i) the acquisition by CAA of the 65% stake in Banco BPM Assicurazioni and, subject to the Bank's repurchase of the interest held by Cattolica Assicurazioni, of 65% of Vera Assicurazioni, which in turn holds 100% of Vera Protezione and (ii) the launch of a 20-year commercial partnership in the Non-Life/Protection sector.

The transaction is based on a valuation of 100% of the Insurance Companies of 400 million; for the sale of 65% of the Insurance Companies, CAA will therefore pay a total of 260 million to Banco BPM. The sale price is subject to adjustment at the end of the due diligence and will be paid in cash at the closing date. The transaction should be completed by the end of 2023, subject to the approval by the competent Supervisory Authorities and the repurchase of the interest in Vera Assicurazioni following the exercise of the call option by Banco BPM with respect to Cattolica Assicurazioni.

Earn-out and claw-back assumptions are also envisaged based on the achievement of the objectives set by the parties and put and call options pertaining to CAA and Banco BPM, respectively, on the equity interests to be sold.

The partnership with CAA will allow Banco BPM to leverage the industrial expertise of the largest European player in the bancassurance field, capitalising on the full potential of the Non-Life/Protection sector.

¹ Banco BPM, pending obtaining the status of financial conglomerate (as defined by Art. 3 of Italian Legislative Decree no. 142 of 30 May 2005), recognised with a communication from the ECB of 7 March 2023, had previously filed a request for the application of Art. 49 (1) of Regulation (EU) no. 575/2013 (CRR). Based on this regulatory provision, Banco BPM expects to obtain authorisation to not have to deduct the book value of the interest in Banco BPM Vita from CET 1 Capital. In this instance, the equity interest not deducted from own funds will be considered an exposure to credit risk to be weighted in compliance with the CRR.

Derisking activities

During the year, the Group continued the derisking process through the implementation of a significant transaction for the large-scale disposal of non-performing positions ("Argo Transaction"), concerning a bad and unlikely to pay loan portfolio for a total gross exposure of approximately 700 million. The transaction, approved in April 2022, was finalised in the form of a securitisation, in which 95% of the Junior and Mezzanine Notes issued by the special purpose entity were subscribed by subsidiaries of Elliott funds.

In addition, as part of the change in the NPL management strategy approved by the Board of Directors in July, it was decided to increase the sale target over the term of the plan to over 500 million, to further reduce the stock of gross non-performing loans and improve credit quality indicators.

The economic impact deriving from the increase in the sale targets of non-performing loans following the change in the NPL management strategy, for a total of 112.7 million was recognised in the income statement for the year.

Significant credit restructuring transaction completed

In December, the Parent Company completed a restructuring of credit exposures attributable to the Statuto real estate group (known as "Project Wolf"), aimed at pursuing the active management of the properties underlying the aforementioned exposures with the support of GWM Group and ARECneprix S.p.A..

The purpose of the transaction was to enhance certain prestigious properties, and was structured through a securitisation whose notes were subscribed by Banco BPM and GWM Group. GWM Group will also provide new funding for the completion of important real estate initiatives in the centre of Milan.

In particular, the transaction envisaged the restructuring of loans with a gross value of 495.8 million, including default interest. As a result of this restructuring, the net book value of these loans came to 219.0 million.

For further details on the above transaction, please refer to Part A - Accounting policies - Other significant aspects relating to Group accounting policies.

Streamlining initiatives for the Group's corporate and organisational structure

Equity interest management transactions

The process of rationalising the portfolio of interests in associates and joint ventures undertaken by the Group in recent years includes the sale to Banca Popolare di Sondrio S.p.A., on 15 March 2022, of the interest held in Factorit S.p.A., previously measured with the equity method, corresponding to 39.5% of share capital. The transaction, completed for a consideration of 75 million, an amount corresponding to the book value of the equity interest in the financial statements as at 31 December 2021, did not entail the recognition of any impact on the income statement for 2022.

Moreover, during the year the mergers by incorporation into the Parent Company of Bipielle Real Estate S.p.A. and Release S.p.A. (already wholly owned by Banco BPM) were finalised. In particular, from 1 January 2022, the incorporation of Bipielle Real Estate into the Parent Company took effect, while the merger by incorporation of Release into Banco BPM S.p.A. became effective from 21 February 2022. Both transactions took effect for accounting and tax purposes on 1 January 2022.

These transactions, which were carried out according to the simplified forms established for wholly-owned companies, pursued the objective of concentrating the management of leasing activity as well as real estate assets directly in the Parent Company, which also includes the complex of organisational units responsible for asset management.

It should also be noted that, in February 2022, the liquidation procedure of the subsidiary BP Trading Immobiliare S.r.l. was completed after it was struck off the competent Companies' Register.

In addition, on 18 May 2022, the shareholders' meeting of Consorzio AT01 (95% interest held by Banco BPM) resolved the early dissolution and the launch of voluntary liquidation with legal effect from 1 June 2022. On 19 October 2022, the shareholders' meeting of the consortium members approved the final liquidation financial

statements as at 30 September 2022; in July, the associated company Bussentina S.c.r.l. also approved the final liquidation financial statements as at 30 June 2022.

As highlighted in the section of the Notes to the consolidated financial statements dedicated to the events after the reporting date, in January 2023 both companies were struck off the competent Companies' Registers.

Lastly, on 16 December 2022, the deed of partial demerger of Tecmarket Sevizi to Banco BPM was signed regarding the assignment of a business unit relating to the activities carried out by the subsidiary on the technology platform for the You Business Web service, intended for entities and companies that are customers of Banco BPM, as well as technological services, functional to specific businesses of Banco BPM for its customers, with the exclusion of activities related to the management of terminals and technical assistance to customers for POS and Mobile POS services, which will be the focus of Tecmarket's future operations.

The partial demerger, carried out with a simplified procedure pursuant to Articles 2505 and 2506-ter of the Italian Civil Code, is effective, also for accounting and tax purposes, from 1 January 2023.

The transactions described above, which pursue the objective of simplifying and rationalising the corporate and operating structure of the Group, did not have any impact on the consolidated financial statements or on the capital ratios.

Definition of the new organisational model

At its meeting of 20 December, Banco BPM's Board of Directors defined the new structure of the Parent Company's General Management and top management. More specifically, the Chief Financial Officer (CFO) Co-General Management was established, the scope of the Chief Business Officer (CBO) Co-General Management was redefined, the new Corporate & Investment Banking (CIB) function was established and the position of Chief Risk Officer (CRO) was established.

The new structure promotes better coordination of the Group's activities with respect to the path outlined in the 2021-2024 Strategic Plan and facilitates the governance of more complex areas in line with the evolution of the external scenario.

The role of Chief Financial Officer (CFO) Co-General Manager, with responsibility for coordinating the administration and preparation of the financial statements, finance, integrated purchasing management, management of equity interests, investor relations, planning and control and capital optimisation, was assigned to the current CFO Edoardo Ginevra.

In order to facilitate the commercial growth path stated in the 2021-2024 Strategic Plan, the Board also resolved to strengthen the supervision and development of the Retail and Corporate business areas.

More specifically, the new scope of the Chief Business Officer Co-General Management in the commercial area was defined, previously under the responsibility of Domenico De Angelis, who will maintain the supervision of the Commercial functions - broken down into Private and Business Customers - Institutional Customers, Entities and Third Sector, Marketing and Omnichannel functions and of the 8 Territorial Departments. The Chief Business Officer (CBO) Co-General Manager is also entrusted with the coordination and supervision of the subsidiary Banca Aletti.

The development of the strategic initiatives envisaged for the Corporate area is instead the responsibility of the new Corporate & Investment Banking function. In addition to the Corporate network, Structured Finance and Global Transaction Banking activities, this unit is responsible for the coordination and supervision of the subsidiary Banca Akros.

Lastly, in line with industry best practices, the risk control function was strengthened through the establishment of the position of CRO (Chief Risk Officer).

As a result of the new organisational structure, which came into force on 1 January 2023, the Co-General Managers, the CLO (Chief Lending Officer), the CRO (Chief Risk Officer), and the Corporate & Investment Banking, Anti-Money Laundering, Compliance, Communication and Sustainability, Legal and Regulatory Affairs, Organisation and Human Resources functions therefore report directly to the Chief Executive Officer.

Other events in the period

Important funding operations completed

During the year, the Group carried out important capital management operations: in January 2022, an issue of Subordinated Tier 2 instruments was finalised for an amount of 400 million, with 10-year maturity, targeted to institutional investors, which is part of the Group's Euro Medium Term Notes Programme.

The security pays a fixed coupon of 3.375% for the first 5 years; the investors who participated in the transaction are mainly asset managers and banks, mostly foreign.

In addition to the above, in April, a perpetual Additional Tier 1 instrument was issued for an amount of 300 million, reserved to institutional investors, which made it possible to achieve the Group's Additional Tier 1 capital target, further strengthening its equity position.

The securities, issued at par, may be called by the issuer from 12 April 2027 and subsequently every 6 months; the fixed six-monthly coupon, non-cumulative, was set at 7% and the payment of the same is fully discretionary and subject to certain limitations.

The investors that participated in the transaction are fund managers, banks and insurance companies, mostly foreign.

In 2022, three issues were also completed as part of the Green, Social and Sustainability Bond Framework:

- in March 2022, the Group's first issue of Green Covered Bonds was completed, targeted to institutional investors, for an amount of 750 million and 5-year maturity.
The bond, issued as part of the Covered Bond programme, aims to refinance a selected portfolio of "green" residential mortgages disbursed to private customers for the purchase of highly energy efficient homes.
The stock, listed on the Luxembourg Stock Exchange, has a yield equal to the reference mid-swap rate +23 basis points, a fixed-rate coupon of 0.75% and maturity on 15 March 2027;
- in September instead, a Green Senior Non Preferred issue with a four-year maturity, reserved to institutional investors was completed for an amount of 500 million.
The income from the placement of the security, issued at a price corresponding to 99.654% with a fixed coupon of 6%, will be used for the financing and/or refinancing of Eligible Green Loans, as defined in the Bank's Green, Social and Sustainability Bond Framework;
- the third transaction of the year was carried out in November 2022 with the Green Senior Non Preferred issue, with a maturity of five years and two months, for an amount of 500 million, with the possibility of early redemption in January 2027 and addressed to institutional investors.
The security was issued at a price corresponding to 99.623% and pays a fixed coupon of 6%; also in this case, the resulting income is allocated to the financing and/or refinancing of Eligible Green Loans, as defined in the Bank's Green, Social and Sustainability Bond Framework.

A further issue was added to the above transactions, concluded in July and concerning Green Senior Preferred Bonds for a nominal amount of 300 million, which is part of Banco BPM's ESG strategy and represents the effective achievement of the environmental and social sustainability objectives that increasingly guide and characterise the various business areas of the Bank.

Lastly, as illustrated in more detail in the section of the Notes to the consolidated financial statements dedicated to significant events after the end of the year, on 11 January 2023 the Parent Company successfully completed a new issue of Green Senior Preferred securities, with a four-year maturity for an amount of 750 million, under the Euro Medium Term Notes Programme, as part of the Bank's Green, Social and Sustainability Bond Framework.

This is the fifth issue under the Green, Social and Sustainability Bond Framework, for a total value of ESG issues of 3 billion.

Programme to purchase own shares

In implementation of the resolution of the Ordinary Shareholders' Meeting of Banco BPM S.p.A. of 15 April 2021, which had approved, inter alia, the request for authorisation to purchase and dispose of own shares for share-based compensation plans, in February 2022, the Parent Company launched the programme to purchase own shares to support the existing short and long-term staff incentive plans.

The duration of the programme, which obtained the authorisation of the European Central Bank, was established as the period from 15 February to 28 February 2022. The total maximum counter value was established as 16 million, to support all existing plans both relating to annual incentives (for 2015-2021), and to the 2017/2019 and 2021/2023 long-term incentive plans.

The purchase transactions, made on the market in accordance with the procedures envisaged by the laws in force, were concluded on 24 February 2022 and regarded 4,582,640 ordinary Banco BPM shares, for a counter value of 16 million.

It should also be noted that, following the resolution of the Ordinary Shareholders' Meeting of 7 April 2022 and by virtue of the authorisation issued by the European Central Bank, in February 2023, the Parent Company launched an additional programme for the purchase of own shares to support share-based compensation plans relating to shares worth a maximum amount of 10 million.

For more details, refer to the section dedicated to events occurring after the end of the year, contained in the Notes to the consolidated financial statements.

Capital requirements for 2023 are notified by the ECB

On 15 December 2022, the European Central Bank (ECB) notified Banco BPM of the SREP decision containing the outcomes of the annual Supervisory Review and Evaluation Process (SREP).

Considering the analyses and evaluations performed by the Supervisory Authority, the ECB determined a consolidated Common Equity Tier 1 ratio requirement for 2023 of 8.70%. This requirement is comprised by the following elements:

- minimum Pillar 1 requirement of 4.5%;
- Pillar 2 capital requirement (P2R) of 1.446% in its CET1 component;
- a capital conservation buffer of 2.50%;
- an O-SII buffer³ which is equal to 0.25% of total risk-weighted exposures;
- a countercyclical capital buffer of 0.003%.

Moreover, as a result of this decision, the additional requirements that Banco BPM is required to comply with are the following:

- 10.68% in terms of Tier 1 ratio;
- 13.32% in terms of Total capital ratio.

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

Inclusion of ESG aspects in Group strategy

The consideration of Environmental Social & Governance (ESG) aspects, in particular with regard to climate and environmental issues, represents an important element of attention in the strategy pursued by the Group, which is aware of being able to play a leading role in the action against climate change. In addition to climate and environmental factors, ESG issues include aspects linked to governance and social sustainability, meaning the ability to effectively govern sustainability planning, management and reporting and to integrate components linked to the social sphere such as human rights, gender equality, sustainable supply chain management.

The sustainability objective is one of the pillars of the Group's 2021-2024 strategic plan, the pursuit of which requires the increasing integration and dissemination of the ESG elements in the Group's operations. In this perspective, in 2022, a greater awareness of the Group emerged with regard to the impact of ESG issues on the business model, on the competitive arena as well as on its objectives and strategies, in its guiding role for businesses and private customers in the process of transition towards an economy that combines economic sustainability with environmental and social sustainability.

In this regard, the Group's objective is to assist and support customers in understanding and addressing the challenges related to the transition towards a sustainable economy through dedicated products and services. With particular reference to the world of corporate finance, the Group's willingness to support green companies or companies engaged in transition projects is represented by the challenging objective of the Plan, which envisages

that at least 65% of new disbursements will be allocated to green sectors or sectors with low transition risk. This strategic vision also envisages that, by 2024, new disbursements in the coal sector will be blocked, with the simultaneous run-off of existing exposures.

In order to achieve these important objectives, the Group is constantly striving to achieve the progressive integration of ESG criteria within the entire lending policy area and to expand the offer of loans for sustainable projects.

With particular reference to lending policies, the main elements under analysis, which are continuously being strengthened, are represented by exposure to transitional climate risks (with a particular focus on emissions) and physical risks, based on the results of the ESG questionnaire submitted to counterparties and the consideration of the possible green purpose of the transaction.

With reference to commercial offers, important initiatives have been launched for companies with a view to financing the transition: the main initiatives for companies include the "2020-2023 Sustainable Investments Ceiling", the "Unsecured Loan with Sustainability Objective", loans backed by the SACE Green Guarantee.

The Group's objective is also to provide consultancy support for corporate customers and SMEs, to help them face competitive challenges in the ESG field, also through workshops and training sessions. In particular, the ESG Factory project has been launched, a project that transforms the bank into a place for meetings and training for companies in order to explore all issues relating to sustainability.

The pursuit of sustainability objectives is also achieved by consciously investing the Group's financial resources, with a commitment to expand the share of ESG Corporate Bonds in the Group's own portfolio.

As part of the asset management business, aware of the importance of creating value for both the investor and the community, the Group seeks to also direct resources towards investments that combine return on capital with the objective of sustainability.

In addition to the continuous expansion of the range of ESG products offered to customers, a process has been launched that aims to progressively integrate the ESG dimension into the provision of investment services. In this regard, note that the measurement of sustainability preferences started through a special section of the MiFID profiling questionnaire.

The Group is also committed to operating in the financial markets to raise resources for sustainable projects, both through the placement of its own ESG bond issues and by providing support to other issuers.

For further details on the ESG commercial initiatives, on the investments made by the Group with ESG characteristics and on raising resources for sustainable projects, please refer to the section dedicated to "Results by business segment" of this Report on Operations, as well as to the Consolidated non-financial statement of the Group.

Climate Risk Stress Test 2022

From January to July 2022, the ECB conducted the first Climate Stress Testing exercise which saw the overall participation of 104 European banks with a different level of involvement based on the principle of proportionality. This test was conceived as a learning exercise, which enabled Banco BPM to further consolidate and test its ESG skills and strategy, thanks to the collection and processing of granular data to measure climate-related risk and the development of specific climate stress testing methods. Considering the national systemic importance of the Group, Banco BPM was called upon to also develop the bottom-up projections expressly described in the third analysis module, thus guaranteeing full participation in all areas of in-depth analysis required. The exercise formally ended on 8 July 2022 with the publication by the ECB of the aggregate results and the valuation methodologies followed. The overall documentation is available for consultation on the Supervisory Authority's website.

In January 2022, the European Central Bank also announced the start of a specific thematic review process of the risk management strategies, governance and frameworks related to the climate and the environment (Thematic Review). This activity is aimed at verifying the level of bank compliance with ECB expectations in the "climate" arena and the progress they have achieved with respect to the self-assessments and operational plans sent last year. Banco BPM sent the requested update by the deadline (18 March 2022), presenting the progress made by the Group with respect to questionnaires A and B completed in 2021, based on the results relating to the overall "ESG Programme" and the specific strategies included in the 2021-2024 Business Plan. The verification activity also envisaged a subsequent phase of discussion with the Supervisory Authority, during which the Bank participated in a series of meetings on various areas of analysis, simultaneously conducting specific case studies aimed at evaluating the impact of climate-related and environmental factors on the Group's credit and operational risks. The final result of the Thematic Review was provided by the ECB in the third quarter of the year and contributed qualitatively to the overall 2022 Supervisory Review and Evaluation Process (SREP), which also included the results of the 2022 Climate Stress Testing exercise.

Please refer to Part E of the Notes to the consolidated financial statements for further details on the methods for managing and mitigating ESG risk factors.

Claims, disputes and investigations regarding reports of customers involved in the purchase of diamonds in previous years by Intermarket Diamond Business S.p.A.

In 2022, new claims were limited both in number and in total additional relief (equal to approximately 3.2 million). As at 31 December 2022, due to settlements reached by negotiation or final rulings, claims and disputes for total relief figure of roughly 636.8 million were settled against claims that on the same date amounted to a total of around 718.4 million.

As illustrated in more detail 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. In this stage, the Public Prosecutor decided to maintain the seizure of an amount of around a residual 3.5 million.

For further details, please refer to section "10. Provisions for risks and charges – Item 100" contained in "Part B – Information on the consolidated balance sheet" of these Notes to the consolidated financial statements.

Inspections and proceedings of the Supervisory Authorities

During its standard business activities, the Group is subject to inspections conducted by the Supervisory Authorities. More specifically, within the European system of banking supervision, (Single Supervisory Mechanism), the Group is subject to the prudential supervision of the European Central Bank (ECB); with regard to specific matters, supervision is the direct responsibility of the Bank of Italy and CONSOB.

Supervisory activities entail making ordinary and recurring inspections at the offices of the Parent Company ("on/off-site inspection"), accompanied by "remote" inspections, conducted through structured and continuous exchanges of information, as opposed to specific requests for documentation and in-depth examination of particular areas.

With regard to the inspections of the Supervisory Authorities, with reference to 2020, 2021 and 2022, the same concerned the following areas: capital adequacy, combating money laundering, transparency in the area of payment services, product governance and adequacy of the transactions ordered by customers, ICAAP process, assessments of internal models used to calculate own funds requirements (credit and market) and lastly, cybersecurity.

Most of the inspection activities have already been concluded with the release of the Final follow up letters or Decisions, through which the ECB communicates the corrective actions required in relation to the areas for improvement identified. If the inspections regarded aspects with a potential impact on capital, the observations made as well as the information acquired during the entire process were duly considered within a new valuation of the company's assets/liabilities. If the inspections have identified areas for improvement as regards the processes examined, the Group has set in place specific corrective action plans.

At the date of this report, as illustrated in detail below, several inspections are still under way (some of which launched before the above-mentioned periods) or are pending receipt of the Final follow-up letter or the Final Decision from the ECB, on the other hand, for others, only the conclusion of corrective action remains.

Inspections by the ECB

- a) For the assessment of Cybersecurity risk management. The inspection phase started on 30 January 2023 and will be conducted with hybrid methods (on site/off site);
- b) on credit and counterparty risk with the aim of assessing the regulatory compliance of the framework for the implementation of IFRS 9 and examining the overall credit risk management methods (policies, methodologies, procedures and governance) with reference to portfolios of assets specifically identified and subject to qualitative review (Credit Quality Review). The inspection phase began on 17 October 2022 and is currently under way;
- c) on capital adequacy to assess the ICAAP process. The inspection phase began on 26 September 2022 and ended on 24 November 2022;
- d) on internal models used to calculate credit risk requirements for the following exposure classes: Corporate - Other; Corporate - SME; Retail - Other non-SME; Retail - Other SME; Retail - Qualifying revolving; Retail - Secured by real estate non-SME; Retail - Secured by real estate SME. The inspection follows an application made by Banco BPM to the ECB for material changes to the internal models used to calculate capital

- requirements for credit risk, made also following the transposition of the EBA Guidelines on the topic, which became effective on 1 January 2022. The off-site inspection phase began on 14 February 2022 and ended on 20 May 2022;
- e) to assess the adequacy of the first pillar capital requirement calculation, including all accessory aspects; the on-site phase started on 25 October 2021 and ended on 23 December 2021. In a letter dated 4 August 2022, the ECB sent the final decision and on 30 September 2022 Banco BPM sent the corrective action plan, currently under way;
 - f) on credit and counterparty risk concerning the asset quality review, with reference to the Commercial Real Estate ("CRE") portfolio, including the review of commercial real estate repossessed by the Group subject to registration ("Foreclosed Assets") and the assessment of the credit risk management procedures and control and governance systems ("Credit and counterparty risk – Credit Quality Review of CRE portfolio and assess selected credit risk processes"). The off-site inspection phase started on 26 April 2021 and its completion was notified on 24 December 2021. The inspection concerned credit risk management methods with reference to the portfolio under investigation, in particular the criteria for granting new credit and forbearance measures to exposures within the scope, the identification of "specialised lending" categories, the quality of appraisals, the process of classifying and evaluating real estate loans and foreclosed assets and the existing regulations in this regard. On 1 August 2022, the Bank received the final report indicating areas for improvement in this regard; on 7 February 2023, the ECB sent the draft decision indicating the proposed recommendations and qualitative requirements, again relating to the portfolio under investigation. The Bank will send its observations on the draft decision in accordance with the law;
 - g) for the assessment of the request for authorisation to adopt the new definition of default envisaged by Regulation (EU) no. 575/2013 (Article 178) for the classification of debtors for prudential purposes and entailing a substantial amendment of the internal model to estimate credit risk pursuant to Delegated Regulation (EU) no. 529/14 of the Commission. The off-site phase began on 14 September and ended on 13 November 2020. Banco BPM received the final decision on 7 May 2021 and on 15 June 2021 sent the corrective action plan, which is currently under way;
 - h) for the approval of the substantial amendments to the internal models used to calculate credit risk requirements (Credit Conversion Factor, "CCF"/Exposure at Default, "EAD"; Expected Loss Best Estimate, "ELBE"; Loss Given Default, "LGD" for non-performing assets; Probability of Default, "PD") for the following exposure classes: Corporate - Other; Corporate - Small and Medium Enterprise, "SME"; Retail - Other SME; Retail - Secured by real estate non-SME; Retail - Secured by real estate SME. The on-site phase started on 14 October 2019 and ended - in off-site mode due to the Covid-19 health emergency - on 19 March 2020. In a letter dated 4 March 2021, the ECB sent its final decision concerning that inspection. The measure confirms the authorisation to adopt modifications to the models, establishing several qualitative measures for the most part aimed at regulatory improvements, as well as prudential - concerning the estimate of margins of conservatism and the methods for calculating LGD - in the application of such models, effective for supervisory reporting as of 31 March 2021. The Bank's activity plan to implement the remedial actions is currently under way; the majority of the recommendations will be closed as part of the "model change" activities included in the application for the change to the internal models referred to in the inspection of letter d);
 - i) for the validation of the Internal model for market risk (Value at Risk, "VaR", Stressed Value at Risk, "sVaR", Incremental Risk Charge, "IRC") for the following risk categories: "debt instruments – specific risk; Forex Risk": the on-site phase ended on 19 July 2019. On 16 November 2020, Banco BPM received the final decision (with the relative authorisation to use the new model, also valid for Banca Akros) and on 16 December 2020 sent the corrective action plan, the activities of which were concluded during the course of the year 2022; the termination of one of the obligations relating to the IRC measure entailed a so-called "material model change" with the consequent need for a prior application to the Supervisory Authority. The request in question was submitted in January 2022 and in September of the same year the relative on-site audit was carried out by the ECB. On 11 January 2023, the Bank received the Final IMI Decision authorising (also for Banca Akros) the requested change, allowing the removal of an add-on on the IRC; the two additional corrective measures requested, of limited scope, are being planned;
 - j) on the internal models used to calculate credit risk requirements as part of the TRIM (Targeted Review of Internal Models) project launched by the ECB with reference to the "Corporate - Other" and "SME" portfolios: the on-site inspection phase began on 17 September 2018 and ended on 16 November 2018. Banco BPM received the final decision on 7 October 2020, indicating the binding supervisory measures and recommendations; on 5 November 2020, Banco BPM sent the corrective action plan, which is

currently under way; the recommendations, which are currently at an advanced stage of completion, will be closed with the application to amend internal models referred to in letter d);

- k) on the internal models used to calculate credit risk requirements (PD and LGD) with regard to the “Corporate” and “SME” portfolios: the on-site inspection phase started on 19 February 2018 and ended on 20 April 2018. Banco BPM received the final decision on 25 April 2019. The corresponding corrective action plan, sent on 24 May 2019, has been incorporated into the internal model changes referred to in letter h) above.

Inspections by the Bank of Italy

- a) for inspections to verify the compliance of the automatic devices used by cashiers for the recirculation of banknotes at some branches in Sicily. The inspection phase began on 18 October 2022 and ended on 26 October 2022;
- b) on the subject of combating money laundering in the Private Banking sector of the subsidiary Banca Aletti, particularly with reference to the services offered to customers with significant assets. The on-site phase began on 28 February 2022 and ended on 13 April 2022. On 14 September 2022, Banca Aletti received the outcome of the audit that did not result in compliance findings. On 14 October 2022, Banca Aletti sent the corrective action plan, limited to the implementation of measures to strengthen the controls, some of which, incidentally, were already in progress at the start date of the inspection;
- c) as regards transparency, with a view to assessing fulfilment of the obligations deriving from the implementing provisions of Directive 2014/92/EU, the “Payment Accounts Directive”. The off-site inspection started on 11 November 2021, from 22 November 2021 continued on-site at several Bank branches and was completed on 21 January 2022. On 27 June 2022 Banco BPM received the outcome of the inspection which highlighted anomalies that pertain to issues relevant to customer protection and require corrective actions, some of which involve compensation. On 21 October 2022, Banco BPM sent the corrective action plan, which is currently under way;
- d) as regards the prevention of money laundering, with a view to ascertaining compliance with the obligations envisaged by Italian Legislative Decree no. 231/2007, with specific reference to the cash operations of cooperative banks, also through an assessment of the legislative, procedural and control structure at the Verona offices: the inspection phase (initially on-site) which started on 4 October 2021, was completed off-site on 21 December 2021, the date on which the conclusion of the proceeding was notified. On 18 August 2022, Banco BPM received the outcome of the inspection, which highlighted some areas of weakness in the area of due diligence and in the process of active collaboration with regard to the management of relations pertaining to the cooperatives under analysis. On 29 December 2022, Banco BPM sent the corrective action plan, currently under way.

Inspections by CONSOB

- a) on 20 July 2021, CONSOB initiated a penalty procedure regarding “Charges pursuant to Articles 193- quater and 195 of Italian Legislative Decree 58/1998 for the infringement of Art. 9 of Regulation EU 648/2012 (EMIR) on OTC derivatives, central counterparties and trade repositories” following assessments conducted as part of inspection activities on data quality reported to the Trade Repository relating to derivative contracts; on 30 March 2022, CONSOB notified the Bank of a monetary administrative fine of 70 thousand euro;
- b) with regard to product governance and procedures to assess the adequacy of transactions arranged by customers: the inspection started in April 2019 and ended on 3 December 2019. On 30 July 2020, Banco BPM received a technical note in which, without starting any penalty proceeding, the Authority drew the Bank’s attention to several aspects. On 16 October 2020, the Bank submitted the relative plan of corrective actions to the Authority, the majority of which have already been implemented.

Impacts deriving from the application of the new international accounting standard IFRS 17

While referring to Part A of the Notes to the consolidated financial statements for a description of the amendments that will be introduced by the new IFRS 17 standard (in force from 1 January 2023), the first estimates of the quantitative impacts deriving from the first-time adoption of the standard in question, with regard to the subsidiary insurance companies (Banco BPM Vita and Banco BPM Assicurazioni) are shown below.

It is important to note that the above-mentioned impact estimates represent the best information available to the Group on the date of approval of this Financial Report. The above-mentioned estimates were also made on the basis of calculations outside the accounting system and must therefore be understood as subject to possible changes in

relation to the completion of the process of first-time adoption of IFRS 17 and the gradual refinement of the new criteria defined and of the envisaged activities of internal and external controls.

That being stated, the effect on the Group's consolidated shareholders' equity as at 1 July 2022 is estimated to be around 20 million, which is not significant in relation to the Group's shareholders' equity (less than 0.2%). This effect is mainly due to the reversal of the intangible assets represented by the VoBA (Value of Business Acquired), for the life and non-life segments, recorded in the consolidated financial statements as part of the Purchase Price Allocation (PPA) process, and to the recognition of the liabilities for the Contractual Service Margin (CSM). As at 1 July 2022, the CSM was estimated as around 70 million.

Although at the date of preparation of this Financial Report, the result of the second half of 2022, relevant for comparative purposes for the corresponding period of 2023, has not yet been determined, it is reasonable to expect that the impacts as at 31 December 2022 will not differ significantly, compared to those determined as at 1 July 2022, as illustrated above.