

RESULTS BY BUSINESS SEGMENT

Introduction

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

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

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

Accordingly, also with a view to improving how the Group’s profitability is represented, the Segment Reporting structure was revised, effective from 31 December 2022, to emphasise the process of internalising the bancassurance business, undertaken by the Group during the current year. In addition, the Leases segment, now a residual activity in terms of the Group’s operations, was transferred to the Corporate Centre.

Therefore, for 2022, the operating segments taken as a reference to provide the disclosure in question are as follows:

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

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

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

placed on institutional markets, the activities relating to the Group's leasing business, equity interests not classified as "Strategic Partnerships" and companies operating in the real estate sector. Lastly, all the consolidation entries are included in this residual segment.

The table below provides the key income statement and balance sheet figures, broken down by segment, referring to 2022 compared with those as at 31 December 2021.

Note that, to permit a like-for-like comparison, the figures of the previous year have been restated as compared to those published in the 2021 Annual Report, to take into account the amendments made to the Segment Reporting structure, mentioned above. More specifically:

- the contribution referring to the insurance companies Banco BPM Vita, Vera Vita and Vera Assicurazioni, measured with the equity method, was separated from the "Strategic Partnerships" segment and shown in the new "Insurance" segment;
- the contribution referring to the leasing business of the Group was attributed to the "Corporate Centre" segment.

Lastly, the figures relating to 2021 have been restated as a result of the reallocation of several customers among the various business lines, made on the basis of sales logic to achieve profiling that better reflects the characteristics of customers.

| | Group | Retail | Corporate | Institutional | Private | Investment Banking | Insurance | Strategic Partnerships | Corporate Centre |
|---|--------------------|-------------|------------|---------------|-----------|--------------------|-----------|------------------------|------------------|
| Operating income | | | | | | | | | |
| 2022 | 4,705,517 | 2,624,438 | 734,571 | 147,674 | 100,844 | 120,986 | 38,297 | 148,260 | 790,447 |
| 2021 (*) | 4,510,746 | 2,519,920 | 739,875 | 96,810 | 98,047 | 111,794 | 17,969 | 207,101 | 719,230 |
| Operating expenses | | | | | | | | | |
| 2022 | (2,539,369) | (1,872,511) | (215,750) | (45,604) | (75,919) | (90,438) | (15,559) | (2,400) | (221,188) |
| 2021 (*) | (2,515,775) | (1,901,966) | (199,363) | (41,907) | (75,285) | (91,922) | (212) | (2,434) | (202,686) |
| Profit (loss) from operations | | | | | | | | | |
| 2022 | 2,166,148 | 751,927 | 518,821 | 102,070 | 24,925 | 30,548 | 22,738 | 145,860 | 569,259 |
| 2021 (*) | 1,994,971 | 617,954 | 540,512 | 54,903 | 22,762 | 19,872 | 17,757 | 204,667 | 516,544 |
| Profit (loss) for the year | | | | | | | | | |
| 2022 | 702,589 | 65,789 | 195,347 | 53,127 | 10,108 | 18,725 | 16,835 | 147,289 | 195,369 |
| 2021 (*) | 569,068 | 12,876 | 87,212 | 21,982 | 11,595 | 10,654 | 18,273 | 187,839 | 218,637 |
| Net loans (including senior securities from sales of non-performing loans) | | | | | | | | | |
| 2022 | 109,454,960 | 63,164,637 | 31,092,530 | 6,704,832 | 542,448 | 1,773,022 | - | - | 6,177,491 |
| 2021 (*) | 109,383,382 | 61,518,164 | 30,040,220 | 6,364,241 | 428,992 | 1,963,699 | - | - | 9,068,066 |
| Direct funding (without repurchase agreements with certificates) | | | | | | | | | |
| 2022 | 123,449,508 | 86,389,032 | 7,516,615 | 11,047,043 | 2,871,378 | 2,858,602 | - | - | 12,766,837 |
| 2021 (*) | 123,168,045 | 84,262,888 | 10,223,578 | 10,966,219 | 2,948,662 | 2,663,969 | - | - | 12,102,729 |

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to reflect the changes introduced to the breakdown of operating segments and to guarantee a like-for-like comparison with the profiling criteria used for 2022.

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

| | Group | Retail | Corporate | Institutional | Private | Investment Banking | Insurance | Strategic Partnerships | Leases | Corporate Centre |
|---|--------------------|-------------|------------|---------------|-----------|--------------------|-----------|------------------------|-----------|------------------|
| Operating income | | | | | | | | | | |
| 2022 | 4,705,517 | 2,624,438 | 734,571 | 147,674 | 100,844 | 120,986 | 38,297 | 148,260 | N/A | 790,447 |
| 2021 | 4,510,746 | 2,526,565 | 738,040 | 96,888 | 97,559 | 111,794 | N/A | 224,689 | 5,881 | 709,330 |
| Operating expenses | | | | | | | | | | |
| 2022 | (2,539,369) | (1,872,511) | (215,750) | (45,604) | (75,919) | (90,438) | (15,559) | (2,400) | N/A | (221,188) |
| 2021 | (2,515,775) | (1,901,966) | (199,363) | (41,907) | (75,285) | (91,922) | N/A | (2,646) | (31,817) | (170,869) |
| Profit (loss) from operations | | | | | | | | | | |
| 2022 | 2,166,148 | 751,927 | 518,821 | 102,070 | 24,925 | 30,548 | 22,738 | 145,860 | N/A | 569,259 |
| 2021 | 1,994,971 | 624,599 | 538,677 | 54,981 | 22,274 | 19,872 | N/A | 222,043 | (25,936) | 538,461 |
| Profit (loss) for the year | | | | | | | | | | |
| 2022 | 702,589 | 65,789 | 195,347 | 53,127 | 10,108 | 18,725 | 16,835 | 147,289 | N/A | 195,369 |
| 2021 | 569,068 | 18,178 | 85,743 | 21,417 | 11,268 | 10,654 | N/A | 205,857 | (125,982) | 341,933 |
| Net loans (including senior securities from sales of non-performing loans) | | | | | | | | | | |
| 2022 | 109,454,960 | 63,164,637 | 31,092,530 | 6,704,832 | 542,448 | 1,773,022 | - | - | N/A | 6,177,491 |
| 2021 | 109,383,382 | 61,625,508 | 29,936,846 | 6,488,818 | 428,751 | 1,963,699 | N/A | - | 1,367,926 | 7,571,834 |
| Direct funding (without repurchase agreements with certificates) | | | | | | | | | | |
| 2022 | 123,449,508 | 86,389,032 | 7,516,615 | 11,047,043 | 2,871,378 | 2,858,602 | - | - | N/A | 12,766,837 |
| 2021 | 123,168,045 | 84,398,631 | 10,136,351 | 10,926,181 | 2,935,264 | 2,663,969 | N/A | - | 4,507 | 12,103,142 |

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

Retail

| | 2022 | 2021 (*) | absolute change | % change |
|--|--------------------|--------------------|-----------------|---------------|
| Net interest income | 1,183,947 | 1,037,171 | 146,776 | 14.2% |
| Financial margin | 1,183,947 | 1,037,171 | 146,776 | 14.2% |
| Net fee and commission income | 1,442,055 | 1,474,605 | (32,550) | (2.2%) |
| Other net operating income | 5,965 | 5,166 | 799 | 15.5% |
| Net financial result | (7,529) | 2,978 | (10,507) | |
| Other operating income | 1,440,491 | 1,482,749 | (42,258) | (2.8%) |
| Operating income | 2,624,438 | 2,519,920 | 104,518 | 4.1% |
| Personnel expenses | (1,046,107) | (1,069,629) | 23,522 | (2.2%) |
| Other administrative expenses | (718,958) | (722,089) | 3,131 | (0.4%) |
| Net value adjustments to property, plant and equipment and intangible assets | (107,446) | (110,248) | 2,802 | (2.5%) |
| Operating expenses | (1,872,511) | (1,901,966) | 29,455 | (1.5%) |
| Profit (loss) from operations | 751,927 | 617,954 | 133,973 | 21.7% |
| Net adjustments to loans to customers | (410,028) | (439,632) | 29,604 | (6.7%) |
| Net provisions for risks and charges | (33,761) | (15,212) | (18,549) | 121.9% |
| Profit (loss) before tax from continuing operations | 308,138 | 163,110 | 145,028 | 88.9% |
| Taxation charge related to profit or loss from continuing operations | (108,011) | (59,110) | (48,901) | 82.7% |
| Profit (loss) after tax from continuing operations | 200,127 | 104,000 | 96,127 | 92.4% |
| Charges related to the banking system, net of taxes | (110,412) | (92,946) | (17,466) | 18.8% |
| Impact of the realignment of tax values to book values | - | 29,929 | (29,929) | |
| Purchase Price Allocation net of taxes | (23,926) | (28,107) | 4,181 | (14.9%) |
| Parent Company's profit (loss) for the year | 65,789 | 12,876 | 52,913 | 410.9% |

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to guarantee a like-for-like comparison with the profiling criteria used for 2022.

Economic performance of the segment

Total operating income amounted to 2,624.4 million, up by 4.1% on the previous year. Within this aggregate, net interest income improved by 146.8 million, due to the increase in the reference interest rates, which more than offset the lower contribution of interest on TLTRO loans. In particular, the growth is largely attributable to the different speed of deposit repricing, slower than that of loans in adapting to the trend in market rates.

Net fee and commission income, amounting to 1,442.1 million, recorded a decrease of 32.6 million, mainly due to a reduction of the investment products component (-70 million), partly mitigated by the rise in Transactional Bank services, which recorded an increase of 33.1 million.

Other net operating income showed a slight improvement; instead, the net financial result decreased, relating to hedge products placed and to the issue of Certificates.

Operating expenses, amounting to 1,872.5 million, decreased by 29.5 million, mainly due to personnel costs (-23.5 million).

Net adjustments to loans to customers were down, and amounted to 410.0 million (compared to 439.6 million in 2021), benefiting from an improvement in the risk level of the portfolio largely attributable to derisking actions and to hedging policies completed in recent years.

Provisions for risks and charges amounted to 33.8 million compared to 15.2 million recorded last year; the increase was mainly linked to the allocation for commitments undertaken (13.6 million) and to the charges to be incurred for the implementation of the branch closure plan (8.5 million).

Net banking industry charges amounted to 110.4 million (compared to 92.9 million in the previous year), in line with the increase of the Target defined by the Single Resolution Fund.

Instead, the contribution of the PPA (Price Purchase Allocation) of -23.9 million, was negative due to the lack of positive reversals on non-performing loans.

Due to the above, the Retail segment closed 2022 with a profit of 65.8 million.

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

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

Private Customers

Introduction

In 2022, interaction between bank and customer through the omnichannel continued to be enhanced through two main drivers: digital identity and online services. In particular, online transactions were extended beyond the financial sphere also to bancassurance, e-money and Agos personal loans.

Thanks to an intensive adoption campaign towards customers, subscriptions to the digital identity service rose; more and more customers are now able to digitally sign contracts, in total security, simply and independently.

2022 was also characterised by further implementations of Banco BPM and Webank digital platforms (public sites, internet banking and mobile apps), both for private and business customers, thanks to which remote operations and the range of services offered have been improved.

Private Customers

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

In December 2022, Private customers broke down as follows:

| Segment | no. of customers with current account | % of customers with current account |
|--|---------------------------------------|-------------------------------------|
| Universal | 2,641,855 | 80.4% |
| Personal | 597,390 | 18.2% |
| Other Retail segments | 48,018 | 1.4% |
| Total Retail customers with a current account (including card accounts) | 3,287,326 | 100.0% |

Products, services and loans for private Retail customers

Current accounts

During 2022, Banco BPM renewed the range of current accounts offered to the consumer target through the marketing of the new Webank account.

Again with the aim of improving the user experience, speeding up the account-opening process, the remote customer identification through SPID function was released in August.

These initiatives are in line with the market trend that envisages paperless onboarding processes and are part of the initiatives of the .DOT programme.

Starting from May, a promotion on the Webank account fee was launched: this was a particularly competitive proposal, one of the best on the market, thanks to the specific characteristics of the offer and the promotion on the fee. The initiative made a significant contribution to acquiring new consumer customers.

In October, a promotion was also launched on the You account, targeting consumers who subscribe to the account through the digital onboarding process, available on the Bank’s commercial website. The initiative is a commercial acquisition opportunity and seeks to increase the customer base. At the same time, the new online recognition method through SPID was also released for the online opening of the single account-holder You account.

Another offer that updated the product catalogue was the marketing of the new 4YOU account from June. The offer is reserved to private customers with an employment contract with companies, entities, large associations affiliated with Banco BPM. This activity is part of the process of streamlining the product catalogue.

Other initiatives included the marketing at the beginning of the year of an account to support subsidised loans under the NRRP - National Recovery and Resilience Plan, as well as updates on ordinary consumer and non-consumer current accounts, and on the account reserved to condominiums.

New Public Websites

The development and management of the contents of the www.bancobpm.it website continued, with a particular focus on topics related to financial education, enhanced with more than 100 articles. The usage figures for the public websites (www.bancobpm.it and www.gruppo.bancobpm.it) recorded an increase in visitors of 40% compared to last year. At the end of the year, the overhaul of the mortgage simulator was completed and the application was created and released that allows an appointment to be made directly at the local branch from the public websites.

As regards Banca Akros, in 2022, the public website saw the release of a new search and profiling engine for the "Certificates" section, which allows investors to quickly and intuitively consult products of interest.

Transfer of tax credit originating from building bonus schemes - private customers

In 2022, the Bank continues to purchase tax credits resulting from work to improve the energy efficiency of buildings or other subsidised building work carried out by private customers as part of the agreements entered into with Cherry Bank S.p.A.. During 2022, the applications submitted were worth around 195 million in terms of credit value (of which 68% Superbonus loans and 32% other tax bonuses).

Omnichannel services

In 2022, activities related to the development of the new omnichannel and full digital service model continued.

Access to the online service through the "Signature Room", already available on the web, was extended to the app; in addition to the provision of enabling tools ("Digital Identity" and "Signature Room"), efforts focused on the progressive enrichment of the catalogue of products and services available in SELF mode and Online (e.g. Nexi Card, Prepaid Card, Agos Loans, MP5 Policy).

During the year, the new remote identification method was introduced through SPID (Public Digital Identity System): since the introduction of SPID, as many as 64% of the You accounts opened refer to customers recognised with this method and more than two out of three Webank accounts are opened in this way.

ATM

At the end of 2022, all Banco BPM ATMs were enabled for PagoPA payments (the payment system for public administrations and public service providers in Italy), addressing the need to create value in terms of profitability, efficiency of the ATM channel and customer service.

Token

Also in 2022, the transfer of expiring physical tokens to software tokens continued, in order to reduce the environmental impact and increase the user experience, reaching a conversion rate of more than 80% of the customers involved in the campaign.

Accessibility

In 2022, the Accessibility project was launched to meet the need to comply with the new legislation of Decree Law 76/2020, which extended the provisions of Law no. 4 of 09/01/2004 (Stanca Law). The need to "provide services and provide usable information, without discrimination, even by those who, due to disabilities, require assistive technologies or special configurations" applies to private parties that offer services to the public, through websites or mobile applications.

The process launched by Banco BPM envisaged an initial phase of checks on the accessibility of priority digital assets and is continuing with work to adapt and create new projects that aim to ensure compliance with the guidelines dictated by the regulations.

Mobile banking developments and investments: private customers

Banco BPM has made the new Personal Financial Manager (PFM) and Insight Platform services available to all private customers subscribed to the online channel with access to the YouApp or Webank App. This initiative is part of Banco BPM's new digital offering and allows private customers to optimise their financial management, through the introduction of new functions that allow them to set spending and savings targets, plan recurring transactions and analyse their expenses broken down by category and brand.

The PFM allows Banco BPM to send personalised suggestions to users on different categories of movements: products, expenses, list of transactions and recurring transactions, customised according to the customer's spending behaviour.

The online channel was enhanced by two important e-money releases: Nexi credit cards, available for online sales from May 2022 for the branch network and from June 2022 for the Digital Branch, and at the end of the year, the Debit Business product, Banco BPM's corporate debit card.

The "self-service" channel also saw an expansion of the range of products that can be purchased online: in particular, in the second half of the year, Nexi credit card sale functions were released on both the Banco BPM and Webank platforms. The sale of Banco BPM's Prepaid card was also extended to both platforms.

In line with the development of the digital service model defined in the Business Plan, in 2023, the online and self-service channel will be progressively extended, offering an increasingly higher number of products and services.

As regards the online trading sector, despite the complex geopolitical and economic scenario in 2022, online trading and investments recorded over 3.2 million transactions during the year, up 2% compared to the previous year.

The overall result is due to the steady growth of transactions in derivative instruments by Webank customers (+47% yoy) compared to a reduction of -15% on the cash component, in line with that recorded by the main global stock markets for this type of instrument.

The growing trend of Webank transactions was also made possible by the successful completion, in June 2022, of the migration of the order routing service on derivative markets from Banca Intesa to Banca Akros.

App transactions continued to grow: in 2022, more than one customer out of two used this tool to manage stock market transactions, while transactions on mobile channels accounted for more than 20% of total orders.

With the aim of recovering and supporting cash market transactions, a number of initiatives have been launched, the first positive results of which are expected in 2023. These include the use of new providers for time series and technical analysis tools and the expansion of functions linked to the securities alert system.

With regard to business customers, the main projects undertaken in 2022 are illustrated below:

- development of the YouBusiness app: the new functions implemented were identified on the basis of the main needs expressed by customers. Therefore, the following new services were released: payment of bills by QR code, car tax, bank receipts, telephone top-ups, creation of the "Online documents" section and of the token app, thus optimising the customer "user experience", reducing operating costs and helping to improve the Bank's ESG rate.

Over the next few months, the App will be enriched with new functions to offer additional mobile operations, accelerating the use of the channel by customers from a mobile first approach, expanding the availability of products and services on digital channels;

- improvement of the YouBusinessWeb platform: at the end of 2022, the BFM (Business Financial Management) service was released, which enables customers to access important new functions such as the categorisation of transactions, the automatic reconciliation of invoices, the management of recurrent transactions and of the budget allocated to company projects also through simulations (via graphs) forecasting future income and expenditure. Through the BFM service, businesses, particularly small ones, can manage company cash flows independently.

The table below outlines the trend for customers with multi-channel services:

| Product/Service | End of 2022 figures | End of 2021 figures | % Change |
|--|---------------------|---------------------|----------|
| No. of customers with the Home Banking service | 2,095,461 | 2,032,457 | 3.1% |
| No. of customers with Digital Identity | 876,329 | 386,659 | 126.6% |
| No. of pure digital customers (WeBank) | 266,374 | 250,886 | 6.2% |

| % customers making transactions | End of 2022 figures | End of 2021 figures | % Change |
|---|---------------------|---------------------|----------|
| % customers making online transactions against total customers making transactions | 56.0% | 52.6% | +6.5% |
| % customers making mobile transactions against total customers making online transactions | 73.4% | 68.0% | +7.9% |

Customer Support and Development (CSD)

In line with the objectives of the 2021/2024 Business Plan, efforts to support cross-selling in the various business areas were significantly boosted and 62 new resources were added to the unit, which led to the exponential growth of the proactive contacts managed.

In 2022, collaboration with the Network channel focused mainly on the following areas:

- the online offer, through the digital branch, of products relating to Nexi credit cards, Agos loans and multi-risk policies of Banco BPM Assicurazioni, working alongside the branch manager in customer relations, with a view to continuously boosting cross-selling and internal skills, by activating a new sales channel;
- proactive contact with private customers and potential customers in the business world. In 2022, the percentage of Retail and Private customers contacted by the unit for commercial and caring purposes exceeded 14%, over double the figure recorded in 2021;
- enhancing the use of digital identity;
- management of the customer assistance service and customer relations as regards the Super Bonus.

Within the scope of providing customer support, this was actively managed both through traditional telephone channels (toll-free numbers with operator and Interactive Voice Response - IVR, call-back service available in the App and website for a customer bracket) and written channels (email messages) as well as through a virtual assistant (web and mobile) and social media channels; the main areas of operations, in addition to the Superbonus 110, were as follows, in continuity with 2021:

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

Operator assistance activities, in terms of quantity, decreased in line with the objectives of the Business Plan, also thanks to inbound optimisation initiatives linked to prevention and the automation of contacts developed as part of the .DOT programme. Customer requests for self-service assistance increased, mainly due to the growth of the Virtual Assistant channel, which also saw the implementation of new customised functions and integration with the voice commands of the APP.

E-Money - Payment cards

In 2022, the process of digitalisation of Banco BPM e-money products continued. The introduction of digital identity and the signature room facilitated the preparation of new processes for the sale of Banco BPM products, also online, both through the online channel handled by the branch manager or the digital branch, and through the self-service channel, which allows customers to be completely independent in the purchase of a product online, from the selection of the product to the signing of contracts up to the receipt of the same at their home.

From the second half of 2022, the network of Banco BPM branches and the digital branch have been able to offer Nexi credit cards for sale online.

To facilitate the signing of documentation, the "signature train" function was also introduced for the sale of Nexi credit cards: thanks to this option, the sale process is quick and simple.

The online offer of a product addressed to business customers was developed: the Debit Business card.

The self-service channel also saw an expansion of e-money products that can be subscribed directly online. In particular, as of this year, customers subscribed to the Bank's online services can purchase both the Nexi credit card and the Prepaid card independently and with a "full digital" process. These products can be purchased by Banco BPM and Webank customers both through dedicated Apps and online by accessing Internet banking.

In 2023, new products are expected to be released on online channels (e.g. debit cards), in line with Banco BPM's omnichannel development process and with a view to completing the range of products that can be subscribed online.

Over the course of 2022, Banco BPM continued along the path of Digital Innovation, digitalising the Individual Cartimpronta Credit Card and making Apple Pay available for all types of payment cards addressed to consumer customers.

Also this year, customers showed significant interest in digital tools and the use of mobile payments, with an increase from 21,000 digitalised cards in 2021 to 196,000 cards in 2022, and with mobile wallet spending rising from a value of 11 million in 2021 to 186 million in 2022.

The activation of Apple Pay was fundamental to this growth: in 2022, 67% of Banco BPM's digitalised cards were used through this wallet.

In 2023, Banco BPM will continue along the path of digital innovation, extending the authorisation to the main OTTs (Apple and Google) for payment cards on the national circuit (currently only possible with Samsung Pay) and will enable company cards licensed by the Bank to all the main mobile wallets.

Private mortgage loans

In 2022, despite the increase in interest rates in the second part of the year, disbursements of mortgage loans to individuals were slightly below the result obtained in the previous year, which closed with a significant growth in volumes.

The commercial offer of mortgage loans to individuals in 2022 confirmed Banco BPM as one of the key players in the domestic competitive arena.

To further expand the offer reserved to its customers, Banco BPM has included the "Mutuo Promo a tasso variabile con Cap Green" (Promo Mortgage loan with a variable interest rate and Green Cap), characterised by the presence of a maximum rate (CAP), in the catalogue of mortgage loans to private customers.

The new product has an interest rate that changes on the basis of the performance of the benchmark without, however, ever exceeding the contractually established threshold.

Of the products offered, we draw attention to the considerable attention and appreciation by young customers of the "Mutuo You Giovani" (You Mortgage Loan for Young People), assisted by the presence of the Fondo Garanzia Prima Casa CONSAP.

In 2022, the Bank promptly implemented all legal incentives to support households and businesses affected by natural disasters; in addition, internal moratorium activities continued in favour of households that found themselves in temporary difficulty: in 2022, 645 suspensions were granted to private customers for a total of 5,731 suspended instalments corresponding to approximately 4.5 million in suspended capital.

Consumer credit

In 2022, new personal loans disbursed reached a value of 1,233 million, up 27% compared to the previous year.

Almost all of the personal loans were disbursed by Agos Ducato, a consumer credit company, whose products are distributed exclusively by Banco BPM; in the latter part of the year, new loans were also sustained by the online offer of Agos Personal Loans.

During 2022, Banco BPM continued to pursue its objective of making a concrete contribution to increasing the green awareness of its current account holders by reserving a special offer to the same: the "Green" offer by Agos, through which approximately 3,000 Banco BPM account holders were able to finance eco-sustainable expenditure, both in the field of green transport and energy upgrading.

Lastly, to show that it understands the needs of households, in 2022, Banco BPM sponsored schemes relating to Agos personal loans, thanks to which the customers interested were able to benefit from advantageous conditions.

Advances on severance pay for employees of the Public Administration

Banco BPM continues to focus on the issue of advances on severance pay for Public Administration employees: in fact, the agreements signed with the country's leading professional Institutions and Associations have been confirmed and further agreements are under negotiation.

In total, 1,480 advances were granted in 2022 for a total of 156 million in credit facilities granted with drawdowns of 133 million. The total stock of advances amounted to 4,610 transactions with drawdowns of 345 million.

Investment products

In 2022, funding volumes on assets under management were mainly concentrated on flexible and bond products characterised by asset diversification and partnerships with the most prestigious investment houses continued: Anima SGR continues to be one of the main partners of the Group; particular attention was paid to ESG criteria in the selection and distribution of products in line with the provisions of Article 8 of the EU Sustainability and Finance Regulation.

The asset management product catalogue was expanded with the proposal of dedicated flexible thematic funds, including Anima funds: Investimento Cyber Security & Big Data 2027, Investimento Smart City 2027, Investimento Smart Industry 2027, Investimento Globale & Infrastrutture 2027, Investimento Globale & Lusso 2027, Investimento Globale & Longevity 2028. These funds allowed customers to diversify their portfolios by investing in the sector linked to the relative issues and to have the opportunity of receiving an annual coupon flow. The catalogue also included new Flexible Bond funds.

In 2022, the Group continued to distribute insurance products through its joint ventures with Vera Vita, Vera Financial and Banco BPM Vita S.p.A. In this regard, customers showed a preference for Multi-segment products, which enable them to combine savings protection solutions with solutions able to grasp the best yield opportunities offered by the markets.

As part of insurance investment products, unit-linked policies and ESG-oriented policies were also offered.

With regard to Supplementary Pensions, the Group has constantly promoted the awareness and dissemination of dedicated products. Lastly, the Group continued to issue certificates and, in keeping with customer preferences, the products maintained a financial structure that protects capital (Equity Protection).

Bancassurance Protection

In 2022, with the aim of pursuing a multi-channel offering also for non-life policies, the Bank further increased its distribution channels.

The online offer of Banco BPM Assicurazioni's Home policy, available in 2021 only for branches, has also been offered since November 2022 through the digital branch.

In addition, since December 2023, the estimates saved online by the branches (network or digital) can be purchased through YouApp.

Since September 2022, the Home Risk policies of Banco BPM Assicurazioni and the fire policies of Vera Assicurazioni have also been available in combination with the mortgage loan offer.

Since June 2022, the Multiprotection Business policy of Banco BPM Assicurazioni has been in the catalogue for small economic operators and small business customers.

Listening to customers

Also in 2022, great importance was given to listening to customers and monitoring experience levels, activities aimed at improving the service provided.

In 2022, the relational Customer Experience, or Customer Satisfaction survey was conducted, involving over 210 thousand retail customers, Private customers and SMEs, of which 20% provided via web questionnaire and the remaining 80% by means of a telephone interview.

Satisfaction is measured using TRI*M, a numeric score ranging from 0 to 100 provided by the assessments that customers provide regarding overall satisfaction, level of recommendation, likelihood of repurchase and economic convenience of Banco BPM. Another indicator used to measure satisfaction is the Net Promoter Score (NPS), which monitors how likely a Customer is to recommend Banco BPM. The Customer Satisfaction surveys also investigate satisfaction with the products, reputation, branch services, web channels and any problems encountered. In 2022, all of the satisfaction indicators measured recorded an improvement over the previous year. Banco BPM's TRI*M index is 71 (+3 points compared to 2021), while the NPS index is 24 (+1 compared to 2021). To monitor the quality provided, over 2,000 visits were made to Group branches, using the "Mystery shopping" technique. The visits confirmed a good level of service at branches, with particular regard to the relational aspect.

In 2022, the process of developing the tools available to actively listen and oversee the customer experience as a whole made considerable progress. In fact, Banco BPM has further expanded the use of the Customer Feedback Management (CFM) platform, a tool able to easily manage the various surveys addressed to customers and collect instant feedback. Introduced in 2020, to date the CFM platform has collected approximately 310 thousand

feedbacks (130 thousand at the end of November 2022), overseeing all levels of Customer Experience listening, from relational aspects to those concerning digital interactions and the purchase of products and services.

The great potential offered by the CFM platform, combined with continuous internal communication activities and the involvement of most of the Bank's departments (Marketing and Sales in particular), have also made it possible to gradually spread a culture of continuous improvement also with a view to sustainable processes.

In this regard, the front-lines (primarily Customer Centre and Commercial Network) were strengthened, to re-contact customers following negative feedback and for the proactive resolution of problems that have arisen. In addition, the availability of artificial intelligence tools, used to process high volumes of feedback, made it possible to organise inter-functional work groups with the aim of providing a solution to the requests made by customers. The areas of intervention mentioned above are part of the "Close the loop" initiatives launched by the Group.

Research

To complement the previously mentioned customer experience monitoring, in 2022, 13 customised research projects were conducted, with a view to addressing topics which, during the year, needed to be examined in more depth. More specifically, numerous surveys were conducted on ESG topics to support Group departments, on brand perception and positioning, on the development of new products and services and on the improvement of existing ones.

Research was also carried out for the collection of Voice of the Employee suggestions to fine-tune new online offer processes and to improve existing products and services and commercial initiatives.

In 2022, as well as involving specific targets, these surveys also made use of the Customer Feedback Management (CFM) platform and the "Insquadra" (Inteam) Community Panel, which has represented another channel to encourage listening to customers since 2019, with the involvement of around 2,000 private customers and 500 business customers.

Customers that participate in Banco BPM research activities contribute to the Group's decision-making process, by providing ideas and sharing experiences and impressions. In addition to the above, whenever Business customers participate in a survey, they contribute to the donations made to the AIRC Foundation (Foundation for Cancer Research), therefore supporting the partnership between the Group and AIRC.

Business Customers

There were approximately 470 thousand business customers with a current account as at 31 December 2022, of which:

| Segment | no. customers with current account | % compared to total businesses |
|--------------------------------|------------------------------------|--------------------------------|
| Small Business Operators | 154,955 | 33.1% |
| Businesses | 139,087 | 29.7% |
| Companies | 42,242 | 9.0% |
| Condominium Associations | 86,242 | 18.4% |
| Other businesses | 43,944 | 9.5% |
| Public Sector and Third Sector | 1,545 | 0.3% |
| Total | 468,015 | 100.0% |

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

Regarding the breakdown of customers by production sector, commercial and manufacturing activities continued to represent the most significant area, followed by those related to construction and property, catering and the agricultural sphere, as can be seen in the table below:

| Production sectors | no. customers with current account | % compared to total businesses |
|--|---|---------------------------------------|
| Real estate activities | 110,794 | 23.7% |
| Wholesale and retail trade, motor vehicle repair | 78,546 | 16.8% |
| Manufacturing | 50,708 | 10.8% |
| Construction | 45,242 | 9.7% |
| Other service activities | 30,430 | 6.5% |
| Accommodation and food service activities | 28,323 | 6.1% |
| Agriculture, forestry and fishing | 22,303 | 4.8% |
| Professional, scientific and technical activities | 22,100 | 4.7% |
| Transport and storage | 14,815 | 3.2% |
| Rental, travel agencies, business support services | 11,846 | 2.5% |
| Arts, sports and entertainment | 11,787 | 2.5% |
| Other segments | 41,121 | 8.7% |
| Total | 468,015 | 100.0% |

As mentioned above, the distribution of Business customers includes a significant proportion of small and medium enterprises, for which the Group further strengthened its activities in 2022, thereby confirming its role as the Bank of reference and support for the entrepreneurial fabric in the main areas served.

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

Collection and payment services

Significant growth trends were also confirmed for this year in the field of transactional services: in particular for transactions referring to payments through the "PagoPA" circuit and to payments by bank transfer in all its forms (especially if urgent and immediate).

These results were also achieved through promotional training sessions regarding Webbank customers. In particular, the campaign was limited to customers who had never made a fast payment, with a view to encouraging them to understand and appreciate this tool.

During the year, Banco BPM guaranteed its contribution to the working group which, within the ABI and under the direction of the ECB, is analysing the possible adoption of the euro in digital format and the various implications of the same, from both an operational and regulatory perspective.

E-money - POS

The number of POS transactions with debit, credit and prepaid cards grew by 30% in 2022 compared to the previous year.

In this regard, Banco BPM reached and exceeded the target of 140,000 POS terminals installed in commercial and service activities, Entities and the Public Administration.

In 2022, the Innovative Digital Omnichannel Sales process led to the modernisation of the product catalogue with the launch of the new Mobile POS terminal model, intended primarily for small businesses and freelance professionals.

During the year, the full development of targeted sales promotions was confirmed with recurring offers for the period and the profiling of vertical proposals by customer segment, also making the sales process more efficient and less costly.

During the last quarter, a campaign was also launched to expand the acceptance of the American Express circuit with "small business" operators.

Lastly, for the whole of 2022, in support of the widespread acceptance of low-value transactions, Banco BPM maintained zero commission on transactions with PagoBANCOMAT cards for amounts of less than 5 euro for all of its merchants, which has been in place since 1 January 2021.

Looking forward, again as regards Digital Omnichannel Sales projects, the analysis and development phases of the SMART POS range have been completed and the launch and release of the online offer channel for the entire POS product catalogue is now imminent in 2023.

Loans and lending

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

Also in 2022, work continued to improve and update the types of loans, with a view to guaranteeing a catalogue of products that is always able to meet market needs and at the same time can be successfully distributed by the Commercial Network.

2022 was characterised by a boost in the development of products to support companies in the transition towards a sustainable economy as regards ESG.

In this regard, lending products with a "Sustainability Objective" were made available to customers, with a view to accommodating businesses that want to embark on a virtuous path towards sustainability, with less impact on the environment (Environmental), inclusion policies and supporting the local community (Social) and organisational enhancement (Governance).

The new financing solution called "Unsecured Business Loan with Sustainability Objective" makes it possible to enhance the virtuous path undertaken in the ESG area by companies, whose added value is given by the possibility of connecting an ESG covenant to the loan, with a rewarding effect on the spread if the objectives agreed at the time the loan is stipulated are achieved.

Activities also continued to pursue financial solutions to support SMEs in their energy transition and investments in renewable energy plants; with regard to these, the Bank offers dedicated funding solutions to companies that invest in RES plants (the acronym includes forms of energy whose exploitation does not imply an impoverishment of the original source) also in line with NRRP objectives.

Specifically, in addition to offering specialist support in the form of Specialised Lending and Project Finance, Banco BPM has defined an ad hoc methodology for the preliminary and finalisation phases of this type of loan, with the aim of improving the ability to analyse these interventions, envisaging the following steps:

- definition of the best solution in terms of financing based on the type of transaction set in place by the customer;
- technical analysis of the plant conducted by technicians that meet the professional standards established by the Bank and, where possible, the measurement of the CO₂ avoided;
- specific guarantees and safeguards to finance RES plants.

As part of the "Sustainable Investments 2020-2023" programme, an agreement was signed in 2022 with Cassa Depositi e Prestiti, called "CDP Investimenti Sostenibili", aimed at creating and selling loans to be allocated within a specific ceiling of 300 million addressed to SMEs and Mid-Caps focused on energy efficiency, green financing and sustainable investments

Banco BPM, as part of the product initiatives launched with the NRRP programme:

- joined the Ministry of Tourism, Italian Banking Association and CDP Convention related to the "Fondo Rotativo Imprese (FRI) to support businesses and investments in development (FRI Fund)". The product consists of a medium/long-term co-financing with Bank and Cassa Depositi e Prestiti funding at a subsidised rate and the disbursement of a non-repayable plant grant on the resources allocated, with a mandate granted to it by CDP to assess the creditworthiness of the company;
- the agreement of the Ministry of Tourism for the management of financial resources within the scope of the NRRP was implemented, activating the Special Tourism Section of the SME Guarantee Fund to facilitate access to credit by hotels that are involved in agritourism. In particular, Banco BPM made the Unsecured Loan and the Mortgage Loan with SMEGF guarantee - Special Tourism Section available to its customers;
- has developed products and sales initiatives to support customers in the application and assignment phases of incentives through participation in tenders, also as regards measures for the digitalisation of the Public Administration, Agri-Solar Farms and Agri-Food Logistics.

In addition, with regard to tax receivables, collaboration with Cherry Bank S.p.A. continued, confirming the offer of specific products to support the financial cycle of the renovation/energy efficiency work for residential buildings by private customers, condominiums and businesses, such as:

- Anticipo Superbonus Consumatori (Advance of Superbonus to Consumers) designed to provide financial coverage for the time between the start of works on site and their completion (at progress of work or overall) with the consequent monetisation of the tax credit transferred;

- unsecured loans to condominiums (Credito Condominio (Condominium Credit), Credito Condominio Energy Efficiency Italia (Condominium Credit Energy Efficiency Italy)), to fund building upgrade and energy efficiency costs, also for the part of the works paid for by using the consideration resulting from the transfer of said tax credit to Cherry Bank, alongside the existing opportunity to fund the cost of the works up to 100%, including VAT, net of the tax credit sold to the enterprise through discount on invoice;
- Anticipo Contratti Riqualficazione Edifici (Advances on Building Upgrade Contracts), addressed to businesses, to obtain financial coverage for the time between the start of works on site and their completion (at progress of work or overall) with the consequent monetisation of the tax credit transferred to the intermediary, the Bank's commercial partner.

Smart Lending

In 2022, through the online channel, customers continued to be offered short-term loans to be paid in instalments to support business liquidity or to facilitate the payment of taxes/wages.

An offer was activated that envisages the possibility of signing the transaction online by having customers sign loan agreements directly through their YouBusinessWeb workstation using the "signature room" function.

With this offer, the digitalisation of the loan instalment application and granting process was completed, and can now be carried out entirely online.

Invoice Financing

To improve access to financial services by businesses, an activity plan is at an advanced stage, with a view to extending the type of receivables transactions that may be requested through the YouBusinessWeb channel.

During the year, the release of new functions related to advances on Italian invoices without the transfer of receivables, to the management of the invoice schedule and the related advances, and to the request for an extension of a document and related advance was completed.

The development of the project will continue with the release of the advance function for other types of products (advances on Italian contracts and subsidies on documents and invoices) through the digital channel, as well as the possibility for the customer to attach supporting documentation for the relative request.

Other activities to support and increase business loans

The Bank continued its commitment to measures to support businesses, both in the emergency period resulting from the Covid-19 pandemic, and especially afterwards, in compliance with the measures established to combat the effects of the conflict in Ukraine.

The schemes implemented in 2022 in this regard mostly entailed arrangements required to promptly implement the support measures and subsidies dictated by a series of laws, such as Decree Laws and ABI Agreements.

Specifically, the following were gradually updated and made available:

- loans secured by the Guarantee Fund for Small and Medium Enterprises (pursuant to the Liquidity Decree Law, as amended, 2022 Budget Law, Aid Decree Law, as amended);
- unsecured agricultural loans backed by the ISMEA 100% direct guarantee pursuant to Article 20 of Italian Decree Law no. 50 of 17 May 2022 (Aid Ter DL).

Agrifood

The traditional and consolidated focus on businesses in the agrifood sector continued successfully through the synergistic presence of Agricultural Sales Specialists in all Territorial Departments, to support the network in the phases of contact and visits to businesses in this sector.

Activity in the primary sector in 2022 (still affected by Covid but above all by the Ukraine crisis) saw a considerable increase in the prices of raw materials (fertilisers, feed and fuel).

To meet the liquidity needs of businesses in the segment, the Bank made loans with a 100% ISMEA guarantee (pursuant to Art. 20 of the Aid Decree Law).

With regard to Rural Development Programmes (RDP), business opportunities continued to receive support from the "RDP we are with you 100%" initiative which, through a modular mix of products from the "Semina Catalogue", is able to meet and sustain investment needs also in view of the CAP (Common Agricultural Policy) reform planned for 2023.

Lastly, based on the experience gained in relation to the Supply Chain and District Projects with CDP-MIPAAF funds (IV Tender), Banco BPM participated, again as the lender bank, in the V Tender, which entails the commitment of significant resources from the NRRP.

Lastly, in 2022, in line with the Bank's lending policies, the use and implementation of the credit assessment procedure for agricultural businesses to support applications was consolidated.

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

Subsidised Financing and Guarantee Bodies

In 2022, Banco BPM continued to disburse subsidised loans to businesses and households, with a view to facilitating access to credit and reducing its cost.

These loans feature public guarantees (e.g. Guarantee Fund for SMEs, ISMEA Guarantee Funds, European Investment Fund-EIF, SACE, Guarantee Fund for the First Home, etc.), or are granted by the Bank using funds obtained at advantageous conditions (e.g. funds of the European Investment Bank or of the Cassa Depositi e Prestiti (state-controlled fund and deposit institution)).

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

- loans to SMEs, to be allocated to the EIB "Synthetic Securitisation" ceiling, amounting to approximately 900 million, made available on the basis of the agreements with the EIB concluded at the end of 2021;
- use of the SACE guarantee lines to support SMEs and Mid-Caps for both liquidity and investment needs directed towards research and development and/or technological innovation;
- extension of the SMEGF guarantee to new short-term loans and unsecured loans, actually implementing a legislative provision already covered for some time by the Operating Provisions of the SMEGF and allowing a more extended use of risk mitigation tools, such as the direct SMEGF guarantee.

Guarantee instruments for enterprises

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

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

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

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

These interventions entailed compliance with the regulations issued on each occasion, starting with Decree Law no. 23 of 8 April 2020 ("Liquidity" DL) and subsequently the 2022 Budget Law as well as Decree Law no. 50 of 17 May 2022 ("Aid DL"), as amended.

The collaboration with the Confidi continued with the final signature of the new version of the convention by all Guarantee Entities and Financial Intermediaries and with the addition of new Confidi (Confidi Sardegna and Confeserfidi), consolidating their support of local businesses.

Dedicated loan products were also launched in accordance with the provisions of the "Ukraine Decree Law" in order to exploit the opportunity of the counter-guarantee issued by the Central Guarantee Fund.

Lastly, the Bank also continued to work with various Foundations, by virtue of agreements entered into over time, which regulate operations as regards measures to contrast usury with regard to the funds allocated by Italian Law 108/96 "Anti-Usury Law", also to meet the liquidity needs of individuals with overt economic difficulties and problems accessing credit.

Other State subsidies for businesses

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

Partnership with the CBI

Starting from October, Banco BPM participated in an initiative led by the CBI consortium to set up a system database that allows real-time consultation of invoices and the percentage of advances already granted to applicant customers at other institutions. If these developments are successful, significant improvements will be made to customer risk profile analyses as regards advances on invoices and mitigating the risk of possible fraud.

Transfer of tax credit originating building bonus schemes - businesses and condominiums

In 2022, customers belonging to the businesses and condominiums segment again had the opportunity to transfer tax credit originating from work to improve the energy efficiency of buildings or other subsidised building work, in the same way as private segment customers.

For the Retail channel, in relation to the two segments in question, the applications submitted in 2022 had a credit value of approximately 289 million.

Corporate

| | 2022 | 2021 (*) | absolute change | % change |
|--|------------------|------------------|-----------------|---------------|
| Net interest income | 474,250 | 472,695 | 1,555 | 0.3% |
| Financial margin | 474,250 | 472,695 | 1,555 | 0.3% |
| Net fee and commission income | 278,601 | 245,198 | 33,403 | 13.6% |
| Other net operating income | 58 | 62 | (4) | (6.5%) |
| Net financial result | (18,338) | 21,920 | (40,258) | |
| Other operating income | 260,321 | 267,180 | (6,859) | (2.6%) |
| Operating income | 734,571 | 739,875 | (5,304) | (0.7%) |
| Personnel expenses | (76,838) | (76,023) | (815) | 1.1% |
| Other administrative expenses | (134,810) | (118,711) | (16,099) | 13.6% |
| Net value adjustments to property, plant and equipment and intangible assets | (4,102) | (4,629) | 527 | (11.4%) |
| Operating expenses | (215,750) | (199,363) | (16,387) | 8.2% |
| Profit (loss) from operations | 518,821 | 540,512 | (21,691) | (4.0%) |
| Net adjustments to loans to customers | (191,673) | (390,121) | 198,448 | (50.9%) |
| Net provisions for risks and charges | (11,915) | (5,014) | (6,901) | 137.6% |
| Profit (loss) before tax from continuing operations | 315,233 | 145,377 | 169,856 | 116.8% |
| Taxation charge related to profit or loss from continuing operations | (105,648) | (49,023) | (56,625) | 115.5% |
| Profit (loss) after tax from continuing operations | 209,585 | 96,354 | 113,231 | 117.5% |
| Charges related to the banking system, net of taxes | (14,348) | (11,159) | (3,189) | 28.6% |
| Impact of the realignment of tax values to book values | - | 1,850 | (1,850) | |
| Purchase Price Allocation net of taxes | 110 | 167 | (57) | (34.1%) |
| Parent Company's profit (loss) for the year | 195,347 | 87,212 | 108,135 | 124.0% |

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to guarantee a like-for-like comparison with the profiling criteria used for 2022.

Economic performance of the segment

The Corporate segment recorded a total operating income of 734.6 million, down by 5.3 million (-0.7%) compared to last year.

Within this aggregate, net interest income stood at 474.2 million, with an increase of 1.6 million compared to 2021 (+0.3%), benefiting from the increase in the reference rates, which enabled the lower benefit of the economic effects of TLTRO III to be offset.

Net fee and commission income was up and amounted to 278.6 million (+33.4 million; +13.6%), due, in particular, to the higher contribution of other business services (+29.8 million; +29.6%), while the net financial result of -18.3 million decreased considerably, mainly due to the impact of value adjustments to loans measured at fair value as they did not pass the SPPI test (-34.6 million).

Operating expenses recorded an increase of 16.4 million, attributable to other administrative expenses, while the cost of credit showed a marked improvement, amounting to 191.7 million (390.1 million in 2021), benefiting from a significant improvement in the risk level of the portfolio, largely attributable to the derisking actions and the hedging policies completed in recent years.

The segment in question was also impacted by charges related to the banking system of 14.3 million, net of taxes, compared to 11.2 million in 2021, in line with the increase in the target defined by the Single Resolution Fund. The net result of the business line therefore stood at 195.3 million compared to 87.2 million of the previous year.

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

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

Introduction

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

The Corporate Commercial Network is organised on a territorial basis according to a model developed and consolidated over the last few years and which saw, in 2022, an increase in the number of units in high potential areas¹. This model has proven to be efficient in guaranteeing commercial and territorial coverage through:

- a central unit which directly handles business governance;
- 5 Corporate Markets, broken down, in turn, into 21 Corporate Centres;
- over 150 managers who, together with dedicated analysts, assist companies in their operations, with a strong focus on business development;
- a Large Corporate unit, with several local offices (Milan, Turin, Verona, Bologna, Rome), which focuses on serving customers with a turnover exceeding 1 billion.

Corporate customers

Corporate customers are represented by medium and large companies, Mid and Large Corporate.

| Segment | no. of customers with current accounts (*) or with loans (**) as at 31/12/2022 |
|------------------------|---|
| Mid Corporate | approx. 9,800 |
| Large Corporate | approx. 1,100 |
| Total companies | approx. 10,900 |

(*) commercial current accounts, excluding technical accounts.

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

¹ Three new Corporate Centres were established in 2022: Trentino Alto Adige, Novara-Lombardia Ovest, Bari.

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

| Corporate Customers | Total | of which, holders of current accounts | of which, those with loans |
|----------------------------|----------------|--|-----------------------------------|
| Number of customers | approx. 10,900 | approx. 10,600 | approx. 7,000 |
| Number of Groups | approx. 3,200 | approx. 3,000 | approx. 2,800 |

The data on loans as at 31 December 2022 is as follows:

| (millions of euro) | |
|---------------------------|---------------|
| Cash + Bonds | 31,294 |
| Unsecured | 5,197 |
| Total loans | 36,491 |
| Direct Funding | 9,187 |

Corporate business strategy

In a complex scenario, which has suffered both the consequences of the pandemic period and the economic impacts of the Russian-Ukrainian conflict, the constant monitoring of corporate customer relations, invaluable for providing them with optimal and targeted support, was more strategic than ever.

This support took the form of prompt responses to customer needs that are constantly evolving. The role of relationship managers was fundamental, as they form the heart of the Corporate commercial network and work in close synergy and coordination with the Corporate Management Units and the centres of excellence.

Overseeing customer needs

Oversight took place in two fundamental areas:

Support to deal with the energy crisis: in view of the considerable increase in the cost of energy and raw materials in general, Banco BPM made the so-called "energy fund" available. This is an allocation of 5 billion to support corporate customers in limiting the effects resulting from the high cost of energy and raw materials and which takes the form of solutions dedicated to the financing of stocks and raw materials made available at advantageous financial and technical conditions;

Support to ESG projects: in 2022 Banco BPM reconfirmed its commitment to supporting ESG projects and the "green transition" of its customers, in line with the objectives defined in the 2021-2024 Strategic Plan. The Corporate function has integrated these elements in the management of its commercial activities, also in consideration of the fact that transition risk represents a key variable in business positioning and in the development and growth projects of its corporate customers.

In 2022, the continuation of disbursements relating to the "2020-2023 Sustainable Investments" fund of a total of 5 billion, 80% of which has already been allocated, thanks above all to transactions related to Green Project Finance, Real Estate and through Sustainable Linked Loan transactions, both bilateral and pooled, is an important part of this initiative.

Alongside the "Sustainable Investments" fund, the development of dedicated products continued, with a view to providing targeted support to the green projects and investments of Corporate customers, both that regard transactions with highly personalised structures, and that regard more standardised transactions developed directly by the Corporate Commercial Network.

Offer to customers - focus on the ESG component

ESG loans, loans attributable to anti-crisis measures (e.g. backed by SACE guarantee) and expansion of the offer catalogue to support the "green transition"

In 2022, the development of the system offering dedicated loans to Corporate customers followed a dual approach: on the one hand, continuity was pursued, aiming to make the processes related to solutions already in place more effective and efficient, as in the case of interventions backed by public guarantees; on the other hand, innovation was pursued, introducing new tools able to stimulate and support the "green transition" of customers. This is consistent with the current scenario, affected by pervasive "ESG oriented" phenomena and processes. Initiatives

aimed at enhancing relationships with customers operating in green sectors or with negligible transition risk are also included in this perspective.

Lastly, activities continued in synergy with the various units of the Bank, functional to the evolution and development of solutions, products, services and tools to be able to seize the opportunities associated with the measures envisaged in the National Recovery and Resilience Plan (NRRP).

Support to the green transition: development of the offer and dedicated commercial initiatives

As previously indicated, in 2022 efforts to provide support for the “green transition” of corporate customers became increasingly important.

This commitment entailed the disbursement of appropriately identified loans to enhance the interventions in the Real Estate area (e.g. urban redevelopment or energy projects), Project Finance and more generally the improvement objectives of specific green or ESG KPIs pursued by corporate customers as part of the development and growth process.

The introduction of the “Unsecured Loan with Sustainability Objective” was significant, a tool dedicated to supporting businesses in their path towards more sustainable business models from an ESG perspective, thanks to the adoption of “ESG” objectives (ESG KPIs - contractual covenants), to reward and motivate companies that commit, in various ways, to improving their green sustainability and, more generally, ESG profile.

Particular attention was also paid to supporting the investments of companies operating in naturally green sectors or in sectors with low transition risk, to which specific commercial initiatives were dedicated.

Again in support of the “green transition”, in 2022 the loans backed by the SACE Green Guarantee were increased, also thanks to the implementation of the partnership management approach. This guarantee is part of a wider European “Green New Deal” programme, which encompasses a set of measures in response to the climate emergency, and which envisages achieving the neutrality of polluting emissions by 2050.

Other commercial initiatives: synergies with Banca Aletti and Banca Akros

With a view to the growth and development of synergies, the Corporate function developed the “Insieme” project with Banca Aletti, to acquire new Private customers through Corporate channels, by exploiting existing customer relationships within the Group.

Also its collaboration and synergy with Banca Akros continues to be significant, the latter specialising in Capital Markets (interest rate, exchange rate and commodity hedging) and Investment Banking (Equity Capital Markets, Debt Capital Markets, M&A, Securitisation and Advisory segments).

The role of public guarantees to sustain the Italian economy

In 2022, with the progression of the Russian-Ukrainian conflict, the instrument of SACE Italy Guarantee, widely used in 2021, was replaced by the launch of loans backed by the so-called SACE Supportitalia guarantee.

These instruments were used to deal with the fluctuating market dynamics, alongside other public subsidies (e.g. those connected with projects linked to the NRRP).

Other distinctive activities

In 2022, the use of the “Sales4Change” commercial interaction platform was further developed, which contributed to achieving commercial objectives.

The purpose of these developments was to optimise its use to the advantage of the Network, in order to improve customer service, in a context of digital innovation. Project work is continually evolving and will continue in the near future as well, with a view to achieving a fully integrated digital ecosystem.

Hedging financial risk

In 2022, Banco BPM Group reaffirmed its activity of providing specialised support to corporate customers in managing interest rate, exchange rate and commodity risks, through the Corporate & Institutional Banking unit of Banca Akros. Customers are assisted by a group of sales advisors and specialists, located in different geographical areas, equipped with superior technical and commercial skills.

The development of new products and services also continued: the most recent innovative activities include hedging of ESG rates, which comply with sustainability parameters, allowing companies to also hedge the risk relating to fluctuations in the price of gas.

In 2022, there was also an increase in exchange rate and commodity hedging, while interest rate hedging slowed down compared to the previous year, mainly due to the trend in market rates.

Purchase of trade and tax receivables without recourse

During 2022, Banco BPM extensively developed services relating to the purchase from its customers without recourse of trade, fiscal and tax receivables, held both vis-à-vis private companies and Public Administration entities, including tax credit relating to Decree Law 34/2020 (so-called Super Ecobonus).

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

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

A particularly important market position was consolidated in the purchase of tax credits deriving from the so-called Super Ecobonus, an activity that has allowed customers to take advantage of the important tax benefits provided.

Consolidating its leadership position in this specific set of activities has been possible also thanks to the innovation of internal procedures, with a view to facilitating operating aspects in the bank-customer relationship.

This innovation will be fully completed through the adoption of a new operating platform that is part of a broader global digitalisation project currently in progress.

Structured finance

In 2022, structured finance activity further consolidated its assistance to Group customers with regard to more sophisticated lending transactions, made with institutional and industrial counterparties which, as regards the purpose of the loan and/or its amount, require a personalised and specialised approach. In general, however, it should be noted that customer interest in this type of service increased during 2022 given both the strategic value linked to this type of transaction and post-pandemic effects.

The performance of this segment improved compared to the previous year, also thanks to the economic situation, for all performance parameters (capital, economic and operating).

More specifically, Corporate Lending activity recorded a very significant increase in the number of transactions made, and in the commission collected.

Activities carried out for Financial Sponsors, an area in which the Bank maintained its leadership position in the SME segment, recorded a particularly positive year thanks to the general improvement in market conditions and the maintenance of a high flow of transactions. Moreover, the particular financial market context further facilitated the increase of both the number of transactions carried out and the number of Sponsors financed.

Project Finance activity maintained the excellent performance data recorded in 2021, thanks to the consolidation of relations with several operators, and the participation in several transactions related to very important infrastructure projects.

Looking forward, the launch of the projects relating to the NRRP and the geopolitical scenario should have important and positive repercussions on activities in the years to come.

Real Estate activity maintained the business levels recorded in the previous two-year period, thanks to the continuing interest that institutional, and international, operators continue to have in areas in which the Bank boasts consolidated expertise.

Over 200 structured finance transactions were concluded in 2022, for a total resolved amount of around 8 billion. Of these, around 100 transactions (for over 5 billion in loans subscribed), relate to Corporate Lending. This is followed, in terms of number and relative volumes, by Leverage transactions (50 transactions for around 1 billion), Real Estate transactions (over 40 transactions, for around 1 billion) and lastly Project Finance transactions (approximately 20 for a total of around 900 million), thus confirming the role of Structured Finance as an important driver for the development of relations with the Group's most dynamic and sophisticated customers.

Foreign Operations and Trade Finance

In a context of economic growth, but also of unprecedented complexity (the Russia-Ukraine war, shortages of raw materials, the euro/dollar trend), activities related to internationalisation processes and the promotion of imports/exports recorded significant growth in 2022.

In particular, the first part of the year, characterised by the start of the Russia-Ukraine conflict, entailed the structure making considerable efforts to support customers and the Network in managing contracts (with related transactional flows) underway in the countries affected by the new penalty mechanism.

Dedicated network and foreign goods unit

Despite the complexity of the situation, 2022 maintained a positive trend in international trade and the dedicated Foreign Operations and Trade Finance unit was able to exploit this growth, significantly increasing its market share, above all in terms of exports, and providing constant and proactive support to its customers.

This support was provided through the dedicated commercial network, made up of more than 60 reference specialists across Italy, who have superior technical and commercial skills and are, therefore, able to best support companies in their internationalisation activities.

Of the joint initiatives set in place, to maximise its presence for customers belonging to leading export sectors (plant and machinery, mechanics), meetings were organised that involved foreign specialists and colleagues from Trade & Export Credit with a view to informing and training customers on the Supplier's Credit instrument, enriched, in the last part of the year, by the possibility of discounting bills backed by a policy issued by Euler Hermes, as well as by SACE.

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

In particular, the above units handle operations relating to documentary credits and documented remittances, while those regarding international guarantees are handled centrally by a dedicated unit called CUGI and based in Milan.

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

Overall, the Operations unit currently has about 100 members of staff and manages foreign documentary transactions, as illustrated above, with the exclusion of electronic receipts and direct remittances (i.e. the open account area).

Financial Institutions

In the third quarter of 2022, the Financial Institutions Group (F.I.G.) returned to making regular trips abroad after being suspended for two years due to the constraints imposed by the health emergency, continuing to oversee the main foreign markets with the primary purpose of guaranteeing adequate credit lines to support customers' import and export business.

To support the export business, adequate trade credit lines have been implemented and renewed, both ongoing and temporary, for foreign banks; with regard to imports, thanks to the targeted trips made in the latter part of the year in the three main Asian countries of interest to customers, and by maintaining regular contact with foreign correspondent banks, through videocalls, it was able to maintain existing credit lines and implement new ones.

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

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

Foreign Products and Services

In 2022, Banco BPM continued to provide assistance to companies operating in foreign markets, responding to the changed financial requirements of business operators by working with institutional entities and implementing the measures set in place by the Government to provide financial support to Italian exports.

In line with the growing importance of offering a range of digital services, in 2022, Banco BPM continued its integration of new cutting-edge channels, with both information and order functions, addressed to companies that work with or intend to work with firms abroad.

More specifically, the "BancoBPM Trade World - your ally abroad" channel allows access to international markets and contact with selected commercial partners, thanks to the YouWorld and YouLounge platforms:

- YouWorld is the information platform to support foreign trade, which provides details of potential suppliers or foreign customers organised by country, type of good or services handled. A total of around 900 companies were using the service at December 2022;
- YouLounge is the B2B platform to promote its own products/services through a virtual showcase, accessible through BANCO BPM's e-banking. Together with a further 12 leading international partner banks, it participates in the Trade Club Alliance which covers 60 countries and includes over 23,100 selected companies worldwide. As at December 2022, over 1,500 corporate customers utilised YouLounge.

With regard to Foreign operations, the digital offer is completed by a third portal, YouTrade Finance, which enables goods operations to be managed online (international guarantees - already operational, documentary credits, operational for the import phase), simplifying and optimising the bank-customer relationship, and able to guarantee maximum safety (i.e. the use of digital signatures) through guided procedures. Approximately 500 customers use the service.

Agreements with leading institutions

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

Regarding relations with the Chambers of commerce, in 2022 Banco BPM maintained its collaboration with the German-Italian Chamber of Commerce (CCIG), the Russian-Italian Chamber of Commerce, as well as with DE International Italia. This company, which belongs to the CCIG, offers a wide range of services for the internationalisation and promotion of forms of cooperation (business days, B2B meetings between Bank customers and foreign operators) with a particular focus on the German area, a region of Europe of particular interest for exporting Italian companies.

Trade and Export Finance

The Trade and Export Finance unit encompasses all export finance activities with the support of SACE/SIMEST, the Group's international structured finance and Export Finance transactions and Trade Finance transactions such as supplier's credit.

In 2022, development continued of buyer's credit transactions with SACE, SACE Push strategy and of supplier's credit with SACE coverage, and several important international transactions were concluded, both as regards export finance and commodity finance and international corporate, creating new trade relations and consolidating existing relations with industrial groups active in the US, Chinese, Swiss, Belgian and German markets. An important area of development during the year was the support provided to global energy traders who, due to the diversification of the sources needed by Italy, find themselves working more intensively with our country.

The focus in the SACE and ECA area was characterised by the expansion of relations with major Italian exporters, SACE, Cassa Depositi e Prestiti, international banks and international corporations. Also in 2022, the sector in question participated in some financing operations with EU green taxonomy and green KPIs.

The development of relations with international corporations is always highly selective and aimed at creating the greatest number of commercial opportunities for the corporate network and investment banking. Particular focus is dedicated to the major players in the energy transition.

The average size of supplier's credit transactions grew considerably, as did the activity in international guarantees with SACE coverage.

Since the beginning of its activity, 25 international financing transactions have been concluded, mostly with senior roles.

Sustainable finance culture and ESG training initiatives for customers

In 2022, Banco BPM confirmed its support for companies that intend to launch or develop their own path towards green transition, not only through dedicated financing solutions, as illustrated above, but also by promoting awareness and knowledge of the opportunities available.

In order to actively spread a 360-degree ESG culture and encourage customers to reflect on the impacts of a correct ESG approach, in 2022 training meetings (webinars) dedicated to Corporate customers were held, which involved highly qualified technical partners, external to the Bank.

Institutional

| | 2022 | 2021 (*) | absolute change | % change |
|--|-----------------|-----------------|-----------------|---------------|
| Net interest income | 94,552 | 51,165 | 43,387 | 84.8% |
| Financial margin | 94,552 | 51,165 | 43,387 | 84.8% |
| Net fee and commission income | 50,118 | 42,596 | 7,522 | 17.7% |
| Other net operating income | 3,470 | 3,504 | (34) | (1.0%) |
| Net financial result | (466) | (455) | (11) | 2.4% |
| Other operating income | 53,122 | 45,645 | 7,477 | 16.4% |
| Operating income | 147,674 | 96,810 | 50,864 | 52.5% |
| Personnel expenses | (13,884) | (12,972) | (912) | 7.0% |
| Other administrative expenses | (31,113) | (28,186) | (2,927) | 10.4% |
| Net value adjustments to property, plant and equipment and intangible assets | (607) | (749) | 142 | (19.0%) |
| Operating expenses | (45,604) | (41,907) | (3,697) | 8.8% |
| Profit (loss) from operations | 102,070 | 54,903 | 47,167 | 85.9% |
| Net adjustments to loans to customers | (1,396) | (7,194) | 5,798 | (80.6%) |
| Net provisions for risks and charges | (386) | (144) | (242) | 168.1% |
| Profit (loss) before tax from continuing operations | 100,288 | 47,565 | 52,723 | 110.8% |
| Taxation charge related to profit or loss from continuing operations | (33,160) | (15,699) | (17,461) | 111.2% |
| Profit (loss) after tax from continuing operations | 67,128 | 31,866 | 35,262 | 110.7% |
| Charges related to the banking system, net of taxes | (13,976) | (10,726) | (3,250) | 30.3% |
| Impact of the realignment of tax values to book values | - | 880 | (880) | |
| Purchase Price Allocation net of taxes | (25) | (38) | 13 | (34.2%) |
| Parent Company's profit (loss) for the year | 53,127 | 21,982 | 31,145 | 141.7% |

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to guarantee a like-for-like comparison with the profiling criteria used for 2022.

Economic performance of the segment

Total operating income for the Institutional segment came to 147.7 million, up considerably compared to the previous year (+50.9 million; 52.4%).

This change is mainly explained by the increase in net interest income of 43.4 million, mostly due to the slower repricing of deposits compared to that of loans, while net fee and commission income recorded an increase of 7.5 million, corresponding to 17.7%. Operating expenses increased overall, and amounted to 45.6 million (+3.7 million against 2021), in particular due to higher other administrative expenses, which rose 2.9 million.

Net adjustments to loans to customers fell significantly to 1.4 million, compared to 7.2 million recorded last year, due to the substantial reduction of the cost of risk resulting from the lower risk level of the portfolio.

Charges related to the banking system, net of taxes were booked to the income statement of the current year, and amounted to 14.0 million (10.7 million in 2021), in line with the increase of the Target defined by the Single Resolution Fund. 2022 closed with a net profit of 53.1 million, compared to 22.0 million recorded last year.

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

2022 was characterised by phenomena that had a significant impact:

- the outbreak of the war in Ukraine, which led to negative economic consequences that were very difficult to counter, with repercussions at international level (including the exponential rise in the cost of raw materials, primarily natural gas);
- the growth of inflation, which led to the progressive increase in market interest rates, with consequent repercussions in economic terms for households and businesses, such as the sudden increase in bills, the increase in fuel prices and the progressive increase in spending linked to the instalments of mortgage loans already set at variable rates and for new loans granted at fixed and variable rates, which have become increasingly onerous.

The coordination and commercial support relating to Institutional customers, the Public Administration, Religious Entities, the Third Sector and Centralised Alliances, has been entrusted to the Institutional Customers, Entities and

Third Sector Function, which manages the product range offered, developing suitable distribution channels, evolving the service model and developing dedicated products.

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

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

Institutional

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

Relations with Institutional Counterparties are monitored through a complete service model, which includes managers and specialised employees and a dedicated branch.

Institutional Customers are broken down by type of SAE (Sector of Economic Activity) as follows (figures as at 31 December 2022):

| Type of Entity by SAE (*) | % Breakdown |
|---|-------------|
| Mutual Investment Funds, Pension Funds and UCITs | 19% |
| SIMs, SGRs and trust companies | 7% |
| Non-banking (Leasing, Factoring) and Consumer Credit companies | 6% |
| Regions, Healthcare Companies, Large Municipalities and Companies Co-owned by the Public Administration | 8% |
| Insurance companies | 6% |
| Bank foundations | 2% |
| Central Government and Constitutional Bodies | 2% |
| Social Security and Social Welfare Entities | 2% |
| Other companies and financial intermediaries | 48% |
| Total | 100% |

(*) Group companies are not included

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

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

In 2022, activities related to securitisations continued, within which Banca Akros acted as arranger and institutional customers as purchasers of the senior notes, thus implementing a path complementary to the more traditional one of direct loans, to support the real economy.

Particular attention was paid to the financial support of companies associated with the MEF (Ministry of the Economy and Finance) that operate in the energy sector (i.e. Gestore Mercati Energetici (Energy Markets Authority) and Gestore Servizi Energetici (Energy Services Authority), providing them with financial support to sustain the Government’s energy policies.

Commercial partnerships with allies external to the Group

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

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

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

Centralised commercial management takes the form of a dedicated unit, included within the Institutional Customers, Entities and Third Sector Function, which has 17 branches spread across Italy.

Direct supervision through a wholly dedicated unit enables commercial agreements to be constantly developed in view of legislative changes as well as better economic returns and better supervision of operational risks especially as regard Anti-Money Laundering Legislation.

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

Entities and the Public Administration

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

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

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

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

Commercial activities in 2022 entailed providing Public Sector counterparties with products and services able to meet their specific needs. In this regard, increasing attention was paid to activities performed by public investee companies in the water and waste disposal cycle sector, due to the clear environmental impacts, based on ESG logic.

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

Entities and P.A. Customers are broken down by type of SAE (Sector of Economic Activity) as follows (figures as at 31 December 2022):

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

Third Sector and Religious Entities

Customers belonging to the Third Sector and Religious Entities are represented by Third Sector Entities (TSE) enrolled in the new RUNTS (Single National Register of the Third Sector) and non-profit non-enrolled entities, amateur sports associations, Federations recognised by Coni, as well as dioceses, parishes, congregations and religious orders. The segment also includes trade unions and political parties.

The regulatory framework of the Third Sector has recently changed and is constantly evolving. At the beginning of the year 2022, in fact, various activities related to the census of third sector entities were implemented, to capture all the peculiarities of the TSE and, from December 2022, a new section was implemented in the procedure for the internal management of customer records, which enables all the essential characteristics of this rapidly evolving customer segment to be recorded, tracked and monitored over time.

Third Sector and Religious Entities customers are broken down by type of SAE (Sector of Economic Activity)/Legal nature as follows (figures as at 31 December 2022):

| Type of Entity by legal nature | % Breakdown |
|---|-------------|
| Associations | 44% |
| Foundations | 2% |
| Religious Entities (parishes) | 12% |
| Social Cooperatives | 4% |
| Other entities with or without legal status | 38% |
| Total | 100% |

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

The most important initiatives of 2022 included:

- economic support measures for investments relating to the NRRP, in social and ecological transition, and in post-pandemic support by granting new loans for liquidity needs triggered first by the pandemic and, subsequently, by the energy and inflation crisis, exacerbated by the war in Ukraine;
- the collaboration with KPMG for a study on social impact banking, to finalise activities concerning the new metrics for measuring the social value of investments, according to ESG logic;
- the granting of a new loan for social impact projects (so-called Social bonds);
- the management and monitoring of activities relating to the Third Sector Portal, launched in 2021 and dedicated to customers in this segment, which is directly linked to Banco BPM's institutional website (<https://www.bancobpm.it/terzo-settore/>). Through this site, customers can contact the dedicated specialist office, which provides advice and facilitates opening new accounts;
- the sponsorship of the third edition of the "Cantieri Viceversa" laboratory, organised by the National Forum of the Third Sector, to ensure the matching of the demand for and the supply of funds between Third Sector entities.

Private

| | 2022 | 2021 (*) | absolute change | % change |
|--|-----------------|-----------------|-----------------|----------------|
| Net interest income | 4,091 | (2,417) | 6,508 | |
| Financial margin | 4,091 | (2,417) | 6,508 | |
| Net fee and commission income | 97,177 | 100,748 | (3,571) | (3.5%) |
| Other net operating income | 5 | 5 | - | - |
| Net financial result | (429) | (289) | (140) | 48.4% |
| Other operating income | 96,753 | 100,464 | (3,711) | (3.7%) |
| Operating income | 100,844 | 98,047 | 2,797 | 2.9% |
| Personnel expenses | (57,159) | (55,953) | (1,206) | 2.2% |
| Other administrative expenses | (15,259) | (15,909) | 650 | (4.1%) |
| Net value adjustments to property, plant and equipment and intangible assets | (3,501) | (3,423) | (78) | 2.3% |
| Operating expenses | (75,919) | (75,285) | (634) | 0.8% |
| Profit (loss) from operations | 24,925 | 22,762 | 2,163 | 9.5% |
| Net adjustments to loans to customers | 541 | (265) | 806 | |
| Net provisions for risks and charges | (4,665) | (204) | (4,461) | - |
| Profit (loss) before tax from continuing operations | 20,801 | 22,293 | (1,492) | (6.7%) |
| Taxation charge related to profit or loss from continuing operations | (7,240) | (7,488) | 248 | (3.3%) |
| Profit (loss) after tax from continuing operations | 13,561 | 14,805 | (1,244) | (8.4%) |
| Charges related to the banking system, net of taxes | (963) | (772) | (191) | 24.7% |
| Impact of the realignment of tax values to book values | - | 242 | (242) | |
| Purchase Price Allocation net of taxes | (2,490) | (2,680) | 190 | (7.1%) |
| Parent Company's profit (loss) for the year | 10,108 | 11,595 | (1,487) | (12.8%) |

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to guarantee a like-for-like comparison with the profiling criteria used for 2022.

Economic performance of the segment

Total operating income for the Private sector came to 100.8 million, up (+2.9%) compared to the previous year. Within this aggregate, net interest income was up compared to 2021 (+6.5 million); this increase is mainly due to the increase in the funding margin, as part of the benefit resulting from the slow repricing of assets which was attributed to the business line. Net fee and commission income, amounting to 97.2 million, recorded a decrease of 3.6 million compared to last year.

Operating expenses, amounting to 75.9 million, are substantially in line with the amount recorded in the previous year, with personnel expenses of 57.1 million, value adjustments to property, plant and equipment and intangible assets of 3.5 million and other administrative expenses amounting to 15.3 million.

The income statement of the segment in question also includes net provisions for risks and charges of 4.7 million, up by 4.5 million compared to 2021, mainly due to the allocation for commitments undertaken. Instead, charges related to the banking system, net of taxes were 1.0 million euro (0.8 million in the previous year).

Also considering the negative contribution of the PPA (Purchase Price Allocation) of -2.5 million, the Private business segment closed with a net profit for the year of 10.1 million, with a decrease of 1.5 million against 2021.

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

At the end of 2022, the Private Banking Network of Banca Aletti recorded a global amount of "assets under management" (administered and managed) of 22.5 billion, down against 2021; the figure does not include the marginal liquidity positions of private customers of Banca Aletti with accounts at Banco BPM.

The substantial stability of income data benefited from the good quality of the investment portfolios and from the consistent advisory services provided by the Private Network, which supported customers in the sudden and radical worsening of the financial markets and avoided the abandonment of investment portfolios which, despite generating

negative performance, were characterised by a correct approach to risk and by international and thematic diversification. Maintaining a high level of delegation allowed the quality of the portfolios to be guaranteed, even in a context of objective difficulty, mainly through high quality asset management solutions.

The international scenario of extreme uncertainty, combined with the return of positive returns on interbank monetary rates and on the yield curves of many bond markets, encouraged the recovery of bond investments. Specifically, the extremely negative performance of equity and bond indices, despite a highly inflationary scenario, led to an extremely prudent approach by investors who maintained volumes of direct deposits on demand at levels similar to the previous year and favoured short durations.

The many actions and strategies aimed at increasing volumes in the medium term and expanding the customer scope provided comforting results in terms of net funding, both as regards private and institutional customers.

To support development activities, in line with the strategy of previous years, efforts were made to create opportunities to meet potential customers through several local events.

During the first half of 2022, the new territorial model of the Private Banking Network was created in Banca Aletti, which led to the definition of 7 Areas, with 30 associated Branches and 22 remote branches.

In line with Banco BPM's strategic plan, which envisages an increasingly pervasive approach to cross selling, 2022 saw the launch on a national scale of the new model for synergy with the Corporate and Business world. During the second and third quarters, all partnerships in the area were activated, with the presence of Private Branches, Corporate Centres and Business Centres.

This activity was accompanied by structured collaboration with the Investment Banking division of Banca Akros. The set of activities made a significant contribution to the collection of new assets and to the extension of the customer base.

Investment Banking

| | 2022 | 2021 (*) | absolute change | % change |
|--|-----------------|-----------------|-----------------|---------------|
| Net interest income | 56,509 | 53,830 | 2,679 | 5.0% |
| Financial margin | 56,509 | 53,830 | 2,679 | 5.0% |
| Net fee and commission income | 50,237 | 43,424 | 6,813 | 15.7% |
| Other net operating income | 962 | 1,126 | (164) | (14.6%) |
| Net financial result | 13,278 | 13,414 | (136) | (1.0%) |
| Other operating income | 64,477 | 57,964 | 6,513 | 11.2% |
| Operating income | 120,986 | 111,794 | 9,192 | 8.2% |
| Personnel expenses | (29,590) | (33,528) | 3,938 | (11.7%) |
| Other administrative expenses | (60,478) | (58,038) | (2,440) | 4.2% |
| Net value adjustments to property, plant and equipment and intangible assets | (370) | (356) | (14) | 3.9% |
| Operating expenses | (90,438) | (91,922) | 1,484 | (1.6%) |
| Profit (loss) from operations | 30,548 | 19,872 | 10,676 | 53.7% |
| Net adjustments to loans to customers | 111 | (55) | 166 | |
| Net adjustments to securities and other financial assets | (68) | 17 | (85) | |
| Net provisions for risks and charges | (83) | 490 | (573) | |
| Profit (loss) before tax from continuing operations | 30,508 | 20,324 | 10,184 | 50.1% |
| Taxation charge related to profit or loss from continuing operations | (9,227) | (5,834) | (3,393) | 58.2% |
| Profit (loss) after tax from continuing operations | 21,281 | 14,490 | 6,791 | 46.9% |
| Charges related to company restructuring, net of taxes | (2,556) | - | (2,556) | |
| Charges related to the banking system, net of taxes | - | (3,836) | 3,836 | |
| Parent Company's profit (loss) for the year | 18,725 | 10,654 | 8,071 | 75.8% |

(*) Keeping the total of the item unchanged, the figures relating to the previous year were restated to guarantee a like-for-like comparison with the profiling criteria used for 2022.

Economic performance of the segment

An analysis of the reclassified income statement as at 31 December 2022 shows that operating income amounted to approximately 121.0 million, up by 9.2 million compared to 2021.

The increase in operating income concerned all the Bank's business areas. In particular, the greater volatility that characterised the financial markets in the first part of the year was accompanied by an increase in volumes brokered by the Brokerage Division, while the significant rise in interest rates recorded in the second half of 2022, contributed to an increase in margins in the Global Markets and C&B areas, both in trading activities and in structured products for retail and institutional customers.

The main increase is due to higher net fee and commission income, which amounted to 50.2 million, deriving mainly from higher placements of structured products (Certificates) by the distribution networks. In particular, note the positive contribution deriving from the growth of Advisory M&A activities, which also benefited from the contribution of the investee Oaklins Italy S.r.l., the latter focused more on cross-border Merger & Acquisition activities.

Operating expenses, amounting to 90.4 million, were down compared to the previous year, the value of which included, however, the impact of early retirement incentives on personnel expenses (approximately 4 million). Net of this non-recurring component, operating expenses in 2022 were up slightly compared to the previous year. This last aspect was affected by other administrative expenses, which recorded an increase of 2.4 million.

Net profit for the year, after taxes due in the period and net charges relating to the contribution to the banking system, amounted to 18.7 million, up by 8.1 million compared to 2021.

The "Investment Banking" segment includes the structuring of financial products, access to regulated markets, and the support and development of specialised financial services, carried out by Banca Akros and by the subsidiary Oaklins Italy S.r.l., which operates in the Mergers & Acquisitions consulting business.

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

Corporate & Institutional Banking

During 2022, the commercial coverage and development activities of Corporate & Financial Institutions customers in relation to the specialist products and services offered by Banca Akros continued successfully, in coordination with the Parent Company.

In particular, thanks to the service model that envisages, for hedging products, sales staff and specialists to support the Parent Company's managers, transactions on financial risk hedging instruments were effectively monitored, with particular attention to customer service and development for both retail and corporate areas. During the year, cash flows on derivative products amounted to a total notional value of around 8.1 billion for exchange rate and commodity risk hedges and around 4.0 billion for interest rate risk hedges on the underlying loans at floating rate, mainly disbursed by Banco BPM. Operating income was higher than the previous year in exchange rate activities (spot, forwards and options) and in commodities. On the other hand, there was a slowdown in income from hedging transactions on interest rates, both for corporate customers and for businesses, mainly due to a very volatile market and a sudden rise in interest rates, especially in the last few months of the year.

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

Banca Akros continued to develop new activities and services, including ESG products and new technical hedging solutions on interest rate and exchange rate risks, confirming its status as a benchmark in terms of innovation to the benefit of the customer.

The portfolio of products for financial risk management for businesses has been enriched with instruments that allow them to hedge the risk of fluctuations in gas prices which, both nationally and internationally, represents one of the main risks that businesses, especially those belonging to the energy-intensive sector, have had to deal with in recent times.

In 2022, total Investment Certificates structured by Banca Akros amounted to approximately 1,684 million, of which 1,461 million placed by Banco BPM Group networks and 223 million issued by Banca Akros and placed by third-

party networks. Compared to 2021, volumes more than doubled. In a year that saw significant declines in the stock markets, the placement of certificates was characterised by the prevalence of products with unconditionally protected capital, both for the Banco BPM Group network and for the third-party distribution networks.

Banca Akros, in collaboration with Anima SGR, continued the structuring of asset management investment products with quantitative components, for a total of approximately 839 million. The figure is down compared to 2021, mainly due to the negative trend of the stock markets and the significant increases in interest rates that penalised their performance.

As regards the core business of trading in the secondary bond market, the cash flows from institutional customers in the segments of government, supranational and agency securities, as well as from corporate and financial issuers, albeit suffering the general slowdown of activity that characterised the main reference markets, amounted in total over the year to 7.5 billion.

The positive contribution of the so-called "flow business" from institutional and professional investors in the equity and foreign exchange and OTC derivatives segments was also confirmed.

The distribution of issues on the primary bond market reserved to institutional investors was significant, with the active participation in the placement of medium/long-term bonds of leading issuers, as described in more detail in the "Investment Banking" paragraph below; note also the significant contribution provided for the placement of the 17th issue of BTP Italia in June, and the 18th issue in November, which saw Banca Akros as Co-dealer, invited by the MEF due to its proven expertise in placements (approximately 10% market share in this placement) and market making on the secondary market to promote liquidity on the security.

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

Banca Akros signed an important partnership with the European Investment Fund (EIF) to promote their "closed-end" fund AMUF, exclusively for Italy, with institutional investors.

Trading and market making activities on own account

The yields of financial and corporate bonds rose gradually throughout the year, also and especially in terms of spreads with the core government bonds, showing a greater weakness than the expected rate hike cycle. In addition to being weak, the credit market was extremely illiquid throughout the year, with said bonds which significantly underperformed with respect to the main credit derivative indices. During the first half of the year, the Bank reduced its portfolio of corporate and banking securities, reduced their duration and increased hedging with derivative instruments. All this contributed to containing the losses on the portfolio, even though it did not eliminate them entirely.

In the new context of rising interest rates and falling risky assets, which characterised a fair part of 2022, market making activity with customers proved to be lower than expected: in the Fixed Income segment, customer flows decreased, particularly on the credit portion due to the aforementioned illiquidity, while, with regard to government securities, the activity, albeit reduced, continued with satisfactory results.

Proprietary trading was partially affected by the difficulty in liquidating cash positions on financial and corporate securities, while it gave positive results in the area of government bonds and on interest rate risk positions in general, especially in the second half of the year.

The structuring of hedging products for Corporate/Business customers continued, with competitive prices on swaps and interest rate options and in exchange rate hedging.

On the stock markets, market making on certificates was below expectations, substantially down compared to 2021, due to the downtrend of the stock markets. On the other hand, market making on equity, listed and OTC derivatives, continued at good levels, in line with 2021, also due to the high volatility recorded by the markets. Proprietary equity trading initially suffered due to the significant reversal that occurred at the time of the Ukrainian crisis, not accompanied by a rise in the implied volatilities on which it was positioned, but then recorded more satisfactory performances in subsequent quarters, with a positioning on volatility that was consistent with, and often anticipated market trends.

The structuring of investment products, in the form of certificates and total return swaps with underlying shares, exceeded the figures recorded in 2021. Banca Akros continued to pursue the diversification of the underlying assets and investment themes, with positive management of the books, consequently offering customers competitive prices and structures.

Market making activities in the foreign exchange market increased compared to the previous year, confirming the increase in demand from customers. Proprietary trading in forex and commodities also recorded better results than expected.

The risk weighted assets associated with trading and market making activities remained at the levels of the end of 2021, as a result of the reduced risk positions, especially on bonds, in line with the indications of the Parent Company's RAF. Risk positions were managed with prudence, especially due to the difficult and volatile conditions of the various financial markets in which Banca Akros operates.

Brokerage and financial research activities

In the particularly challenging macroeconomic scenario, which deteriorated during the second half of 2022 due to the prolonged conflict in Ukraine, but above all characterised by the increase in interest rates implemented by many central banks, Banca Akros maintained third place in brokerage activity on the Italian stock market, with a market share of 10.24% and was positioned among the top 5 players in the segment of mini and micro futures on indices.

In June 2022, the migration of transactions on regulated derivatives of Webank from Banca IMI to Banca Akros was successfully completed. This migration process began in July 2021 with the Euronext Market and then continued in November 2021 for the IDEM Market and in January 2022 for the EUREX Market, ending in June 2022 for the CME Market. Thanks to this migration, all Webank transactions are now within the scope of Banco BPM Group where Akros acts as executing & clearing broker for Webank.

As regards specialist and corporate broker activities for issuers listed on the Borsa Italiana, 32 mandates were recorded, compared to 35 as at 31 December 2021, of which 7 related to companies listed on Euronext Milan Domestic, 13 to companies listed on Euronext STAR Milan (formerly STAR) and 12 companies listed on the Euronext Growth Milan market.

Also in 2022 the role of financial research played by Banca Akros in the equity segment proved to be fundamental in terms of generating ideas and proposals for investment allocations to SGRs, Insurance companies, Family Office and Italian and foreign Institutional Investors. In 2022, the Financial Analysis Department produced over 170 single-topic reports and over 2,400 daily comments on the roughly 110 securities hedged; the sponsored research segment continued to give satisfaction with around 30 contract issuers. Marketing activities accelerated in the second half of the year, also thanks to the post-pandemic reopening. The impartial opinions and the quality of the recommendations have made Banca Akros' financial analysis a benchmark in terms of supporting brokerage activities, corporate brokerage and, in general, all customer service activities.

With regard to bond products, Banca Akros confirmed its undisputed leading position in third-party brokerage on the fixed-income market of Borsa Italiana (Source Assosim), with total trading volumes representing 29.24% for the whole of 2022 (33.04% in 2021). More specifically, the value of brokerage on behalf of third parties confirmed Banca Akros, also throughout 2022, in first place on the Borsa Italiana DomesticMOT market with 30.47% (Source: Assosim). Again with reference to the bond markets, Banca Akros came in second on the Euromot (28.66% share), Extramot (16.60% share) and ETLX (23.23%) markets.

Banca Akros also holds second place (third place in 2021) on the ETF (ETFPLUS) market and third place on the Certificates SEDEX market, with a market share of 12.99% and 18.50% respectively (Source: Assosim). The excellent performance on the ETF market was achieved also due to the contribution of SABE ETF, the proprietary system for the automatic search for dynamic best execution, which complies with the dictates of MiFID II, at the service of banking and institutional customers. For years, the SABE system has also been active for the collection of bond and equity orders.

Transactions in the energy derivative markets, which had already seen a decline in the first part of the year as a result of the increase in the market prices of commodities, continued in the same vein also in the second half of 2022, but the decline in Brent and Gas bode well for 2023.

The number of market players decreased, and those that remained active saw an increase in margins to be paid as a result of the volatility of the underlying assets. Banca Akros continued to carefully monitor the situations of market stress experienced by some customers, providing financial support where necessary.

Investment Banking

M&A activities on medium-sized enterprises were affected by macroeconomic issues, as well as by the changed geopolitical contexts; nevertheless, in this regard, Banca Akros has intensified its focus on its M&A/Corporate Finance activities, acquiring new “sell side” and “buy side” assignments with family businesses and private equity funds.

With reference to the activities completed during the year, the following are of note: the sale of Almac, WMT and Air Power, assisting the respective family businesses, the acquisition of CEI and of Crionet by the Whitebridge fund, the assistance to Linkem in the merger of Linkem Retail into Tiscali, the acquisition of Taccetti by the Florence group, the assistance to Hera and Ascopiave in the acquisition of ASCO TLC, the advice provided to a shareholder in the sale of INMAN shares, the advice provided to Anthilia in the transaction with Banco Desio, as well as acting as assigned intermediary with regard to the Relaunch Fund (Patrimonio Rilancio) of Cassa Depositi e Prestiti.

As regards the activities carried out by Oaklins Italy, a subsidiary of Banca Akros, note the completion of four sell side M&A transactions: Sapici, Fedriani, Crespi and Ricotto, assisting the respective family businesses, as well as the close collaboration with Oaklins' international network which led to the study and implementation of cross-border transactions and, specifically, the M&A transactions with Stardea and Wedely.

Cross-selling activities within Banca Akros continued and with the Parent Company, in particular with Structured Finance, Lending Corporate Origination, Corporate Centres, Territorial Departments, Third Sector Department, as well as with Banca Aletti.

As regards Equity Capital Markets, Banca Akros acted as Joint-Global Coordinator and Sponsor in the IPO of Generalfinance, the only transaction on the STAR segment of Euronext Milan in the first six months of 2022 and the first IPO on the market since the outbreak of the conflict in Ukraine, for a total value of 38.5 million. Banca Akros also acted, among others, as Financial Advisor of the Trinity Investments fund in the voluntary full public tender offer for the delisting of Banca Intermobiliare di Investimenti e Gestione, as well as the role of intermediary in charge of coordinating the collection of subscriptions in the aforementioned public tender offer and in that promoted for La Doria by the Investindustrial fund. In the second half of the year, Banca Akros participated in the share capital increases of Saipem as Joint-Bookrunner and of Landi Renzo as Financial Advisor; it also acted as Financial Advisor and Appointed Intermediary in the voluntary partial public tender offer on own shares made by Culti.

With regard to the Debt Capital Market segment, we draw attention to the participation of Banca Akros in the placement with institutional investors of the following bond issues in the Corporate segment: ENEL S.p.A.: Multi Tranche fixed-rate Senior Sustainable Linked Bond (2.75 billion); Terna S.p.A.: Fixed-rate Subordinated Hybrid Green Bond (1 billion); FIS S.p.A.: Fixed-rate Senior Secured Sustainable Linked Bond maturing in 2027 (350 million); Autostrade per l'Italia S.p.A.: Multi Tranche fixed-rate Senior Bond (1 billion); Ferrovie dello Stato S.p.A.: Fixed-rate Senior Green Bond maturing in 2027 (1.1 billion).

In the Financial Institutions segment, Banca Akros participated, as Joint-Bookrunner, in the placement with institutional customers of the following bond issues of the Parent Company Banco BPM: Subordinated Tier 2 Bond (400 million), Green Covered Bond (750 million) and Senior Non-Preferred Green Bond (two issues of 500 million each). As Other Bookrunner, it participated in the placement of the AT1 Subordinated Bond, for a total of 300 million. Lastly, it acted as Dealer in an issue of 300 million at a fixed rate, fully subscribed by Cassa Depositi e Prestiti.

Banca Akros also participated, as Joint-Bookrunner, in the placement of the issue of Mediocredito Centrale - Banca del Mezzogiorno S.p.A. of Subordinated Callable Tier 2 Bonds at a fixed rate for 70 million.

In the segment of SSA (Supranational, Sovereign and State Agencies) issuers, Banca Akros participated, as Joint-Bookrunner, in the issue by Cassa Depositi e Prestiti S.p.A. of a Fixed-rate Senior Sustainable security for 750 million and the Invitalia S.p.A. issue of a Fixed-rate Senior security for 350 million.

Banca Akros has also been involved in over twenty issues by leading Italian and foreign issuers, including the European Investment Bank (EIB) and the German bank, Kreditanstalt Für Wiederaufbau (KfW).

Lastly, in the Securitisation & Structuring Solutions and performing securitisations segment, we draw attention to the participation of Banca Akros, as Joint Arranger, in the following securitisation transactions: “Sunrise 2022-1” and

“Sunrise 2022-2”, two consumer credit securitisations originated by Agos Ducato, amounting to approximately 1.2 billion and 1.1 billion respectively.

Banca Akros also assisted Alba Leasing S.p.A. as Joint Arranger, in the securitisation of receivables deriving from “Alba 13 SPV S.r.l.” lease contracts, for an amount of approximately 1.3 billion and acted as Financial Advisor and Placement Agent for Generalfinance S.p.A. as part of the increase, up to 738 million, of the three-year securitisation programme of the trade receivables of the same.

Insurance

| | 2022 | 2021 (*) | absolute change | % change |
|--|-----------------|---------------|-----------------|----------------|
| Net interest income | (39) | (1,352) | 1,313 | (97.1%) |
| Gains (losses) on interests in associates and joint ventures carried at equity | 5,399 | 19,321 | (13,922) | (72.1%) |
| Financial margin | 5,360 | 17,969 | (12,609) | (70.2%) |
| Other net operating income | 1,219 | - | 1,219 | |
| Profit (loss) on insurance business | 31,718 | - | 31,718 | |
| Other operating income | 32,937 | - | 32,937 | |
| Operating income | 38,297 | 17,969 | 20,328 | 113.1% |
| Personnel expenses | (8,133) | (155) | (7,978) | not indicated |
| Other administrative expenses | (6,478) | (42) | (6,436) | not indicated |
| Net value adjustments to property, plant and equipment and intangible assets | (948) | (15) | (933) | not indicated |
| Operating expenses | (15,559) | (212) | (15,347) | not indicated |
| Profit (loss) from operations | 22,738 | 17,757 | 4,981 | 28.1% |
| Net provisions for risks and charges | (3) | - | (3) | |
| Profit (loss) before tax from continuing operations | 22,735 | 17,757 | 4,978 | 28.0% |
| Taxation charge related to profit or loss from continuing operations | (5,900) | 516 | (6,416) | |
| Profit (loss) after tax from continuing operations | 16,835 | 18,273 | (1,438) | (7.9%) |
| Parent Company's profit (loss) for the year | 16,835 | 18,273 | (1,438) | (7.9%) |

(*) The relative data shown in the column relating to the previous year were determined in accordance with the new Segment Reporting structure adopted from 31 December 2022.

The Insurance sector is the segment in which the contributions to the consolidated financial statements of the interests held in Banco BPM Vita, Banco BPM Assicurazioni, Vera Vita and Vera Assicurazioni converge.

As from 1 July 2022, Banco BPM Vita and Banco BPM Assicurazioni have been consolidated on a line-by-line basis following the acquisition of control.

It should be noted that, for a better representation of the profitability of the segment in question, the reclassified income statement also shows the figures relating to the previous year, although the “Insurance” segment was shown only as from financial year 2022. More specifically, the column relating to 2021 shows the contribution referring to the insurance companies Banco BPM Vita, Vera Vita and Vera Assicurazioni, measured with the equity method, which until 2021 were reported in the “Strategic Partnerships” segment.

Economic performance of the segment

The segment in question closed 2022 down, recording 16.8 million compared to 18.3 million in 2021. The reason for this decrease is mainly due to the negative impact of the valuation of securities in the portfolios of the insurance companies, due to the dynamics of the financial markets.

Given that the line-by-line consolidation from the second half of the year of Banco BPM Vita and Banco BPM Assicurazioni makes the data between 2022 and 2021 incomparable, Vera Vita and Vera Assicurazioni, valued at equity, recorded a total decrease of 7.7 million. In the second half, Banco BPM Vita and Banco BPM Assicurazioni contributed revenues of 32.9 million, against costs, which rose to 15.6 million.

However, to give visibility to the discontinuity generated by the entry of Banco BPM Vita and Banco BPM Assicurazioni in the Group scope, we will focus on their performance and activities.

In particular, the persistence of the health emergency linked to the spread of the Coronavirus and, above all, the Russian invasion of Ukraine, had a significant impact on the financial markets. In fact, for a fair part of the year, the

market performance of almost all asset classes was extremely negative and diversification only partially mitigated losses, given that (almost) all asset categories in the portfolios of the Insurance Companies decreased, with consequent effects on valuation reserves and on the result for the period.

It should be noted that these companies, falling within the scope of line-by-line consolidation of Banco BPM Group, adopted IFRS 9, with a consequent impact on the income statement of the net unrealised losses of the securities classified as FVTPL (shares and funds) of approximately -3.6% million.

Despite the difficulties identified, the gross production of the two companies for the period stood at substantial levels, only slightly down compared to that recorded in the same period of the previous year. Total direct funding from insurance business, amounting to 847 million (values expressed in accordance with Italian accounting standards), actually showed a slight decrease (-6.84%, equal to -62 million) in the twelve-month period.

In particular, the life premiums of the insurance companies, amounting to 813 million, fell by approximately 7% compared to the previous year, attributable to traditional products, in line with the strategy of focusing the offer on products with a lower capital impact, also in consideration of the current level of government bond yields. Premiums on pension products were also down slightly. Unit-linked products were also down (-48%).

Non-Life business premiums amounted to 34 million, up by around 8% compared to 2021. In particular, the growth regarded Accident and Health guarantees linked to protection products, which recorded an increase of approximately 1.8 million.

As regards operating expenses, both personnel expenses and other administrative expenses rose, where the costs for the adjustment to the new accounting standards IFRS 17 and IFRS 9 were recorded as well as the expenses related to the transfer to the new company headquarters.

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

Despite the fact that 2022 was a year impacted by numerous external phenomena, as described above, it was certainly a year with a wealth of initiatives, both in terms of product innovation and marketing and commercial actions to support the spread of insurance products.

As regards Life products, two new unit-linked products were designed, created and made available to the distribution network during the first half of the year. The insurance solutions were placed for a limited period of time. Built with an allocative-management strategy, in collaboration with Banca Aletti and Anima SGR, they were very well received by Banco BPM customers.

In addition to the innovations regarding class III, the multi-segment product "Multiscelta 2" was closed in the second half of the year. At the same time, a new multi-segment product was created, "BPMVITA Personal Insurance", specifically designed to respond more consistently to the current conditions of the financial markets and the needs of customers.

In a year marked by the simultaneous occurrence of several crises, various initiatives were implemented to support the sales network, including the gradual strengthening of the online sales process and the commercial campaign to support the sale of the revaluable product "Coupon 3".

With regard to the protection products sold by Banco BPM Assicurazioni, marketing activities sought to directly and indirectly help the distribution networks in order to increase the effectiveness of the commercial proposition.

In line with previous years, the company also carried out an investigation into the quality perceived by customers in the event of a claim.

On the communications front, in close collaboration with the relevant units of Banco BPM, various initiatives were implemented to promote customer awareness of the range of products and services offered by the insurance companies, in particular with the promotion of a new product dedicated to the protection of enterprises, for which physical posters and brochures for agencies were created as well as virtual communication campaigns.

In addition, considerable supporting materials were prepared for training sessions dedicated to the distribution network. In collaboration with the internal and Banco BPM's commercial departments, further product sheets with a commercial bias were created in order to provide additional sales support.

Numerous events focused on the distribution network were planned, developed in close collaboration with the relevant services of Banco BPM, which varied in terms of method, duration and time, and continued for the whole of 2022. In particular, towards the end of the year, we draw attention to a joint initiative with the distributor to promote the civil liability guarantee of the MP5 product as a solution compliant with the new national legislation (in force from 2022), which requires skiers to have insurance coverage to cover the risk of harming others.

During the second half of the year, steps were taken to carry out the complete rebranding of the Insurance companies in order to give immediate internal and external vision of the change of ownership and consequently of their names, now Banco BPM Vita S.p.A. and Banco BPM Assicurazioni S.p.A..

In addition, also in 2022, regulatory compliance activities continued, in line with the requirements of the regulatory body, which impacted the process of creating new insurance products, with a view to further promote transparency with regard to the investor-policyholder and, in particular, the comparability between the products available on the market, in addition to increasingly focusing on matching customer needs and the insurance solutions proposed. Efforts also increased with regard to control measures for the distribution networks that have perfected their own analysis tools.

Strategic Partnerships

| | 2022 | 2021 (*) | absolute change | % change |
|--|----------------|----------------|-----------------|----------------|
| Net interest income | (1,961) | (3,185) | 1,224 | (38.4%) |
| Gains (losses) on interests in associates and joint ventures carried at equity | 150,221 | 210,286 | (60,065) | (28.6%) |
| Financial margin | 148,260 | 207,101 | (58,841) | (28.4%) |
| Operating income | 148,260 | 207,101 | (58,841) | (28.4%) |
| Personnel expenses | (1,741) | (1,780) | 39 | (2.2%) |
| Other administrative expenses | (619) | (479) | (140) | 29.2% |
| Net value adjustments to property, plant and equipment and intangible assets | (40) | (175) | 135 | (77.1%) |
| Operating expenses | (2,400) | (2,434) | 34 | (1.4%) |
| Profit (loss) from operations | 145,860 | 204,667 | (58,807) | (28.7%) |
| Gains (losses) on interests in associates and joint ventures and other investments | - | (18,673) | 18,673 | |
| Profit (loss) before tax from continuing operations | 145,860 | 185,994 | (40,134) | (21.6%) |
| Taxation charge related to profit or loss from continuing operations | 1,429 | 1,845 | (416) | (22.5%) |
| Profit (loss) after tax from continuing operations | 147,289 | 187,839 | (40,550) | (21.6%) |
| Parent Company's profit (loss) for the year | 147,289 | 187,839 | (40,550) | (21.6%) |

(*) The relative data shown in the column relating to the previous year were determined in accordance with the new Segment Reporting structure adopted from 31 December 2022.

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

Note that, for a better representation of the profitability of the segment in question, the figures of the previous year have been restated as compared to those published in the 2021 Annual Report, to take into account the amendments made to the Segment Reporting structure. More specifically, the contribution referring to the insurance companies Banco BPM Vita, Vera Vita and Vera Assicurazioni, measured with the equity method, was separated from the "Strategic Partnerships" segment and shown in the new "Insurance" segment.

Economic performance of the segment

The operating income of the segment in question amounted to 148.3 million, down compared to the previous year, substantially as a result of lower equity gains (-60.1 million). In particular, among the gains recognised in equity, note the decrease in the contribution of Anima Holding (-8.0 million compared to the previous year), of Agos (-51.3 million), which had benefited from extraordinary tax components. Furthermore, note the missing contribution resulting from the sale of Factorit, which took place in the first quarter of the year, in anticipation of which an impairment of 18.7 million euro had been recognised in the 2021 income statement.

Operating expenses were substantially stable.

Corporate Centre

| | 2022 | 2021 (*) | absolute change | % change |
|--|------------------|------------------|-----------------|----------------|
| Net interest income | 503,060 | 433,721 | 69,339 | 16.0% |
| Gains (losses) on interests in associates and joint ventures carried at equity | 1,863 | 2,333 | (470) | (20.1%) |
| Financial margin | 504,923 | 436,054 | 68,869 | 15.8% |
| Net fee and commission income | (30,866) | 4,632 | (35,498) | |
| Other net operating income | 59,923 | 65,417 | (5,494) | (8.4%) |
| Net financial result | 256,467 | 213,127 | 43,340 | 20.3% |
| Other operating income | 285,524 | 283,176 | 2,348 | 0.8% |
| Operating income | 790,447 | 719,230 | 71,217 | 9.9% |
| Personnel expenses | (375,449) | (417,759) | 42,310 | (10.1%) |
| Other administrative expenses | 317,335 | 342,303 | (24,968) | (7.3%) |
| Net value adjustments to property, plant and equipment and intangible assets | (163,074) | (127,230) | (35,844) | 28.2% |
| Operating expenses | (221,188) | (202,686) | (18,502) | 9.1% |
| Profit (loss) from operations | 569,259 | 516,544 | 52,715 | 10.2% |
| Net adjustments to loans to customers | (79,836) | (49,932) | (29,904) | 59.9% |
| Fair value gains (losses) on property, plant and equipment | (108,347) | (141,633) | 33,286 | (23.5%) |
| Net adjustments to securities and other financial assets | (9,038) | (345) | (8,693) | - |
| Net provisions for risks and charges | (6,401) | (5,955) | (446) | 7.5% |
| Gains (losses) on interests in associates and joint ventures and other investments | 2,258 | (95) | 2,353 | |
| Profit (loss) before tax from continuing operations | 367,895 | 318,584 | 49,311 | 15.5% |
| Taxation charge related to profit or loss from continuing operations | (141,174) | (119,035) | (22,139) | 18.6% |
| Profit (loss) after tax from continuing operations | 226,721 | 199,549 | 27,172 | 13.6% |
| Charges related to the banking system, net of taxes | (9,632) | (25,556) | 15,924 | (62.3%) |
| Impact of the realignment of tax values to book values | - | 48,808 | (48,808) | |
| Goodwill impairment | (8,132) | - | (8,132) | |
| Change in own credit risk on Certificates issued by the Group, net of taxes | 4,818 | 4,354 | 464 | 10.7% |
| Purchase Price Allocation net of taxes | (19,192) | (8,802) | (10,390) | 118.0% |
| Profit (loss) for the year attributable to non-controlling interests | 786 | 284 | 502 | 176.8% |
| Parent Company's profit (loss) for the year | 195,369 | 218,637 | (23,268) | (10.6%) |

(*) The relative data shown in the column relating to the previous year were determined in accordance with the new Segment Reporting structure adopted from 31 December 2022.

Contributions to the consolidated financial statements that are not represented in the other lines of business are included within the Corporate Centre business line. Specifically, the Corporate Centre includes the financial contributions of the Parent Company Banco BPM's Finance, of the Group's real estate companies, of the run-off activities relating to the Group's leasing business, as well as the centralised management of functions for the entire Group (such as Cost Management, Personnel, etc.).

Note that, for a better representation of the profitability of the segment in question, the figures of the previous year have been restated as compared to those published in the 2021 Annual Report, to take into account the amendments made to the Segment Reporting structure. More specifically, the contribution relating to the Group's leasing business, which until 2021 had been included in a specific segment, was attributed to the "Corporate Centre" segment.

Economic performance of the segment

The total operating income of the Corporate Centre amounted to 790.4 million, up against 2021 (+71.2 million). In particular, net interest income stood at 503.1 million, up by 69.3 million. The Parent Company's securities portfolio made a substantial contribution, although it was offset by the increase in the cost of funding to finance it, especially in its dollar component. However, the rise in interest rates equally penalised the Group's institutional bond issues, also due to new placements made for 5 billion. The return to the bond market should be read together with the early repayment of 12.5 billion of a portion of TLTRO III. In particular, the decisions made by the ECB, both to

increase rates and to change the mechanism for calculating the rate applied to the TLTRO, generated an increase in interest expense of 170.8 million, only partially offset by the re-use of liquidity in the Deposit Facility.

However, overall, the Corporate Centre recorded growth due to both higher loans with institutional counterparties and as a result of the non-retrocession to the Commercial Network of the benefit deriving from the special interest period of TLTRO III.

The decrease recorded in net fee and commission income of 35.5 million compared to the previous year is largely due to new synthetic securitisation transactions which, against the benefit of a reduction in risks of the Group, weigh on the item in question for approximately 25 million. In addition, this was also affected by the retrocession to the Commercial Network, by the Parent Company's Treasury, of part of the revenues deriving from the Network's new exchange transactions, carried out with its customers.

Other operating income was down, amounting to 59.9 million, due to numerous positive extraordinary components in 2021.

The net financial result stood at 256.5 million, benefiting from capital gains deriving from the sale of a portion of the securities portfolio and higher trading profits. The latter more than offset the negative impact of the valuation of some securities held by the Group, in particular the Nexi share, down by 84 million compared to the previous year.

Operating expenses were up, amounting to 221.2 million. The reduction in personnel expenses, down to 375.4 million, due to the gradual reduction of the workforce, was more than offset by the increase in other administrative expenses and by amortisation/depreciation, due to inflationary trends and new investments made.

The cost of credit stood at 79.8 million, due almost entirely to lease receivables, especially due to the impact of the increase in the targets for the sale of non-performing loans, as a result of the change in the management strategy for non-performing loans approved by the Group.

Fair value gains (losses) on property, plant and equipment, corresponding to 108.3 million, were down. Other items in the Income Statement included the elimination of a significantly positive item recorded in 2021, relating to the exercise of the right to realign tax values to the book values of property used in operations by the Group.

Banking industry charges decreased, amounting to 9.6 million, as additional contributions paid to the National Resolution Fund of 28.6 million gross were charged in the previous year.

Lastly, there was a goodwill impairment of 8.1 million and a significant increase in the item relating to the Purchase Price Allocation, equal to 19.2 million, due to the consolidation of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni from 1 July 2022.

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

Finance

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

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

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

Funding and Capital Management

The Group's liquidity position remained extremely strong throughout 2022; during the year, liquidity indicators LCR and NSFR remained well above the Group's Risk Appetite Framework objectives.

During 2022, as a result of the changed economic and monetary policy conditions introduced by the European Central Bank, recourse to medium/long-term funding from the ECB (TLTRO III) was reduced by 12.5 billion and stood at 26.7 billion as at 31 December 2022.

During the year, the ECB changed the conditions relating to the interest rate applicable to TLTRO loans, which rose from a negative figure at the beginning of 2022 to the rate applied on the deposit facility of 2%. In December 2022, the Bank therefore proceeded with the partial early repayment of the TLTRO maturing in June 2023 amounting to 12.5 billion.

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

With regard to public bond issues, five bond placements were made totalling 2.45 billion. More specifically, the following were issued: (i) in January a Subordinated Tier II instrument, with a 10-year maturity (redeemable in advance 5 years after issue by the issuer and subject to regulatory approval) for an amount of 400 million and a 3.375% coupon, (ii) in March a Green Covered Bond of 750 million with a 5-year maturity and a 0.75% coupon, which is the inaugural issue of Green Covered Bonds for Banco BPM; (iii) in April an Additional Tier I perpetual instrument of 300 million (redeemable in advance by the issuer 5 years after the issue date) and a 7.00% coupon and (iv) in September and November two issues of Green Senior Non Preferred instruments both of 500 million with maturities of 4 years and 5 years, respectively, with an early redemption option in favour of the issuer 4 years after issue, with a 6.0% coupon for both issues.

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

- synthetic securitisation "Sofia": transaction that envisages the hedging of the junior tranche by two market investors and the hedging of the mezzanine tranche through an insurance policy. The underlying portfolio consists of specialised lending facilities for an amount of approximately 1.5 billion divided between project finance and real estate. This is the first transaction that envisages the hedging of a tranche by an insurance company;
- synthetic securitisation "Greta": transaction conducted with a market investor, which entails a guarantee on the mezzanine tranche of a portfolio of around 1.7 billion in performing loans disbursed to SMEs, Mid Corporate and Mid Corporate Plus.

Banking Book and ALM

ALM

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

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

Management of Proprietary Portfolios

Regarding the management of financial instruments under assets, in 2022 the strategies briefly described below were followed.

Positions in the HTCS category

In 2022, the Parent Company's HTCS business model portfolio recorded a slight increase, from 9.9 to 10.9 billion. The government share is the main subject of this increase, given by a combination of purchases divided equally between domestic and foreign Government bonds, +0.7 and +0.4 billion respectively.

The non-government component, which increased as a whole by approximately 500 million from the end of August, saw a reduction in the portion allocated to this accounting category, whose percentage of the total fell from 65% to approximately 55%. The reallocation did not substantially change the strategies already put in place in 2021, characterised by a focus on ESG issues and a strong focus on the level of diversification and average rating, both kept as high as possible given the profitability targets assigned to these specific investments. The share of ESG issues on the total portfolio of non-government securities held by the Parent Company is 25%, up by 11% compared to the previous year.

Positions in the HTC accounting category

In 2022, the HTC portfolio of the Parent Company's Banking Book increased from a nominal 18.7 billion to 26.8 billion. The government portfolio saw the most substantial increase for a total of 7.4 billion, recorded against a number of transactions: in the first part of the year, forward sales traded in 2021 were completed for 2 billion and 1.8 billion in securities was sold, while subsequently, in the face of the sharp increase in interest rates resulting from the geopolitical situation, the portfolio was reinvested and increased with a focus on domestic securities in the first case, and foreign in the second.

The non-government HTC component was the main beneficiary of the overall increase in this type of bond, recording an increase in the total nominal amount of over 600 million. The allocation of new investments was consistent with the strategies described for the HTCS accounting category.

Trading and Funds

Positions in the HFT category

With regard to trading activities, it should be noted that trading at the beginning of 2022 was conducted without substantial discontinuity with respect to the end of the previous year, i.e. with bond positioning lower than that of previous years but still focused on being the main driver of trading performance through carry-trade strategies. The sudden change in market conditions resulting from the outbreak of the Russia-Ukraine conflict, the exacerbation of inflationary pressure and expectations of a rapid conclusion of accommodative monetary policies, including that of the ECB, led not only to a generalised increase in aversion to money risk in all asset classes, but also to a strong decrease in the liquidity of interest rate instruments which, given the presence of various off-the-run instruments, considerably reduced the margin of intervention on the bond component. To partially offset the overall risk profile of trading activities, a bearish strategy was promptly implemented on the equity markets, appropriately reversed in late spring. The trading of currencies and related options also received a strong boost in the second half of the year, at the same time as the decision to refocus trading activities on the equity and currency components.

Alternative Investments and Funds

In 2022, investment in both Italian and foreign Alternative Funds continued, maintaining a priority for Private Equity, even though, with a view to obtaining a lower level of risk and market diversification, on a par with the previous year, investments also regarded other asset classes, such as private debt, venture capital and infrastructure. In the selection of Alternative Investment Funds, particular attention was paid to the implementation of ESG factors in the investment policy applied by the managers.

Group Treasury

The Bank's liquidity position in 2022 was significant and the advantageous conditions offered by the ECB such as TLTRO III funding, contributed to achieving a significant economic result in treasury management. During the year, Banco BPM participated in the Deposit Facility, a one-day use of ECB liquidity, for a daily average (including holidays) of approximately 29.4 billion.

During 2022, the activities of the Money Market Desk recorded a high volume of forex swap operations, both to fulfil the coverage needs of accounts in foreign currencies at the various treasury banks, and to seize arbitrage opportunities, generating an average monthly turnover of around 13 billion in nominal amount (value in euro), with a 10% increase against the previous year.

Geopolitical tensions influenced transactions on foreign currencies, but they were managed by minimising the negative economic impact and paying even greater attention to the needs of the Group's business customers.

After joining the Central Counterparties Eurex Clearing AG and LCH SA between December 2020 and March 2021, in 2022 Banco BPM significantly increased its negotiable securities financing activities with these counterparties, reducing operational risks and counterparty risks as well as optimising funding in the very short term. In terms of the secured investment of surplus liquidity, like last year, a marked decrease in volumes was recorded due to the fact that General Collateral repo rates continue to be constantly lower than the ECB Deposit Facility rate.

Secured funding activity on proprietary assets reported daily average funding of approximately 12.1 billion, while lending activity, including long-term transactions, amounted to approximately 800 million.

Considering the portfolio of government bonds in US dollars, in 2022 there was a sharp rise in the USD repo rate curve on all the main maturities. The Federal Reserve's increase in official rates was the fastest, most rapid and impressive in recent decades. To fund US government securities, a diversification strategy was adopted for maturities with a view to making the funding of said portfolio as efficient as possible.

During the fourth quarter of 2022, all non-collateralised securities lending transactions (total outstanding of which amounted to approximately 2.4 billion) with underlying High Quality Assets were extinguished.

Medium/long-term repo transactions, with underlying non-government bonds, in particular with the use of issues of less liquid instruments, recorded a further substantial fall over the year against the progressive natural maturities.

Collateral optimisation activities also continued through collateral switching.

In 2022, limited transactions were carried out on Overnight Index Swap derivatives on the electronic platform, with €str as the variable parameter and a short-term horizon; most of the deals made were subject to unwinding before their actual maturity.

Trading in spot exchange rates recorded an increase in volumes of around 10% in nominal amounts compared to the previous year.

Lastly, the foundations were laid for the increase in collaboration with the Commercial Network on spot and forward exchange rates, involving the specialist units and targeting SMEs, with positive signs with respect to their potential.

Portfolio Management

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

With reference to the assets managed, the investments made were characterised by a reduction in the equity component in the first months of the year, underweight, down compared to the initial overweight; subsequently, the proportion of this asset class was reduced as the macroeconomic, monetary and financial conditions changed towards more restrictive attitudes. The average duration of the bond portfolio was kept constantly underweight, given the restrictive monetary policies put in place and planned by the Central Banks due to the significant rise in inflation. In the second part of the year, after maintaining a high level of liquidity to protect assets, steps were taken to invest what was available in government bonds with short-term maturities, with decidedly positive nominal rates of return. Investments in the corporate bond markets were maintained in an underweight position, given the deterioration of macroeconomic aggregates and due to the sensitivity of the asset class to a rise in official rates.

Investments in financial assets exposed to exchange rate risk were kept close to neutral, with a main focus on the US dollar, which during the year appreciated significantly for various reasons, including the ability to generate higher returns, and by virtue of its status as a safe haven currency.

As at 31 December 2022, assets under management stood at 3.2 billion, slightly lower than the volumes at the end of 2021 (3.5 billion), with a positive contribution from net funding and a negative contribution due to market effects.

Leases

Starting from financial year 2022, Leases are no longer shown as an "operating segment" used as a benchmark to analyse performance and to prepare disclosures pursuant to accounting standard IFRS 8. The economic contribution of Leases was therefore included in the "Corporate Centre" segment, albeit subject to continuous internal monitoring, given the size of the managed portfolio as at 31 December 2022, equal to approximately 1.1 billion gross.

The portfolio of the Leases segment, managed in run-off, as there is no provision for the stipulation of new transactions or the disbursement of new loans on those in effect, includes the assets relating to the contracts of the former Banca Italease and the former Release, both merged into the Parent Company.

As described in detail in Part A - Accounting policies - Other significant aspects relating to Group accounting policies, during the year the segment in question underwent a restructuring of credit exposures attributable to a leading real estate group (known as "Project Wolf"), aimed at pursuing active management of the properties underlying the aforementioned exposures, with the support of a specialised partner, Aurora Recovery Capital S.p.A. (AREC) and the arrival of new funds provided by third-party investors to finance the development of real estate. In particular, the transaction envisaged the sale of loans, for a gross value of 461.1 million, to the special purpose entity for securitisation Liliium SPV, as well as the transfer of lease contracts and related properties to a LeaseCo (Ninfa LeaseCo S.r.l.).

Real Estate Sector

As at 31 December 2022, the book value of the Group's total real estate assets amounted to 2.4 billion.

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

Following the incorporation of the subsidiaries Bipielle Real Estate and Release into the Parent Company during the year, the reorganisation of the real estate segment was completed.

In 2022 the Group focused on increasing the efficiency of the spaces occupied and reducing their management costs, continuing with the market rationalisation plan that envisages the release of third-party properties and/or empty or only partially occupied ones.

Operations relating to enhancing and selling non-operating assets are part of a market that after a 2021 of strong global economic growth still recorded growth, but with a slowdown in recovery and in which the war in Ukraine and the energy crisis have pushed up inflation, reducing purchasing power and per capita income.

Another important element that influences the real estate market is linked to credit, as the increased cost of debt has drastically reduced the scale of the credit channel.

On the other hand, the situation on the corporate front was different, where the recovery was strong until the end of the third quarter, fuelled by the increased attractiveness of alternative sectors (logistics and hotel), in addition to the return of interest in the "core" management segment. In terms of investments, net returns rose, but more slowly than in other European businesses, while ESG topics have become increasingly important for foreign companies and investors.

In this regard, an important factor is the strong link between credit and sustainability in the real estate market in terms of energy efficiency, as the legislation on real estate credit and the guidelines of the European Banking Authority envisage taking ESG factors into account when determining the value of collateral on properties. In addition, climate and environmental risk factors could also impact the valuation processes of the property.

Despite the recovery, in 2022 the Group's sales recorded a slowdown due to the fact that the characteristics of the properties held - in terms of location and energy requirements - do not fully coincide with those that drove the real estate market. In addition, during 2022 there were some delays in the approval procedures of building and urban planning applications needed to finalise the notarial deeds.

In 2022, the Group entered into deeds for approximately 55 million; as at 31 December 2022, sales commitments that meet IFRS 5 requirements amounted to 133 million, up compared to 106 million as at 31 December 2021.

In terms of leases, the Italian commercial market continues to be positive, with a strong recovery in the demand for rental property.

The first nine months of the year saw exponential growth in the number of contracts signed, a sign of how the economic difficulties experienced by the segment are being replaced by a newfound confidence on the part of citizens and businesses.

The most attractive sector for investments continued to be new generation offices, and especially those with excellent energy coefficients or "core", with the key city for leases continuing to be Milan, a true benchmark for the sector with invested capital reaching 2.7 billion.

The retail lease segment and the tourism sector are also recovering, with a significant increase in investments and rent.

As regards the tenants of the spaces leased by the Group, after a still critical first quarter, requests for a reduction in lease payments were almost zero. In particular, for the tourism sector, no requests were made to reduce the rent for seasonal properties (owned by the special-purpose real estate subsidiary companies) while those with business customers were still affected by the tail-end of the pandemic in the first part of the year, with impacts on turnover and the relative requests for the temporary adjustment of the rent.

At Group level, the "income generation" of free spaces also continued, including those resulting from recent branch closures, also to offset the reduction in income-generating properties following sales of leased properties during the year.

Lastly, the update of the valuations as at 31 December 2022 of the Group's real estate assets resulting in an overall negative economic effect of 108.3 million. This effect incorporates the new fair value estimates - drawn up with the support of special appraisals issued by leading companies, based on the "RICS Valuation" standards - rather than the presumed sale values inferred from ongoing negotiations.

The causes underlying this result are numerous and are attributable both to changes in market parameters and to events involving some specific properties such as to require a revision of the assumptions used in the previous estimates.