PRESS RELEASE

RESULTS AS AT 31 DECEMBER 2022:

NET PROFIT AT RECORD LEVELS:

ADJUSTED NET PROFIT AT € 886 MILLION[1] (+24.8% YOY)

STATED NET PROFIT AT € 703 MILLION (+23.5% YOY)

EARNINGS PER SHARE AT € 46 CENTS (€ 38 CENTS IN 2021), EXCEEDING THE GUIDANCE

DIVIDEND OF € 23 CENTS (€ 19 CENTS IN 2021, +21% YOY)

PROFIT BEFORE TAX FROM CONTINUING OPERATIONS[2]: € 1,311 MILLION, +42.4% COMPARED TO 2021

NET NPE RATIO: 2.2%[3] (1.9% IF CALCULATED ACCORDING TO THE EBA METHODOLOGY[4]), ALREADY BETTER THAN THE 2024 STRATEGIC PLAN TARGET

SOUND CAPITAL POSITION: FULLY PHASED CET 1 RATIO AT 13.3% AND FULLY PHASED MDA BUFFER[5] AT 464 BPS[6]

THE EXCELLENT RESULTS RECORDED IN 2022 MAKE IT POSSIBLE TO:

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[1] Amount net of non-recurring items as indicated in section 5 of the Explanatory Notes to this press release.

[2] This interim result does not include banking industry charges of -€ 151.9 million, value adjustments to goodwill, equal to -€ 8.1 million, the accounting effects of Purchase Price Allocations (PPA) of -€ 45.5 million, or effects of the change in the Group credit risk on its certificate issues, equal to +€ 4.8 million. These components are stated, net of taxes, in separate items of the reclassified income statement.

[3] Ratio obtained from the relationship between net non-performing exposures and total exposures relating to the capital aggregate of "Loans to customers measured at amortised cost".

[4] Methodology used by the EBA for the presentation of data in the context of the EU Transparency Exercise.

[5] Difference between the Total capital ratio (ratio of own funds to risk-weighted assets) measured as at 31 December 2022 (including the result for 2022 net of the proposed dividends and other profit allocations) and the corresponding level of the minimum regulatory requirement for 2022, including the Pillar 2 Requirement (P2R).

[6] Data calculated by considering the positive effect of the application of the Danish Compromise (see note 15); the fully phased CET 1 ratio as at 31 December 2022 stood at 12.8% and the fully phased MDA buffer stood at 413 basis points (the actual data as at 31 December 2022 are also identified below for the sake of brevity with the name "stated"). For more details on the calculation methods for capital ratios, please refer to point 6 of the Explanatory Notes of this press release.

- **INCREASE THE 2023 PROFIT TARGET[7]: EPS >€ 60 CENTS COMPARED TO APPROXIMATELY € 49 CENTS ORIGINALLY ENVISAGED IN THE STRATEGIC PLAN, GROWTH RATE CONSIDERED SUSTAINABLE ALSO IN SUBSEQUENT YEARS, BASED ON THE CURRENT ECONOMIC MACROSCENARIO**

OPERATING INCOME: € 4,706 MILLION, +4.3% COMPARED TO 2021

NET INTEREST INCOME: € 2,314 MILLION (+13.4% YOY)

COST/INCOME RATIO[8]:

54.0%, AN IMPROVEMENT COMPARED TO 55.8% IN 2021

COST OF RISK[9] AT 62 BPS AND CORE COST OF RISK[10] AT 52 BPS THANKS TO THE CONSTANT DERISKING ACTIVITY, MAINTAINING SOLID NPL COVERAGE LEVELS AT 50.6% COMPARED TO 48.9% AT THE END OF 2021

THE STRATEGY OF REDUCING THE NON-PERFORMING PORTFOLIO CONTINUES:

- **DERISKING IN 2022 TOTALLING € 2.6 BILLION**
- **FURTHER DECREASE IN THE GROSS NPE RATIO[11] TO 4.2% (3.8% IF CALCULATED ACCORDING TO EBA METHODOLOGY[12]) AND IN THE NET NPE RATIO TO 2.2% (FROM 3.0% AT THE END OF 2021)**

CORE NET PERFORMING LOANS[13] IN THE AMOUNT OF € 102.8 BILLION (+3.3% YOY)

NEW DISBURSEMENTS OF LOANS TO CUSTOMERS AMOUNTED TO € 26.5[14] BILLION, UP BY 17.1% YOY

DIRECT BANK FUNDING AT € 123.4 BILLION (+0.2% YOY)

SOLID LIQUIDITY POSITION: LCR AT 191%, NSFR > 100%, CASH AND UNENCUMBERED ASSETS AT € 37.9 BILLION

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[7] Target based on a macroeconomic scenario for 2023 that forecasts an unchanged GDP and an average level of the Euribor rate of 2.5%.
[8] Calculated as the ratio of operating expenses to operating income resulting from the reclassified income statement.
[9] Calculated as the ratio of net value adjustments on loans to total on-balance sheet exposures to customers net of value adjustments.
[10] Cost of credit calculated by excluding extraordinary impacts due to sales of non-performing loans.
[11] Ratio of gross non-performing exposures to total exposures relating to the balance sheet item "Loans to customers measured at amortised cost".
[12] Methodology used by the EBA for the presentation of data in the context of the EU Transparency Exercise.
[13] Mortgages, loans, current accounts and personal loans.
[14] Management data.

STRENGTHENING OF THE BUSINESS MODEL

FIRST STEP IN THE INTEGRATION OF BANCASSURANCE COMPLETED:

- **ACQUISITION OF 100% OF BANCO BPM VITA**
- **THE RECOGNITION OF THE STATUS OF FINANCIAL CONGLOMERATE IS IN PROGRESS, IN VIEW OF THE APPLICATION OF THE DANISH COMPROMISE[15]**
- **AGREEMENT SIGNED FOR A STRATEGIC PARTNERSHIP WITH CREDIT AGRICOLE ASSURANCES IN THE NON-LIFE/PROTECTION BUSINESS**

ADDITIONAL PROGRESS IN DIGITAL OPERATIONS OF CUSTOMERS:

- **REMOTE & OMNICHANNEL SALES AT 35% COMPARED TO 20% AT THE END OF 2021**
- **840,000 CUSTOMERS WITH DIGITAL IDENTITY FROM 387,000 AT THE END OF 2021**
- **INCREASE IN THE SHARE OF TRANSACTIONS CARRIED OUT THROUGH THE APP, EQUAL TO 20% OF TOTAL TRANSACTIONS COMPARED TO 7% AT THE END OF 2019, EXCEEDING THE SHARE OF TRANSACTIONS PERFORMED AT BRANCHES**

CONTINUOUS PROGRESS IN THE INTEGRATION OF ESG ISSUES INTO THE STRATEGY AND THE BUSINESS:

- **FOUR GREEN BOND ISSUES FOR € 2.05 BILLION, WHICH, ALSO CONSIDERING THE ISSUES MADE IN 2021 AND JANUARY 2023, BRING TOTAL GREEN AND SOCIAL ISSUES TO € 3.3 BILLION, ALREADY BEYOND THE € 2.5 BILLION TARGET FOR THE PERIOD 2021-2024**
- **IN 2022 BANCO BPM WAS RANKED IN FIRST PLACE AMONG ITALIAN BANKS IN TERMS OF VOLUMES OF GREEN ISSUES**
- **GREEN FINANCING, NEW DISBURSEMENTS AT € 10.9 BILLION[16]**
- **PRESENCE IN THE BLOOMBERG GENDER EQUALITY INDEX CONFIRMED AGAIN FOR 2023**

[15] Under the premise that, by effect of the acquisition of Banco BPM Vita, Banco BPM Group will be recognised as a financial conglomerate as defined by Art. 3 of Legislative Decree no. 142 of 30 May 2005, Banco BPM submitted a petition for the application of Art. 49 (1) of Regulation (EU) no. 575/2013 (CRR). Based on this regulatory provision, Banco BPM expects to obtain authorisation to not have to deduct the book value of the interest in Banco BPM Vita from CET 1 Capital. In this instance, the equity interest not deducted from own funds will be considered an exposure to credit risk to be weighted in compliance with the CRR.

[16] Management figure, referring to the perimeter of loans to corporate entities and businesses and mortgages to individuals.

In 2022, despite the difficult macroeconomic framework, the Group's sales and organisational efforts allowed for excellent operating results, with profitability at record levels, which made it possible to achieve a net profit of € 703 million, which rises to € 886 million in terms of adjusted net profit, which is the best result since the formation of the Banco BPM Group.
Specifically, operating income recorded a significant performance, at € 4,706 million, marking growth of 4.3% over 2021, due to the positive contribution of net interest income (+13.4% YoY) and the contribution of the insurance business.
That dynamic, along with careful cost management, made it possible to achieve a cost/income ratio of 54.0%, improving on 55.8% in 2021.
Adjustments to loans to customers came to € 682 million, down 23.1% on 31 December 2021, while guaranteeing the maintenance of solid coverage of loans.
Profit before tax from continuing operations rose to € 1,311 million against € 921 million in 2021, marking a growth of 42.4%.

Highly significant results were also recorded on the economic support front:

- ***net core performing loans (comprised of mortgages, loans, current accounts and personal loans) reached € 102.8 billion, marking an increase of 3.3% compared to 31 December 2021;***
- ***the volume of new disbursements to households and businesses reached € 26.5 billion, up by 17.1% YoY.***

Further progress in the derisking process (€ 2.6 billion[17] in 2022, including the sale relating to the "Argo" project finalised in the second quarter of the year) resulted in the continued reduction in non-performing loans, reducing their incidence on total gross loans to 4.2%, and bringing the total gross non-performing loans from € 6.4 billion at the end of 2021 to € 4.8 billion.

The capital position has remained very solid:

- ***fully phased CET 1 ratio and fully phased MDA buffer with application of the Danish Compromise at 13.3% and 464 bps, respectively;***
- ***at stated level, the phased-in CET 1 Ratio and fully phased CET 1 Ratio stood at 14.3%[18] and 12.8%, respectively.***

Key balance sheet items

- Net loans to customers equal to € 109.5 billion: +0.1% compared to 31 December 2021 (of which performing loans +0.9% and non-performing loans -27.8%);

[17] Change in gross non-performing loans, without considering transfers from performing loans recorded during the period. Includes sales, returns to performing status, derecognitions, recoveries, write-offs and other changes.
[18] The phased-in capital ratios are calculated according to that illustrated in the paragraph "Transitional arrangements" of Explanatory Note no. 6.

- Direct funding from customers in the amount of € 123.4 billion[19]: +0.2% compared to the end of December 2021. Core funding[20] at € 103.7 billion (-1.3% compared to the end of 2021);
- Indirect funding[21] from customers at € 91.3 billion: -7.8% compared to 31 December 2021 (due to the decrease in prices of financial assets), of which:
  - asset management € 59.4 billion;
  - asset administration € 31.9 billion.

Key income statement items[22]

- Net interest income:
  - € 724.0 million in Q4 2022 (€ 551.3 million in Q3 2022; +31.3%)
  - € 2,314.4 million as at 31 December 2022 (€ 2,041.6 million in 2021; +13.4%)
- Net fee and commission income:
  - € 447.3 million in Q4 2022 (€ 473.2 million in Q3 2022; -5.5%)
  - € 1,887.3 million as at 31 December 2022 (€ 1,911.2 million in 2021; -1.2%)
- Operating expenses:
  - € 651.4 million in Q4 2022 (€ 631.3 million in Q3 2022; +3.2%)
  - € 2,539.4 million as at 31 December 2022 (€ 2,515.8 million in 2021; +0.9%); excluding charges relating to the insurance business and non-recurring items, the figure amounted to € 2,528.9 million, in line with the 2021 figure
- Profit (loss) from operations:
  - € 605.7 million in Q4 2022 (€ 511.6 million in Q3 2022; +18.4%)
  - € 2,166.1 million as at 31 December 2022 (€ 1,995.0 million in 2021; +8.6%)
- Net adjustments to loans to customers:
  - € 184.7 million in Q4 2022 (€ 193.9 million in Q3 2022; -4.8%)
  - € 682.3 million as at 31 December 2022 (€ 887.2 million in 2021; -23.1%)
- Profit (loss) before tax from continuing operations[23]:
  - € 332.7 million in Q4 2022 (€ 291.2 million in Q3 2022; +14.3%)
  - € 1,311.5 million as at 31 December 2022 (€ 921.0 million in 2021; +42.4%)
- Adjusted profit (loss) before tax from continuing operations[24]:
  - € 395.8 million in Q4 2022 (€ 316.8 million in Q3 2022; +24.9%)

[19] Direct bank funding includes certificates with unconditional capital protection (€ 4.3 billion as at 31 December 2022 compared to € 3.6 billion at the end of 2021), and excludes repurchase agreements.
[20] Current accounts and deposits.
[21] Management data net of certificates with unconditional capital protection included under "direct bank funding". It should be noted that the indirect funding also includes insurance policies relating to Banco BPM Vita which, from the second half of 2022, are recognised in the item "Direct funding from insurance business and technical reserves" of the consolidated balance sheet, following the full consolidation of the company in the Banco BPM Group.
[22] The income statement data referring to the third quarter of 2022 have been restated with respect to those originally approved by the Board of Directors on 8 November 2022, following the completion of the Purchase Price Allocation (PPA) process relating to the acquisition of control of Banco BPM Vita and Banco BPM Assicurazioni and the measurement of the financial assets and liabilities of the afore-mentioned companies by applying IFRS 9. For further details on the consolidation of the insurance companies, please refer to Explanatory Note no. 1.
[23] See note no. 2.
[24] Amount net of non-recurring items as indicated in section 5 of the Explanatory Notes to this press release.

    - € 1,557.0 million as at 31 December 2022 (€ 1,221.0 million in 2021; +27.5%)
- Net result:
    - € 209.9 million in Q4 2022 (€ 108.7 million in Q3 2022; +93.1%)
    - € 702.6 million as at 31 December 2022 (€ 569.1 million in 2021; +23.5%)
- Adjusted net result:
    - € 251.7 million in Q4 2022 (€ 137.6 million in Q3 2022; +82.9%)
    - € 886.3 million as at 31 December 2022 (€ 710.1 million in 2021; +24.8%).

Capital position[25]:

- Fully phased CET 1 ratio with application of the Danish Compromise at 13.3%; 12.8% at stated level;
- Stated phased-in CET 1 ratio[26] at 14.3%;
- Fully phased MDA buffer on TCR with application of the Danish Compromise at 464 bps; 413 bps at stated level.

Credit quality

- Stock of net non-performing loans of € 2.4 billion: -27.8% compared to the end of 2021
- *Coverage:*
    - Bad loans: 64.8% (58.6% as at 31 December 2021); also considering write-offs, the coverage was 72.4%;
    - Unlikely-to-pay loans: 40.3% (44.0% as at 31 December 2021);
    - Total non-performing loans: 50.6% (48.9% as at 31 December 2021); also considering write-offs, the coverage was 55.8%;
- Further improvement in the Texas Ratio[27] to 20.3% against 27.2% at the end of 2021.

Liquidity profile

- Liquidity at € 37.9 billion (cash + unencumbered assets);
- TLTRO III at € 26.7 billion;
- LCR 191% and NSFR > 100%.

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[25] For more details on the calculation methods for capital ratios, please refer to point 6 of the Explanatory Notes of this press release.
[26] The phased-in capital ratios are calculated according to that illustrated in the paragraph "Transitional arrangements" of Explanatory Note no. 6.
[27] The Texas Ratio is the ratio of the net value of non-performing loans to the Group's tangible equity (net of the related tax effects).

Milan, 7 February 2023 - At today's meeting, chaired by Massimo Tononi, the Board of Directors of Banco BPM approved the separate and consolidated results for the year as at 31 December 2022.

In 2022, in the context of the fragile recovery from the international emergency due to the Coronavirus epidemic, operations were heavily impacted by the conflict in Ukraine which, since the end of February 2022, has had serious repercussions on the international economic system and on companies' operations.
Already in the second quarter of the year, the Group activated campaigns to monitor customers that are particularly exposed to the increase in energy prices and the procurement of raw materials, to identify in advance potential signs of impairment of exposures. Those initiatives, which involved a portfolio of over € 10 billion, provided reassuring signs, with only € 95 million in loans classified as non-performing in the second half of 2022, in addition to the € 55 million already classified during the second quarter.
By contrast, as of 31 December 2022, the Group's direct exposure to Russia and Ukraine involved a generally negligible amount.

During the year, the Group laid the foundations for a complete integration of the insurance business through the acquisition, finalised on 22 July 2022, after obtaining the legal authorisations from the competent authorities, of 81% of the share capital of Bipiemme Vita S.p.A., an insurance company operating in the life sector, for an amount of € 309.4 million. In turn, Bipiemme Vita holds the entire share capital of Bipiemme Assicurazioni S.p.A., operating in the non-life sector.
In April, the Board of Directors of Banco BPM actually resolved to exercise the option for the purchase from the partner Covéa Coopération SA of 81% of the share capital of Bipiemme Vita S.p.A., in which Banco BPM already held a 19% interest.
The two insurance companies, which concurrently changed their company names to Banco BPM Vita and Banco BPM Assicurazioni, were consolidated on a line-by-line basis starting from the second half of 2022[28].
This transaction, concluded in advance of the date of 31 December 2023 set out in the Strategic Plan, also serves to obtain recognition of the status of a "financial conglomerate" to access benefits in the prudential treatment of the equity investment deriving from application of the Danish Compromise[29], currently being evaluated by the competent Authorities.
As regards the Non-Life/Protection business, in the second half of the year Banco BPM, following the competitive process aimed at evaluating possible partnership options, on 23 December 2022 signed a binding term-sheet with Crédit Agricole Assurances which provides for (i) the sale of the 65% stake in Banco BPM Assicurazioni's share capital and, subject to the repurchase by the Bank, of the 65% stake currently held by Cattolica Assicurazioni in Vera Assicurazioni's share capital, and (ii) the launch of a 20-year commercial partnership in the Non-Life/Protection sector.[30]
The transaction, which is expected to be finalised by the end of 2023, is based on a valuation of 100% of the Insurance Companies equal to € 400 million.

At the end of 2022, the organisational and governance model of the Parent Company was also redefined: the Board of Directors' meeting of Banco BPM on 21 December 2022 in fact defined the new structure of the General Management and top executives. In more detail, the Chief Financial Officer (CFO) Co-General Management was established, the scope of the Chief Business Officer

[28] For more details on the consolidation of the two insurance companies, please refer to point 1 of the Explanatory Notes of this press release.
[29] See note no. 15.
[30] Company which, in turn, holds 100% of the share capital of Vera Protezione.

(CBO) Co-General Management was redefined, the new Corporate & Investment Banking (CIB) function was established and the position of Chief Risk Officer (CRO) was established.
The new structure fosters better coordination of the Group's activities with respect to the path outlined in the 2021-2024 Strategic Plan and facilitates the governance of areas of greater complexity in line with the evolution of the external context, to better respond to the expectations on governance developed over the last few years also in terms of supervision.

Further progress in the derisking process (-€ 2.6 billion in the year[31], including the sale relating to the "Argo" project finalised in the second quarter of the year), resulted in a reduction in the gross NPE ratio, which came to 4.2% (compared to 5.6% at the beginning of the year).

As part of the NPL management strategy, additional sales of more than € 500 million were planned over the term of the plan, with a clear benefit on the stock of gross non-performing loans and the credit quality indicators, whose expected economic impact was already charged to the income statement in the first half of 2022.

During the year, the Group also carried out important capital management operations: in January 2022, an issue of Subordinated Tier 2 instruments was completed for an amount of € 400 million, with 10-year maturity, targeted at institutional investors, which is part of the Group's Euro Medium-Term Notes Programme; this operation was augmented, in April, by the issue of an Additional Tier 1 perpetual instrument for an amount of € 300 million, reserved to institutional investors, which by making it possible to achieve the Additional Tier 1 capital target, has further strengthened the Group's capital position.
During the year, three green bond issues were completed in the Green, Social and Sustainability Bonds Frameworks: the first, in March, related to a Green Covered Bond for an amount of € 750 million, with 5-year maturity, targeted at institutional investors; the second, in September, regarded Green Senior Non-Preferred Bonds for a nominal value of € 500 million with 4-year maturity, and the final one, in November, regarded Green Senior Non-Preferred Bonds for a value of € 500 million and a maturity of five years and two months. A further issue was made, in January 2023, of Green Senior Preferred Bonds for € 750 million, also intended for institutional investors.
An additional issue was finalised in July, of a Green Senior Preferred Bond, for a nominal value of € 300 million, subscribed by a single investor based on a private placement to finance green disbursements, which supplements Banco BPM's ESG strategy.
Those issues represent the effective implementation of the environmental and social sustainability objectives that increasingly guide and characterise the Bank's various business areas.

In 2022, Banco BPM concluded an own share purchase programme to serve the employee incentive plan for a total of 4,582,640 shares (equal to 0.30% of the ordinary shares outstanding) and a total value of € 16 million. Following the conclusion of that programme, and taking account of the assignments to employees during the period, Banco BPM held 6,159,480 own shares as at 31 December 2022, equal to 0.41% of the share capital.

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

[31] Change in gross non-performing loans, without considering transfers from performing loans recorded during the period. Includes sales, returns to performing status, derecognitions, recoveries, write-offs and other changes.

result of said decision, the minimum requirements that Banco BPM is required to meet for 2023, are as follows:

- CET 1 ratio: 8.71%;
- Tier 1 ratio: 10.69%;
- Total Capital ratio: 13.33%[32].

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

Lastly, in relation to the credit rating assigned to Banco BPM, the following is noted:

- on 26 April 2022, Fitch Ratings assigned new ratings, all in the investment grade area, with a stable outlook. In detail, the Long-Term Issuer Default Rating assigned is BBB- and the Long-term Deposit rating is BBB. The rating has reflected a positive valuation based on various factors, including: revenues, risk profile, funding, capitalisation and management quality;
- on 11 May 2022, Moody's Investors Service upgraded the ratings by 1 notch, bringing the Long-Term Senior Unsecured rating to Ba1 and the Long-Term Deposit rating to Baa2, with stable outlook. That upgrade mainly reflected the Bank's improvement in credit quality as a result of the continuous process of derisking its loan portfolio. Moody's also noted the capital position of Banco BPM, which significantly exceeds the regulatory requirements;
- on 14 October 2022, DBRS upgraded the ratings by 1 notch, bringing the Long-Term Deposits rating from BBB to BBB (high) and the Long-Term Issuer Rating/Senior Debt from BBB (low) to BBB, with stable trend. This rating action also reflected Banco BPM's success in improving its financial position, specifically in terms of asset quality, profitability and operating efficiency.

Economic performance of operations in 2022 compared to 2021

The **net interest income** amounted to € 2,314.4 million, up by 13.4% compared to the 2021 figure (equal to € 2,041.6 million), mainly thanks to the increase in the commercial spread following the rise in market rates.

The **gains on interests in associates and joint ventures carried at equity** amounted to € 157.5 million, compared to the figure for the previous year (equal to € 231.9 million), which included a non-recurring component relating to an investee, the contribution of Factorit (sold in 2022) and the contribution of Banco BPM Vita (fully consolidated from 1 July 2022).
The main contribution to the item in question was provided by consumer credit channelled from the equity interest held in Agos Ducato, amounting to € 104.8 million, as well as the contribution of the associated company Anima Holding[33], amounting to € 35.2 million.

Net fee and commission income in 2022 totalled € 1,887.3 million, down by 1.2% compared to the previous year.
This trend is attributable to the decrease in the contribution of management, brokerage and advisory services (-4.9% compared to 31 December 2021), while the contribution of the commercial

[32] For more details on the calculation methods for capital ratios and minimum requirements, please refer to point 6 of the Explanatory Notes of this press release.
[33] For an illustration of the methods used to recognise the contribution of Anima Holding, please refer to point no. 8 of the Explanatory Notes of this press release.

banking services sector and that of collection and payment services show growth by 1.8% and 8.5% respectively compared to 31 December 2021.

Other net operating income totalled € 71.6 million, compared to € 75.3 million in 2021.

The **net financial result**[34] for the year 2022 was equal to € 243.0 million substantially in line with the figure of € 250.7 million recorded as at 31 December 2021.
The result in 2022 comprises +€ 202.3 million from trading activities (+€ 111.7 million as at 31 December 2021), -€ 26.3 million from changes recorded in the measurement of assets and liabilities at fair value (+€ 7.8 million as at 31 December 2021) and +€ 47.8 million from sales of financial assets (+€ 119.0 million in 2021). Specifically, the figure as at 31 December 2022 is influenced by the results of the valuation of Nexi equity interest, which had a negative balance of -€ 84.0 million (-€ 25.8 million as at 31 December 2021).

The **profit on insurance business** was € 31.7 million. That item comprises the contribution for the second half of 2022 of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni, following the acquisition of control over them.

As a result of the trends described, the total **operating income** therefore amounted to € 4,705.5 million, up compared to the € 4,510.7 million recorded last year (+4.3%).

Personnel expenses, equal to € 1,608.9 million, decreased by 3.5% compared to € 1,667.8 million in 2021. The figures are not immediately comparable as both 2022 and 2021 include positive non-recurring components (equal to +€ 11.9 million in 2022 and +€ 14.4 million in 2021); in addition, the figure as at 31 December 2022 includes the charges (relating to the second half of 2022) of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni amounting to € 7.9 million. On a like-for-like basis (excluding insurance company expenses and one-off components), personnel expenses amounted to € 1,612.8 million, down 4.1% year-on-year. That performance reflects the savings deriving from the reduction in the workforce implemented starting in the previous year, as part of the programme involving the use of the Solidarity Fund for the industry. The total number of employees was 20,157 as at 31 December 2022 (of which 143 pertaining to the insurance companies), compared to 21,663 at the start of 2021[35].

Other administrative expenses[36], at € 650.4 million, grew by 8.2% compared to 2021, when they totalled € 601.2 million. Also in this case, the item includes the charges relating to the insurance business, which amounted to € 6.4 million. Net of that component, the aggregate in question grew by 7.1%, also due to the inflationary trends under way, which specifically impacted energy consumption.

Net value adjustments to property, plant and equipment and intangible assets totalled € 280.1 million (of which € 0.9 million referring to the insurance business), compared to the figure of € 246.8 million as at 31 December 2021. The item includes adjustments of € 7.1 million relating mainly to write-downs of software.

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[34] The item does not include the accounting effect, shown in a separate item of the reclassified income statement, of the change in the credit risk of the Group in regard to the fair value measurement of its own certificate issues, which led to the recognition of € 7.2 million in income for the year (+€ 6.5 million as at 31 December 2021).
[35] As at 31 December 2021 the number of employees was 20,437.
[36] The aggregate does not include the "systemic charges", represented by the contributions to the Resolution Funds and the Interbank Deposit Guarantee Fund, reported in a separate item of the reclassified income statement, net of the relative tax.

Total **operating expenses** therefore amounted to € 2,539.4 million, up by 0.9% compared to € 2,515.8 million in the previous year. Excluding the effects relating to the insurance companies Banco BPM Vita and Banco BPM Assicurazioni, totalling € 15.3 million, as well as the impact of non-recurring items, the aggregate was substantially in line with the previous year.

The **cost/income ratio** for the year was 54.0%, an improvement compared to 55.8% in 2021.

The **profit from operations** as at 31 December 2022 stood at € 2,166.1 million, up by 8.6% compared to € 1,995.0 million in the previous year.

Net adjustments to loans to customers as at 31 December 2022, at € 682.3 million, showed a 23.1% decrease compared to the previous year. Net adjustments in 2022 included the impact deriving from the increase in the targets for the sale of non-performing loans following the change in the non-performing loan management strategy, for a total of € 112.7 million; as at 31 December 2021, the equivalent impact came to € 194.0 million.
As at 31 December 2022, the cost of credit, measured by the ratio of net value adjustments on loans to net loans, was 62 bps. Excluding the extraordinary impacts due to the increase in the sale targets of non-performing loans approved by the Group, the cost of risk would come to 52 bps as at 31 December 2022.

The result of **fair value gains (losses) on property, plant and equipment** as at 31 December 2022 reported losses of -€ 108.3 million compared to -€ 141.6 million last year. These adjustments are attributable to the valuation process carried out annually on properties and mainly refer to properties held for investment purposes.

The item **net adjustments to securities and other financial assets** includes net losses of -€ 9.1 million (-€ 0.3 million as at 31 December 2021).

Net provisions for risks and charges in the year amounted to -€ 57.2 million (-€ 26.0 million as at 31 December 2021). The item includes the estimated costs that are expected to be incurred for the rationalisation of the branch network for € 8.5 million as well as the provisions relating to the estimated costs for certain contractual commitments for € 18.3 million.

As at 31 December 2022, **gains on disposal of interests in associates and joint ventures and other investments** amounted to € 2.3 million, referring to sales of properties. In 2021, the item in question, amounting to -€ 18.8 million, included the effect deriving from the impairment recognised on a shareholding.

Due to the trends described, the **profit before tax from continuing operations** was equal to € 1,311.5 million compared to € 921.0 million in 2021, marking an increase of 42.4%.

The **taxation charge related to profit or loss from continuing operations** was -€ 408.9 million (-€ 253.8 million as at 31 December 2021).

Profit after tax from continuing operations was therefore equal to € 902.5 million, an increase of 35.3% compared to € 667.2 million in the previous year.

Charges related to the banking system, net of taxes were also charged to the income statement for the year, amounting to € 151.9 million (€ 145.0 million in 2021) relating to the ordinary contribution to the Single Resolution Fund (€ 110.5 million before tax, compared to € 87.8 million as at 31 December 2021) and the Interbank Deposit Protection Fund (€ 114.6 million before tax compared to € 98.4 million as at 31 December 2021). In the previous year, additional contributions were also charged to the National Resolution Fund for €28.6 million, gross.

The comparison with the recoverable value of intangible assets led to the recognition of **impairment on goodwill** of €8.1 million.

In the year, the **change in own credit risk on Certificates issued by the Group, net of taxes**, generated income of € 4.8 million (€ 7.2 million before taxes). In 2021, income of € 4.4 million (€ 6.5 million before tax effects) was recorded.

As at 31 December 2022, the impact of the **Purchase Price Allocation net of taxes** was equal to -€ 45.5 million, against -€ 39.5 million in 2021. In addition to the impacts relating to the business combinations completed in previous years, this item also includes the effects relating to the PPA of the consolidated insurance companies starting from 1 July 2022.

Considering the share of profit attributable to non-controlling interests, 2022 closed with **net profit** equal to € 702.6 million (€ 569.1 million as at 31 December 2021).

The **figure net of non-recurring items** was € 886.3 million, up on the previous year (€ 710.1; +24.8%).

Economic performance of operations in Q4 2022 compared to Q3 2022[37]

Net interest income amounted to €724.0 million, up by 31.3% compared to the figure in the third quarter of 2022 (€551.3 million), mainly due to the sharp increase in commercial spreads resulting from the growth in market rates.

The **result of the investee companies valued using the equity method** is positive for €34.8 million, with an increased contribution compared to that of the third quarter, equal to €31.6 million despite the fact that, starting from the third quarter of 2022 the contribution of Banco BPM Vita and Banco BPM Assicurazioni is no longer included in the item in question, as it is included under specific items in the income statement.

Net fee and commission income in the fourth quarter amounted to € 447.3 million, down by 5.5% compared to the result recorded in the third quarter, mainly due to the lower contribution from management, brokerage and advisory services, also due to the situation of volatility on the financial markets. The performance of the fee and commission segment relating to commercial banking activities is instead substantially in line with the average figure for the first three quarters of 2022.

Other net operating income totalled € 19.5 million, compared to the figure of € 20.4 million for the third quarter of 2022.

The **net financial result** in the fourth quarter was a negative -€ 9.0 million, compared to a positive

[37] See note no. 22.

contribution of +€ 75.1 million in the third quarter. That result benefited, inter alia, from the effects of the measurement of derivative contracts which, in operational terms, hedge the risks linked to the portfolio of financial assets measured at fair value through other comprehensive income.
The quarterly result also felt the impact of the Credit Value Adjustment and the Debit Value Adjustment (CVA/DVA) relating to derivative contracts (-€ 8.5 million in the fourth quarter compared to +€ 14.7 million recorded in the third quarter).
The valuation of the interest held in Nexi generated a negative impact of -€ 10.9 million, compared to the positive impact of +€ 5.2 million in the third quarter.

The **profit on insurance business** was € 40.5 million (-€ 8.7 million in the third quarter) and represents the contribution of the insurance business of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni, recorded starting in the third quarter of 2022. The data referring to 30 September 2022 have been *restated* with respect to those originally published due to the application of IFRS 9[38].

By virtue of the trends described, the total **operating income** therefore amounted to € 1,257.0 million, up by 10.0% compared to € 1,142.9 million recorded in the third quarter, due to the trend in net interest income and the contribution of insurance companies.

Personnel expenses amounted to € 395.2 million, down 1.3% compared to € 400.5 million in the third quarter. During the fourth quarter, an extraordinary contribution of € 500 was recognised to support Group workers and their families, for a total of € 9.9 million; in addition, the positive impact deriving from the release of excess allocations made in previous years relating to the redundancy fund for € 21.8 million was recorded.

Other administrative expenses[39] rose from € 160.7 million in the third quarter of 2022 to € 171.5 million as at 31 December 2022. The quarter was also affected by the trends in inflation under way, which specifically impacted the costs of energy consumption.

Net value adjustments to property, plant and equipment and intangible assets amounted to € 84.7 million. In the third quarter of 2022, the item amounted to € 70.1 million.

Total **operating expenses** therefore came to € 651.4 million, marking an increase of 3.2% compared to € 631.3 million in the third quarter. Excluding the component relating to the insurance business, totalling € 9.3 million, the aggregate in question comes to € 642.0 million, marking an increase of 4.8%, net of the relative non-recurring items.

The **profit from operations** in the quarter stood at € 605.7 million, up by 18.4% compared to € 511.6 million in the third quarter.

Net adjustments to loans to customers amounted to € 184.7 million, compared to € 193.9 million in the third quarter.

Fair value gains (losses) on property, plant and equipment show a loss of €60.0 million in the fourth quarter, following the adjustment of the value of properties based on updated appraisals.

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[38] For further details on the consolidation of the insurance companies, please refer to Explanatory Note no. 1.
[39] The aggregate does not include the "systemic charges", represented by the contributions to the Resolution Funds and the Interbank Deposit Guarantee Fund, reported in a separate item of the reclassified income statement, net of the relative tax.

Net provisions for risks and charges in the fourth quarter amounted to €28.2 million and include the estimated costs that are expected to be incurred for the rationalisation of the branch network for €8.5 million as well as provisions relating to guarantees and commitments for €12.5 million.

As a result of the trends described above, the **profit before tax from continuing operations** came to €332.7 million compared to the profit of €291.2 million recorded in the third quarter, marking growth of 14.3%.

The **taxation charge related to profit or loss from continuing operations** came to -€ 93.4 million (-€ 84.5 million in the third quarter).

Profit after tax from continuing operations in the fourth quarter of 2022 therefore amounted to € 239.3 million, a 15.8% increase compared to € 206.7 million in the third quarter of 2022.

In the fourth quarter, the **change in own credit risk on Certificates issued by the Group, net of taxes**, generated a negative impact of -€ 20.5 million (-€ 30.6 million before taxes). In the third quarter the impact was limited to -€ 0.3 million (-€ 0.5 million gross).

In the fourth quarter, the impact of the **Purchase Price Allocation net of taxes** amounted to -€ 9.4 million, compared with -€ 20.4 million in the third quarter of 2022, which also included the negative impact of the remeasurement at fair value of the interest previously held in Banco BPM Vita, at -€ 10.7 million, in application of accounting standard IFRS 3.

Considering the share of profit or loss attributable to non-controlling interests, the fourth quarter of 2022 closed with **net profit for the period** of € 209.9 million, compared to the net profit of € 108.7 million recorded in the third quarter.

Adjusted net profit for the fourth quarter was € 251.7 million compared to € 137.6 million in the third quarter of 2022, as a result of the effects indicated above.

Changes in key balance sheet items

As at 31 December 2022, **direct bank funding**[40] totalled € 123.4 billion, showing an increase of +0.2% compared to 31 December 2021.

In more detail, during the year there was a decrease of € 0.6 billion in the component represented by current accounts and demand deposits of the commercial network (-0.6%)[41]; in comparison with the third quarter of 2022, the aggregate in question instead shows an increase of 0.6%. As regards bonds issued, the stock as at 31 December came to €12.9 billion, down (-1.2%) compared to 31 December 2021.

Funding guaranteed by the stock of certificates with unconditional capital protection as at 31 December 2022 was €4.3 billion, compared to the €3.6 billion as at 31 December 2021.

[40] The aggregate includes demand and term deposits and current accounts, bonds issued, certificates of deposit and other securities, loans and other debts, and protected capital certificates and excludes repurchase agreements.
[41] Management data.

Starting in the third quarter of 2022, the aggregate comprising insurance technical reserves is recorded, shown under the item **direct funding from insurance business and technical reserves**, in the amount of €5.9 billion, represented by the mathematical reserves and the financial liabilities of the insurance companies.

Indirect funding[42], net of protected capital certificates, and including insurance policies[43], was € 91.3 billion, down 7.8% on an annual basis. This trend is exclusively attributable to the drop in the prices of financial assets.
The negative trend on the markets reflected on both the component of assets under management, which amounted to € 59.4 billion, down compared to the figure of € 65.3 billion as at 31 December 2021, and on administered assets, which stood at € 31.9 billion, with a decrease of € 1.8 billion (-5.3%) compared to the end of 2021.

Bank **financial assets** were equal to € 43.1 billion, up by 18.6% compared to € 36.3 billion as at 31 December 2021. The increase was mainly concentrated in debt securities (+€ 4.3 billion) and, in particular, in the segment of securities at amortised cost. As at 31 December 2022, the aggregate in question consisted of debt securities for € 34.9 billion, equity instruments and UCITS units for € 3.0 billion and derivative instruments and other loans for € 5.1 billion. Holdings of debt securities issued by sovereign states were equal to € 29.8 billion, of which € 10.9 billion represented by Italian government securities. Investments in Italian government securities are classified under financial assets at amortised cost for € 9.2 billion and in the portfolio of financial assets measured at fair value through other comprehensive income for € 1.7 billion. Italian government securities represent 36.7% of the total of government securities, well below the Plan target (<50%).

The item **financial assets pertaining to insurance companies** includes the contribution as at 31 December 2022 of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni for a total of € 5.9 billion.

Net loans to customers[44] amounted to € 109.5 billion as at *31 December 2022*, stable with respect to the figure as at 31 December 2021, but with an increase of € 1.0 billion in performing exposures (+0.9%), also thanks to a volume of new loans to households and businesses equal to € 26.5 billion[45] in the year. Non-performing loans recorded a decrease of € 0.9 billion compared to the end of 2021 (-27.8%).

Net non-performing loans (bad loans, Unlikely-to-pay and non-performing past due and/or overdue) amounted to € 2.4 billion as at 31 December 2022.
An analysis of the individual items shows the following dynamics:

- net bad loans of € 0.7 billion, with a decrease of 20.5% compared to 31 December 2021;
- net Unlikely-to-pay loans of € 1.6 billion, down by 31.8% compared the start of the year;
- net past due exposures amounting to € 60 million (€ 45 million as at 31 December 2021).

The percentage of non-performing exposures out of total loans, gross of value adjustments came to 4.2% compared to 5.6% at the start of the year.

[42] Management data.
[43] See note no. 21.
[44] The aggregate does not include loans to customers which, following the application of IFRS 9, are mandatorily measured at fair value. These loans, amounting to € 0.5 billion, are included among the financial assets measured at fair value.
[45] Management data.

The coverage rate for the entire non-performing loans aggregate was 50.6% (48.9% as at 31 December 2021).
More specifically, as at 31 December 2022, the coverage ratio was as follows:

- bad loans 64.8% (58.6% as at 31 December 2021);
- Unlikely-to-pay loans 40.3% (44.0% as at 31 December 2021);
- past due exposures 26.9% (25.3% as at 31 December 2021).

The coverage ratio of performing loans came out at 0.39%, compared to 0.43% as at 31 December 2021.

<u>Group capital ratios[46]</u>

The phased-in Common Equity Tier 1 ratio stood at 14.3%, against 13.5% as at 30 September 2022. The increase is due both to the growth of the regulatory capital following the inclusion of the result for the quarter net of the dividends the Board will propose for distribution and the release of the deduction pursuant to Art. 3 of the CRR linked to the impact of calendar provisioning on the stock of non-performing loans (which was incorporated into the minimum level of ratios through the aforementioned SREP decision of 15 December 2022), and to the decrease in risk-weighted assets also due to the completion of two synthetic securitisation transactions.
The phased-in Tier 1 ratio was 16.6% compared to 15.7% as at 30 September 2022, while the Total Capital ratio stood at 19.6% compared to 18.7% as at 30 September 2022.
The phased-in ratio benefits from the exercise of the option for the full application of the transitional rules introduced with the new Article 473-bis of Regulation (EU) no. 575/2013 (CRR), which dilutes over time the impact on own funds deriving from the application of the new impairment model introduced by the accounting standard IFRS 9,[47] as well as the exercise of the option set forth in Art. 468 of Regulation (EU) no. 575/2013 (CRR) which permits exclusion from the own funds calculation of 40% of unrealised accumulated gains and losses from 31 December 2019 on debt securities measured at fair value through other comprehensive income, represented by exposures in debt instruments issued by central governments, regional governments or local authorities pursuant to Art. 115, paragraph 2 of the CRR and exposures to public sector entities pursuant to Art. 116, paragraph 4.

Excluding the impacts of transitional rules, the Group's stated fully phased capital ratios as at 31 December 2022 were as follows:

- CET 1 ratio 12.8%;
- Tier 1 ratio 15.2%;
- Total Capital ratio 18.1%.

Including the positive effect of the application of the Danish Compromise, for which a request has already been submitted, the fully phased Common Equity Tier 1 ratio of the Group as at 31 December 2022 would be 13.3%.

The buffer compared to the limit set for the possibility of distributing dividends (Maximum Distributable Amount or MDA buffer), with the application of the Danish Compromise, was +464 bps

[46] For more details on the calculation methods for capital ratios, please refer to point 6 of the Explanatory Notes of this press release.
[47] The percentage of neutralisation of negative impacts decreased from 50% in 2021 to 25% in 2022.

on a fully phased basis (compared to +387 bps as at 30 September 2022). At stated level, said ratio was 413 bps.

BUSINESS OUTLOOK

The overall picture continues to be conditioned by geo-political tensions stemming from the Russia-Ukraine conflict, with significant impacts on growth prospects and inflationary dynamics that, having started with commodities, then spread to other sectors.
Against this backdrop, after the strong growth recorded in 2022, the Italian economy is expected to slow significantly, also discounting the effects of a restrictive monetary policy.
Given this context, exogenous variables will likely continue to represent the main influence on the Group's operating performance in this financial year.
Despite the worsening conditions of ECB funding through the TLTRO facility, net interest income will benefit from the hikes in short-term rates, particularly in the commercial-driven component; indeed, the Group maintains a significant sensitivity, amounting to approximately €160 million in a scenario of a parallel shift of +100 bps in the rate structure.
Fees and commissions, while still discounting a high volatility context affecting in particular fees from investment products, both up front and running, will be supported by the dynamics of the stream generated by the core commercial banking activity.
The trend in operating expenses, which will continue to be one of the main areas of focus for managerial action, may be affected at least in part by inflationary pressures and the effects of a sustained investment policy in support of the business development initiatives envisaged in the Strategic Plan.
The dynamics of defaulting NPL inflows this year could increase as a result of the economic slowdown, with an impact on the cost of credit for which we continue to maintain a cautious approach in the absence of improvements in the macroeconomic framework.
Coverage levels are expected to continue to be robust, also thanks to the conservative valuation approach adopted in recent years and confirmed during 2022, on both performing and non-performing exposures.
For the full year, the Group's net income is expected to improve significantly compared to last year, along a trend that, even on a projection basis, exceeds both the profitability trajectory and the overall targets outlined in the Strategic Plan.

PROFIT ALLOCATION PROPOSAL

At today's meeting, the Board of Directors resolved to propose to the next Shareholders' Meeting the payment of a cash dividend per share of €0.23, gross of legal withholdings, for a total distribution of €348.5 million[48]; moreover, no payment will be made to own shares which the Bank may be in possession of at the record date.
This distribution, if approved by the Shareholders' Meeting, will take place on 26 April 2023 (payment date) with coupon detachment date on 24 April 2023 (ex date) and record date on 25 April 2023. The allocation will be subject to the ordinary tax treatment for dividend payment.

Furthermore, as foreseen by Art. 5 of the Articles of Association, the Board of Directors resolved to propose to the next Shareholders' Meeting the allocation of a share of € 3 million of the net profit for assistance, charity and public interest purposes.

[48] Result of the product of 23 cents by the number of shares issued1,515,182,126.

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Mr Gianpietro Val, as the Financial Reporting Officer, in compliance with Art. 154 bis, Par. 2 of the Consolidated Finance Law, hereby states that the accounting information illustrated in this press release is consistent with the corporate documents, books and accounting records.

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The Banco BPM Group results as at 31 December 2022 will be presented to the financial community in a conference call scheduled for today, 7 February 2023 at 6:00 p.m. (CET). The supporting documentation for the conference call is available on the authorised storage system's website (www.emarketstorage.com) and on the Bank's website (www.gruppo.bancobpm.it), where the details for connecting to the call can also be found.

The draft financial statements and the consolidated financial statements as at 31 December 2022, accompanied by the reports of the independent auditors and the Board of Statutory Auditors, will be made available to the public, in accordance with law, at the Company's registered office and at Borsa Italiana, as well as on the website www.gruppo.bancobpm.it and on the website of the authorised storage mechanism www.emarketstorage.com.

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Explanatory notes

The comments on the performance of the key balance sheet and P&L items illustrated in this press release refer to the reclassified consolidated balance sheet and income statement attached below, that have been approved today by the Board of Directors.
Please find below some explanatory notes that are deemed useful to better understand the approach followed in preparing the above-mentioned accounting statements as at 31 December 2022, as well as the evolution of FY results contained in this press release.

1. Accounting policies and reference accounting standard

Accounting policies

The balance sheet and income statement layouts contained in this news release have been reclassified along management criteria in order to provide an indication on the Group's overall performance based on more easily understandable aggregate operating and financial data. These layouts have been prepared based on the financial statement layouts indicated in the Bank of Italy's Circular no. 262/2005 and following updates, applying the same aggregation and classification criteria presented in the Consolidated Financial Statements as at 31 December 2021, and include the additions necessary to reflect the combination of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni as of 1 July 2022, as described below.

More specifically, the reclassified statements of financial position include certain items that are specifically tied to insurance contracts accounted for under IFRS 4, as well as to portfolios of financial assets and liabilities held by the insurance companies measured under IFRS 9.

More specifically, for the reclassified consolidated balance sheet the following aggregate line-items were included:
- "Direct insurance premiums and technical reserves" which includes the insurers' liabilities on policies taken out by customers. More precisely, it refers to the liabilities line-items "30. Financial liabilities designated at fair value", for unit-linked policies, and "110. Technical reserves", for the other insurance products;
- "Other financial liabilities of insurance companies" which includes payables to banks and customers, not related to obligations towards policyholders (liabilities line-item "10. Financial liabilities measured at amortized cost");
- "Financial assets attributable to insurance companies", aggregating financial assets tied to the insurance business (assets line-items: "20. Financial assets measured at fair value through profit or loss", "30 Financial assets measured at fair value through OCI", "40. Financial assets measured at amortized cost", "50. Hedging derivatives").

Reinsurance technical reserves are included in the existing residual line-item "Other assets" (line-item 80 of balance sheet assets).
As to the reclassified income statement, a new line-item was added, namely "Insurance income", which includes:
- the income components (interest, dividends, realized profits/losses, valuation gains/losses) tied to portfolios of financial assets and liabilities held by the insurance companies ("10. Interest income", "20. Interest expense", "70.

Dividends", "80. Net trading income", "90. Net gain/loss on hedges", "100. Gain (loss) on sale or repurchase", "110. Net income/loss on financial assets and liabilities measured at fair value through profit or loss", "130. Write-downs/Write-backs on credit risk");
- the line-items specifically tied to the insurance business, represented by net premiums (line-item 160) and the balance of insurance operating income and expense (line-item 170), which includes the net change in technical reserves, accrued claims, and other insurance operating income and expense.

Note that in the reclassified income statement the distribution commissions paid out by the insurance companies to the bank distribution network of Banco BPM, although fully consolidated, are shown as outstanding balances. Hence, the line-item "Net fees and commissions" include commission income received by the distribution network, while the line-item "Insurance income" includes the commission expense paid out by the insurers. This reporting modality aims at representing the contribution made by the various operating segments to the generation of the net income, in line with IFRS 8.

As to the Group financial and operating situation as at 30 September 2022, note that certain balances have been restated to reflect the effects of the Purchase Price Allocation and the adoption of IFRS 9, considering that it was not possible to defer its adoption to 1 January 2023 ("deferral approach"), as explained in greater detail in the section "Acquisition of control over Banco BPM Vita S.p.A. and Banco BPM Assicurazioni S.p.A. and related accounting impact" below.

Reference accounting standards

The accounting standards adopted to prepare the financial statements as at 31 December 2022 are the ones set forth in the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and in the related interpretations by the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission and in force as at 31 December 2022 as provided under Regulation (EC) no. 1606 of 19 July 2002. Said standards are in line with those adopted to prepare the consolidated financial statements as at 31 December 2021, including the required additions tied to the consolidation of the insurance companies Banco BPM Vita and Banco BPM Assicurazioni as of 1 July 2022, to account for the measurement of insurance contracts under IFRS 4.

Insofar as applicable, the communications from the Supervisory Authorities were taken into account (Bank of Italy, ECB, EBA, Consob and ESMA), together with documents issued by the Italian Accounting Board (Organismo Italiano di Contabilità (OIC), by the Italian Banking Association (ABI) and by the Italian Valuation Board (OIV), providing recommendations on certain key accounting aspects or on the accounting treatment of specific transactions.

More detailed information on the accounting policies adopted for certain specific cases are provided below, to allow for a better understanding of the Group results as at 31 December 2022.

With regard to TLTRO III refinancing operations - which as at 31 December 2022 amounted to € 26.7 billion, after the repayment of € 12.5 billion on 21 December 2022 - note that in the absence of specific indications in the reference accounting standards on how to account for this specific case, the Group defined an internal accounting policy equating the financing to a floating rate financial instrument, whereby the measurement of the interest, applicable each time, is estimated based on the probability of achieving specific net lending targets. To this regard, note that, since all the net lending targets have been achieved, the interest accrued on the above liabilities has been recognized based on the most favorable Deposit Facility (DF) rate. More specifically:

- for the special period from 24 June 2020 to 23 June 2022: accruals are calculated based on the DF rate effective in that period, plus the additional interest (-0.5%) guaranteed by the ECB, which is a fixed rate applicable for all the tranches irrespective of their residual time to maturity;
- for the period between 24 June 2022 and 22 November 2022: accruals are calculated based on the rate set by the ECB for that period, which by now is known, and corresponds to the average of the DF rates over the period from 24 June 2020 and 22 November 2022 (called "*main interest period*");
- for the final period from 23 November 2022 until the maturity/early repayment: accruals are calculated based on the different DF rates that come into effect over that time frame (2% is the DF rate effective on 31 December 2022).

Based on what explained above, interest recognized in FY 2022 came to an income of per € 181.4 million; the Q4 2022 contribution amounted to an expense of € 39.1 million, as a result of the DF interest rate hike and the lifting of all interest rate incentive mechanisms.

With regard to the calculation of expected losses on performing exposures (on- and off-balance-sheet), in line with the procedures adopted for the 2021 financial statements and for the first three quarters of 2022, when preparing the 2022 financial statements the Group adopted certain post model adjustment/management overlays, whenever it was deemed that the existing estimate models could not fully capture some risk factors that were considered significant to take into account potential future deteriorations of the credit risk. Said management overlays, which significantly reduce the positive P&L impacts that would otherwise have been recognized in FY 2022, strengthen the Group's capability to absorb any negative macroeconomic fallout, considering the great uncertainty that was still present when preparing the 2022 financial statements.

Finally, the adoption of certain accounting standards necessarily calls for the use of estimates and assumptions that have an impact on the value of assets and liabilities recognized in the balance sheet. The assumptions used to calculate estimates take into account all information available on the date of preparation of the financial statements as at 31 December 2022, together with the assumed scenarios that are considered reasonable, also based on past experience. It is not possible to rule out that the presumed scenarios, albeit reasonable, may fail to reflect future scenarios the Group will operate in. Therefore, future actual results may differ from the estimates generated for the financial statements as at 31 December 2022

and may therefore call for adjustments that cannot be predicted or estimated today with respect to the carrying amount of assets and liabilities recognized in the balance sheet. To this regard, please note that it might be necessary to revise the estimates should the circumstances they have been based on change, as a result of new information or the longer experience accrued.
Among the main uncertainties that could affect future scenarios in which the Group operates, the negative effects on the global and Italian economies connected with the ongoing geopolitical tensions should not be underestimated. The onset of the Russia-Ukraine conflict and the indirect impact tied to the sanctions against Russia, first and foremost the inflation surge, have caused a great uncertainty when assessing the eurozone economic outlook upon which financial statements estimates are based.

Acquisition of control over Banco BPM Vita S.p.A. and Banco BPM Assicurazioni S.p.A. and related accounting impact

On 22 July 2022, further to IVASS's authorization, Banco BPM acquired the 81% stake in Bipiemme Vita S.p.A. held by Covéa Coopérations S.A., against a consideration of € 309.4 million. The finalization of the transaction, following the exercise of the call option resolved on 12 April 2022, allowed Banco BPM to acquire 100% of the share capital of Bipiemme Vita S.p.A., an insurance company mainly engaging in life products, which in turns owns 100% of the share capital of Bipiemme Assicurazioni S.p.A., specializing in P&C products.
As a result of this acquisition, the insurance companies – which as of 9 September 2022 have changed their company names in Banco BPM Vita S.p.A. and Banco BPM Assicurazioni S.p.A. – have been fully consolidated on a line-by-line basis in the consolidated financial statements of Gruppo Banco BPM. The date of first consolidation has been conventionally set on 1 July 2022, considering that between said date and the acquisition date (22 July 2022) no events occurred such as to significantly change the financial and operating situation of the acquired insurance companies.
The financial situation upon first consolidation is represented by the closing balances of the insurance companies as at 30 June 2022, which is the reference date for the "Purchase Price Allocation" (PPA) process under IFRS 3 for business combinations.
More specifically, the transaction under examination qualifies as a step acquisition for accounting purposes, as Banco BPM already held a 19% stake in Banco BPM Vita's share capital (and indirectly in Banco BPM Assicurazioni).
Under IFRS 3, for the previously held equity interest (19%) the transition from the equity method to the full consolidation method is considered a significant P&L event, which is to be recognized as if the previous equity interest were sold at fair value and immediately purchased back at the same value. The ensuing P&L impact – equal to the difference between the fair value and the previous carrying amount – including also the impact from the charging/crediting the valuation reserves to income – produced a negative result of € 10.7 million, which was reported in the official financial statements under the line-item "Gains/losses from investment disposal", while in the reclassified financial statements it was posted under the P&L line-item "Purchase Price Allocation, after tax", as described under item 2 below.
Moreover, IFRS 3 requires that the difference between the acquisition-related costs – equal to the sum of the fair value of the transferred consideration and the fair value of the previously held equity interest – and the fair value of the acquired identifiable net assets, including potential liabilities, is calculated at the date of acquisition. To this respect, note that although IFRS 3 allows for the Purchase Price Allocation process (PPA) to be completed within twelve months from the date of acquisition, it was completed in time to be definitively recognized in the financial statements as at 31 December 2022.
More specifically, the above process led to the recognition of a typical insurance business intangible asset, i.e., the "*Value of Business Acquired* "(VoBA), that had not been recognized in the financial statements of the two acquired companies before, accounting for € 61.1 million for Banco BPM Vita and € 20.5 million for Banco BPM Assicurazioni. The value of this intangible results from the fair value measurement of technical reserves and in practice it reflects the capability of the insurance contracts existing at the time of the acquisition to generate profits throughout the remaining useful life of the acquired relations. Since this asset is closely connected with the contract relations entertained with the acquired policyholders, the VoBA has a set maturity and is subject to amortization based on the remaining useful life of the acquired relations. The accrued amortization in H2 2022 amounts to € 6.9 million (€ 4.8 million, net of tax effect), of which € 3.4 million accrued in Q3 2022 (€ 2.4 million, net of tax effect). This amortization is entered in the P&L line-item "Purchase Price Allocation, after tax".
Upon completion of the PPA process involving the two insurance companies, a residual unallocated difference of € 10.0 million emerged, corresponding to the higher combination cost (€ 382.0 million) compared to the fair value of the acquired assets and liabilities (€ 372.0 million). Said difference has been recognized as goodwill under the balance sheet intangibles.
In line with IFRS 3, taking into account that the PPA has been fully completed, it was necessary to restate the balance sheet and income statements as at 30 September 2022, as compared to those published on 8 November 2022. Balance sheet changes as compared to the published data as at 30 September refer to the recognition of the VoBA under balance sheet assets as described above, the recognition of a marginal value spread between the fair values and the related carrying amounts for acquired assets and liabilities, and the recognition of the above-mentioned goodwill amounting to € 10.0 million, against the provisional consolidation difference amounting to € 66.9 million that had been recognized pending the completion of the PPA. From a P&L point of view, the main change has been the recognition of the VoBA amortization accrued in Q3 2022.

Also the balances as at 30 September 2022 have been restated in order to measure the financial assets and liabilities held by the insurance companies under IFRS 9. To this respect, note that based on (EU) Regulations no. 1988/2017 and no. 2097/2020, for entities that are mainly active in the insurance business – including the insurance arm of a financial conglomerate falling within the application scope of Directive 2002/87/EC – the adoption of IFRS 9 can be deferred to 1 January 2023 (under the "*deferral approach*"), so as to apply it in concomitance with the new insurance standard IFRS 17, thus ensuring that the represented operating and financial impacts of insurance liabilities and related financial assets are in compliance with the new IFRS 17.

As at 30 September 2022, the Group had exercised this option and had applied IAS 39, assuming that by the time of the preparation of the 2022 financial statements, the status of "financial conglomerate"[49] would have been granted by the ECB.

Considering that on 31 December 2022 Gruppo Banco BPM had not been recognized the status of "financial conglomerate" yet, and acknowledging the impossibility to apply the "*deferral approach*" for the preparation of the consolidated financial statements as at 31 December 2022, the measurement of financial assets and liabilities held by insurance companies had necessarily to be carried out under IFRS 9.
This being the case, the Group results as at 30 September 2022 have been restated. The application of IFRS 9 instead of IAS 39 had no impact on the Group's book value as at 30 September 2022, as all financial assets and liabilities had in any case been measured at fair value also when applying IAS 39. However, the classification of UCI units and of equities in the IFRS 9 portfolio of "Financial assets mandatorily measured at fair value", instead of the IAS 39 portfolio of "Financial assets available for sale", called for a different allocation – between income statement and balance sheet – of the impact from the fair value measurement of these instruments and the related shadow accounting impact. A marginal impact is also attributable to the application of the new impairment model for debt securities classified as "Financial assets measured at fair value through OCI".
Compared to what was published with reference to 30 September 2022, the adoption of IFRS 9 led to the recognition in Q3 of a negative P&L impact of about € 15.4 million, taking into account shadow accounting and the related tax effect, as an offset to a corresponding increase in valuation reserves. For these assets, taking into account the rise in valuations during the fourth quarter, the impact on the H2 P&L result deriving from the application of IFRS9 remains negative but is limited to about € 2.5 million, net of tax effect (effect that would have been recognized as a decline in equity reserves under IAS 39).
Note that exercising the "OCI Option" provided for under IFRS 17 and applicable from 1 January 2023 shall allow to mitigate the above-indicated income statement volatility, under the "Variable Fee Approach" (VFA) for insurance contracts with discretionary direct participation features (separate accounts).

In light of what illustrated above, the consolidated net income for Q3, restated to reflect the completion of the PPA procedure and the application of IFRS 9, totaled € 108.7 million, down by € 17.8 million compared to the original contribution (126.5 million).

Under the agreements between Banco BPM and Crédit Agricole Assurances S.A. entered in December 2022 - covering, among others, the disposal of the 65% controlling stake in Banco BPM Assicurazioni – as of 31 December 2022 the assets and liabilities of the above insurance company are not shown on a "line-by-line" basis, whereas they are aggregated in the reclassified balance sheet line items "Non-current assets held for sale and discontinued operations" and "Liabilities associated to discontinued operations", in accordance with IFRS 5. Conversely, in the income statement the associate's contribution is shown on a "line-by-line" basis, as the disposal of the company under examination does not fall within the "discontinued operations" criteria provided under IFRS 5.

Finally, note that according to IFRS 10, the contribution of Banco BPM Vita and Banco BPM Assicurazioni was entered in the income statement on a line-by-line basis as of 1 July 2022, whereas the H1 contribution, when the stake in the companies was 19%, was reported under the line-item "Profit/loss on equity investments carried at equity".

Other information

Note that the external auditing firm PricewaterhouseCoopers S.p.A. is completing the legal auditing of the financial statements, as well as the activities aimed at providing the assurance required under art. 26, paragraph 2, of Regulation (EU) no. 575/2013 of 26 June 2013 (CRR) and the Decision of the European Central Bank no. 2015/656, for the letter to be addressed to the ECB asking for permission to include the year-end profits in CET1 capital.

In addition to the financial report prepared in compliance with IAS/IFRS, this news release also includes some alternative performance measures (APM) that have been selected by the directors to provide an easier understanding of the operating and financial performance of Gruppo Banco BPM's management.
Said measures are based on the guidelines issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 (ESMA/2015/1415) and transposed in Consob's Communication no. 0092543 of 3 December 2015.
Please note that a description of the adopted basis of calculation is provided for each APM, and the figures used, when not otherwise specified, can be derived from the information published in the reclassified financial statements attached to this news release.
As to how the aggregates included in the above-mentioned layouts were constructed, please refer to the paragraph on accounting policies above.

2. PPA (*Purchase Price Allocation*) impacts on the income statement for the period

In compliance with IFRS 3, the income statement of Gruppo Banco BPM includes the P&L reversal effects mainly caused by the allocation of the prices paid for the business combination between Gruppo Banco Popolare and Gruppo Banca Popolare di Milano completed in FY 2017 and between Gruppo Banco Popolare di Verona e Novara and Gruppo Banca Popolare Italiana, completed in FY 2007. It should be also noted that as of H2 2022 also the impact from the combination of Banco BPM Vita and Banco BPM Assicurazioni was accounted for, including the fair value remeasurement of the previous equity interest in accordance with step acquisitions under IFRS 3.

This impact has been recognized, net of the tax effect, under the separate line-item of the reclassified income statement "Purchase Price Allocation, after tax".

[49] Financial conglomerate as defined under article 2, item 14, of Directive 2002/87/EC.

More specifically, the FY 2022 consolidated P&L impact from the reversal effect of value adjustments of purchased net assets on net interest income came in at € -13.7 million (in connection with the evolution of the various valuations of purchased assets) and at € -38.1 million on other net operating income (due to the amortization of intangibles recognized under the PPA); moreover, it is necessary to consider the € -10.7 million impact as a result of the fair value remeasurement of the 19% stake previously held in Banco BPM Vita[50]. Net of the tax effect, the overall impact posted under the FY 2022 reclassified P&L line-item "Purchase Price Allocation, after tax", added up to € -45.5 million (€ -39.5 million in 2021).

3. Charges generated by the contribution to the resolution mechanisms

In the FY 2022 P&L, the line-item "After-tax banking industry charges" was charged with the amount of ordinary contributions due to the Single Resolution Fund and to the Interbank Deposit Protection Fund (totaling € 225.0 million euro) for FY 2022, which, net of the tax effect, totaled € 151.9 million. In the prior year, the total charge, gross of tax effect, added up to € 145.0 million (€ 214.8 million gross) which, in addition to € 186.2 million gross of ordinary contributions to the Single Resolution Fund and to the Interbank Deposit Protection Fund, also included € 28.6 million gross of additional contributions called by the National Resolution Fund.

4. Changes in consolidation scope

Over the year, the main change in consolidation scope was the acquisition, finalized on 22 July 2022, of 100% of the share capital of Bipiemme Vita (now Banco BPM Vita) and of its subsidiary Bipiemme Assicurazioni (now Banco BPM Assicurazioni) following the exercise of the call option on shares representing 81% of the company's share capital. Banco BPM already held an equity interest of 19% in Bipiemme Vita, carried at equity.
With regard to companies accounted for under the full consolidation method, the subsidiary BP Trading Immobiliare S.r.l. no longer falls within the full-consolidation scope as in February 2022, upon completion of the liquidation procedure, it was cancelled from the competent Companies Register.

With regard to companies carried at equity, there was the disposal in March 2022 of the stake held in Factorit S.p.A.. The transaction, which was finalized at a price of € 75 million, corresponding to the carrying amount of the shareholding in the financial statements as at 31 December 2021, did not give rise to any P&L impact for the year.

The merger of Bipielle Real Estate S.p.A. into the Parent company became effective on 1st January 2022, while the legal effect of the merger of Release S.p.A. into Banco BPM S.p.A. came into force on 21 February 2022, with the accounting and fiscal effects starting on 1st January 2022.

Finally, note that in January 2023, upon completion of the liquidation procedures, the subsidiary Consorzio AT01 and the associate Bussentina S.c.r.l have been cancelled from the competent Companies Register.

5. Non-recurring items in the income statement of Gruppo Banco BPM

With Communication no. DEM/6064293 dated 28 July 2006, CONSOB invited companies that issue financial instruments listed on Italian regulated markets to provide a disclosure on the impact of non-recurring events and transactions.
Please note that according to the policy adopted by the Group, the following items are classified as non-recurring:

- gains or losses on the sale of all fixed assets (shareholdings, tangible fixed assets except financial assets included in the "Hold to Collect" (HtC) portfolio (that can be sold according to the materiality and frequency thresholds under IFRS9);
- gains and losses on non-current assets held for sale;
- loan write-downs/write-backs (due to valuations or to actual impairment losses) that were caused by a change in the NPE Strategy approved during the year by the Board of Directors entailing a change in targets and/or in the type of loans under disposal compared to what had been previously planned;
- P&L components with a large carrying amount tied to efficiency gain or reorganization actions, etc. (i.e., redundancy fund charges, voluntary redundancy schemes, merger/integration charges);
- P&L components with a large carrying amount that are not likely to occur frequently (e.g., fines, impairment of tangible assets, goodwill and other intangible assets, impact from regulatory changes, exceptional results);
- P&L impact generated by the fair value measurement of property and other tangible assets (works of art);
- tax effect tied to the above P&L impacts.

Conversely, the following impacts are generally considered recurring:

- P&L impacts from the sale or valuation of all financial assets (other than loans), including those held in the HtC and the financial liabilities portfolios;
- barring exceptional cases, P&L impacts from valuation aspects (loan loss provisions, write-downs on other financial assets or provisions for risks and charges);
- P&L impacts from changes in reference valuation parameters implemented in valuation models adopted on an ongoing basis;
- P&L impacts whose single amount is not material or not measurable, meeting the definition of contingent assets and/or liabilities (e.g., costs and revenues and/or adjustment of costs and revenues accrued in other financial years);
- tax effect tied to the above P&L impacts.

[50] For further details see section 1 of the Explanatory notes of this news release.

Whenever deemed significant, information on the impact on the Group's net income and/or on the financial position that events or transactions that are non-recurring or that do not occur frequently during the usual course of business is provided in the comments on the evolution of balance sheet and income statement items.

Based on the criteria described above, the following non-recurring items were reported in FY 2022:

- the line-items "net financial result" and "net write-downs on customer loans" include the impact from the increase in NPL disposal targets following the change in NPE management strategy approved by the Parent company's Board of Directors, amounting to € 4.7 million and € 112.7 million, respectively. More specifically, the impact on the line-item "net financial result" refers to non-performing exposures mandatorily measured at fair value;
- the line-item "personnel expenses" includes the expenses tied to the extraordinary contribution paid to employees during the year and to the positive impact from the release of excess allocations carried out in prior years to the redundancy fund. The overall effect comes to € +11.9 million;
- "net amortization and depreciation of tangible and intangible assets" include a € 7.1 million amortization of software applications;
- the line-item "gain/loss on the fair value measurement of tangible assets" posts a net write-down of € -108.3 million, from the fair value measurement of owned property;
- "provisions for risks and charges" include the € 8.5 million cost estimate for the rationalization of the branch network as well as the € 18.3 million allowance tied to the estimated charges relative to outstanding agreement obligations. The overall impact on this line-item adds up to € 26.8 million;
- the line-item "gain/loss on equity and other investments" includes the positive impact of € +2.3 million from the disposal of tangible assets;
- the line-item "goodwill impairment" reflects the impact of the impairment test which led to the recognition of € 8.1 million of write-downs;
- "income tax on continuing operations" includes the tax impact of the above non-recurring components, totaling € +80.6 million;
- the line-item "Purchase Price Allocation (PPA), after tax" includes the impact from the fair value remeasurement of the equity interest previously held in Banco BPM Vita of € 10.7 million.

Overall, non-recurring items gave rise to a negative impact of € -183.7 million on the net income of FY 2022.

Excluding the above effects, the (adjusted) net income accruing at 31 December 2022 would stand at € 886.3 million.

In last year's income statement, the following non-recurring items had been recognized:

- the line-item "Gain/loss on investments in associates carried at equity" included the positive impact of € 42.1 million from the realignment of the tax value of goodwill reported by an associate;
- the line-item "personnel expenses" included € 14,4 million of one-off savings on wage components as an indirect result of the pandemic;
- the line-item "net amortization and depreciation on tangible and intangible assets" included € 2,0 million of amortization due to fixed assets impairment;
- the line-item "Net write-downs on customer loans" included the amount tied to the losses related to the loan disposal finalized under the "Rockets" project and an additional estimated impact caused by the increase in the NPL disposal targets resolved by the Board of directors, coming to a total of € 194 million;
- the line-item "Gain/loss on the fair value measurement of tangible assets" posted a net write-down of € 141,6 million;
- the line-item "Gain/loss on equity and other investments" included the impact of € 18.8 million from the impairment of an equity investment in an associate;
- "Income tax for the period on continuing operations" included the tax impact of the above non-recurring items totaling € 96.5 million;
- the line-item "After-tax banking industry charges" included € 19.3 million of additional contributions paid to the National Resolution Fund (€ 28.6 million gross of a tax effect of € 9.3 million);
- the line-item "Impact from realignment of tax values to book values" included the € 81.7 million gain from opting to realign the tax values to the book values of the Group's operating property.

Overall, non-recurring items in FY 2021 gave rise to a negative impact of € 141.0 million.
Excluding the above effects, the net (adjusted) result would have come to € 710.1 million.

6. Capital requirements regulation

Clarifications on the calculation procedure for capital ratios

The capital ratios as at 31 December 2022 reported in this news release have been calculated including the net income generated by Gruppo Banco BPM at 31 December 2022, net of proposed dividends and other income allocations[51]. To this regard, note that the issuance of the external auditors' report, to be sent with the application to include the above FY 2022 net income in own funds pursuant to art. 26 paragraph 2 of Regulation (EU) no. 575/2013, is pending.

Minimum requirements

[51] Pursuant to art. 5 of decision (EU) 2015/656 of the European Central Bank of 4 February 2015, dividends to be deducted from the interim profits, for which inclusion in own funds is being asked, are the amount formally proposed or decided by the management body.

With communication of 22 November 2022, the Bank of Italy confirmed the Banco BPM banking group as an 'Other Systemically Important Institution' (O-SII) for FY 2022. As of 1st January 2022, the O-SII buffer, that in 2021 was equal to 0.19%, rose to 0.25%.

On 30 September 2022, the Bank of Italy confirmed the Countercyclical Capital Buffer ratio for exposures to Italian counterparties at zero percent also for Q4 2022.

On 15 December 2022, the European Central Bank (ECB) notified Banco BPM its SREP decision for FY 2023, raising the Pillar 2 capital requirement (P2R) to 2.57%, basically unchanged compared to the previous year's requirement net of the effect of the release of the deduction calculated under art. 3 of CRR (Regulation EU 575/2013), whose positive effects on capital ratios and on the MDA buffer have been reckoned based on the position as of 31 December 2022.

Therefore, considering also the countercyclical capital buffer established by the competent national authorities for exposures towards countries where the Group operates, equal to 0.011%, the minimum requirements Banco BPM must comply with in 2023, both on a phase-in and on a fully loaded basis, until a new communication is issued, are[52]:

- CET 1 ratio: 8.71%;
- Tier 1 ratio: 10.69%;
- Total Capital ratio: 13.33%.

Transitional provisions

Banco BPM elected to fully apply the transitional provision under article 473 bis of Regulation EU no. 575/2013, which phases in the impact on own funds generated by the adoption of the new impairment model introduced by IFRS9. Under the transitional provision, it is possible to include a transitional positive component to the Tier 1 capital by a percentage of the increase in expected loan loss provisions further to the adoption of IFRS 9. The percentage decreases over time over a 5-year period, from 2018 to 2022. The percentage amount applicable in the period from 1 January 2022 to 31 December 2022 is 25% and on 1 January 2023 it is going to turn to zero.
From 1 January 2023 the impact from the first-time adoption of IFRS 9 will therefore be fully recognized in the calculation of own funds. Without prejudice to the impacts from the above transitional provision, Banco BPM does not benefit from any Tier 1 capital impact following the new transitional regime under the changes made to Regulation no. 873/2020 article 473 bis regarding the higher provisions set aside for losses on performing loans as compared to their amount on 1 January 2020.

On 20 June 2022, pursuant to art. 1 paragraph 6 of Regulation no. 873/2020, Banco BPM notified the ECB of its intention to opt for the temporary treatment, applicable from 1 January 2020 to 31 December 2022, under art. 468 of Regulation EU no. 575/2013 (CRR)[53]. Based on this temporary treatment, it is possible to remove from the calculation of CET 1 items a percentage of unrealized gains and losses accrued as of 31 December 2019, accounted for as fair value changes of debt instruments related to exposures to central, regional, and local governments under article 115, paragraph 2, of CRR and other public sector entities under article 116, paragraph 4, provided said exposures are not classified as non-performing financial assets. Between 1 January 2022 and 31 December 2022, the percentage of removable unrealized gains and losses amounted to 40%, and as at 31 December 2022 it accounted for € 237.3 million, net of tax effect.
The estimates of the Group's capital ratios, all other things being equal, had it not elected to exercise the above options, are called in brief "fully loaded". The capital ratios called "phased-in" instead are calculated based on the above-mentioned transitional provisions.

7. Sovereign risk exposure represented by debt securities

The table below provides an illustration of the banking Group's sovereign risk exposure (debt securities included in the financial assets portfolios) as at 31 December 2022, broken down by single Country and by category of the classification accounting portfolio:

31 December 2022 *(in million euro)* **Countries/Accounting portfolios**	**Fin. ass. measured at amortized cost**	**Fin. ass. measured at fair value through other comprehensive income**	**Fin. ass. measured at fair value through profit or loss**	**Total**
Italy	9.178	1.729	21	10.927
France	5.026	1.373	-	6.399
USA	2.231	1.549	-	3.780
Spain	3.696	986	-	4.681
Germany	2.362	825	-	3.187
Other Countries	576	261	-	836
Total	**23.068**	**6.722**	**21**	**29.811**

[52] These requirements are calculated as follows:

- the pillar I minimum requirement of 8% (of which 4.5% CET1; 1.5%AT1 and 2% AT2)
- the P2R requirement of 2.57% set by the ECB must be met by 56.25% with CET1 and by 75% with TIER1;
- the capital conservation buffer of 2.50% to be fully met with CET1;
- the O-SII buffer of 0.25% to be fully met with CET1;
- the countercyclical capital buffer of 0,011% to be fully met with CET1 capital.

[53] Article amended by Regulation (EU) no. 2020/873 (CRR "Quick fix").

As at 31 December 2022, the banking Group's sovereign debt exposure totaled € 29.8 billion (€ 25.6 billion as at 31 December 2021), of which 77.4% were classified in the portfolio of financial assets measured at amortized cost, 22.6% under financial assets measured at fair value through other comprehensive income, and 0,1% in the portfolio of financial assets measured at fair value through profit or loss, as they were held for trading.
Out of this exposure, about 87% refers to securities issued by members of the European Union; notably about 37% by Italy.
As regards financial assets measured at fair value through other comprehensive income, as at 31 December 2022 the reserves generated by the fair value measurement of debt securities posted a negative amount equal to € 626.4 million, net of tax effect, of which € -589.3 million refer to government bonds (€ -96.6 million for Italian government bonds and € -492.7 million for other government bonds).
As to financial assets measured at amortized cost, the book value came out at € 23.1 billion, of which € 9.2 billion represented by Italian government bonds. For information purposes only, note that the fair value of the government bonds classified in this accounting category, measured based on the market prices as at 31 December 2022 (level 1 in the fair value classification) totaled € 22.3 billion (€ 9.0 billion being the fair value of the Italian government bonds alone).
The debt securities management still follows the same decisions made in the prior financial years; no business model change calling for a portfolio reclassification took place in 2022.

8. Other explanatory notes

The reclassified balance sheet and income statements reflect on a consolidated basis the financial accounts of Banco BPM and its subsidiaries with respect to 31 December 2022, or, when not available, the most recently approved financial reports. Similarly, the equity method-based treatment of associates was carried out based on the accounting information as at 31 December 2022 submitted to Banco BPM, or, if not available, on the most recent financial reports prepared by the associates.
Finally, it should be pointed out that, for the investment held in Anima Holding, measured under the equity method, the contribution to the consolidated income statement for FY 2022 includes also the operating result generated by the associate in the last quarter of 2021, amounting to € 11.8 million, as, when preparing the 2021 annual report, it had not been possible to recognize the Q4 result, since Anima Holding approved its draft financial statements after Banco BPM.
Similarly, the FY 2021contribution of Anima Holding also included the share of profit for Q4 2020.

Attachments

- Reclassified consolidated balance sheet
- Reclassified consolidated income statement
- Reclassified consolidated income statement – 2022 and 2021quarterly evolution
- Reclassified consolidated income statement net of non-recurring items

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BANCO BPM Group

Reclassified consolidated balance sheet

TOTAL ASSETS *(in euro thousand)*	31/12/2022	31/12/2021	Chg.	Chg. %
Cash and cash equivalents	13,130,815	29,153,316	-16,022,501	-55.0%
Financial assets at amortised cost	113,632,853	121,261,260	-7,628,407	-6.3%
- Due from banks	4,177,893	11,877,878	-7,699,985	-64.8%
- Customer loans	109,454,960	109,383,382	71,578	0.1%
Other financial assets	43,093,541	36,326,393	6,767,148	18.6%
- Financial assets designated at FV through P&L	8,206,881	6,464,186	1,742,695	27.0%
- Financial assets designated at FV through OCI	9,380,520	10,675,079	-1,294,559	-12.1%
- Financial assets at amortised cost	25,506,140	19,187,128	6,319,012	32.9%
Financial assets pertaining to insurance companies	5,892,769	-	5,892,769	
Equity investments	1,453,955	1,794,116	-340,161	-19.0%
Property and equipment	3,034,689	3,278,245	-243,556	-7.4%
Intangible assets	1,286,734	1,213,722	73,012	6.0%
Tax assets	4,622,827	4,540,229	82,598	1.8%
Non-current assets held for sale and discontinued operations	214,737	229,971	-15,234	-6.6%
Other assets	3,322,975	2,691,964	631,011	23.4%
Total Assets	**189,685,895**	**200,489,216**	**-10,803,321**	**-5.4%**

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY *(in euro thousand)*	31/12/2022	31/12/2021	Chg.	Chg. %
Direct funding	120,639,083	120,213,016	426,067	0.4%
- Due to customers	107,679,408	107,120,893	558,515	0.5%
- Debt securities issued and financial liabilities designated at FV	12,959,675	13,092,123	-132,448	-1.0%
Insurance direct funding and technical reserves	5,856,254	-	5,856,254	
- Financial liabilities measured at FV pertaining to insurance companies	1,441,830	-	1,441,830	
- Technical reserves pertaining to insurance companies	4,414,424	-	4,414,424	
Due to banks	32,635,805	45,685,032	-13,049,227	-28.6%
Leasing debts	627,921	673,872	-45,951	-6.8%
Other financial liabilities designated at fair value	13,597,650	15,755,319	-2,157,669	-13.7%
Other Financial liabilities pertaining to insurance companies	439	-	439	
Liability provisions	988,852	1,196,946	-208,094	-17.4%
Tax liabilities	279,983	302,816	-22,833	-7.5%
Liabilities associated with assets held for sale	31,731	-	31,731	
Other liabilities	2,257,906	3,566,156	-1,308,250	-36.7%
Total Liabilities	**176,915,624**	**187,393,157**	**-10,477,533**	**-5.6%**
Minority interests	720	1,108	-388	-35.0%
Shareholders' equity	12,769,551	13,094,951	-325,400	-2.5%
Consolidated Shareholders' Equity	**12,770,271**	**13,096,059**	**-325,788**	**-2.5%**
Total Liabilities and Shareholders' Equity	**189,685,895**	**200,489,216**	**-10,803,321**	**-5.4%**

The item "Customer Loans" includes the Senior notes coming from the securitizations of Non-performing Loans

BANCO BPM Group

Reclassified consolidated income statement

(in euro thousand)	2022	2021	Chg.	Chg. %
Net interest income	2,314,409	2,041,628	272,781	13.4%
Income (loss) from investments in associates carried at equity	157,483	231,940	-74,457	-32.1%
Net interest, dividend and similar income	**2,471,892**	**2,273,568**	**198,324**	**8.7%**
Net fee and commission income	1,887,322	1,911,203	-23,881	-1.2%
Other net operating income	71,602	75,280	-3,678	-4.9%
Net financial result	242,983	250,695	-7,712	-3.1%
Income from insurance business	31,718	-	31,718	
Other operating income	**2,233,625**	**2,237,178**	**-3,553**	**-0.2%**
Total income	**4,705,517**	**4,510,746**	**194,771**	**4.3%**
Personnel expenses	-1,608,901	-1,667,799	58,898	-3.5%
Other administrative expenses	-650,380	-601,151	-49,229	8.2%
Net value adjustments on property and equipment and intangible assets	-280,088	-246,825	-33,263	13.5%
Operating costs	**-2,539,369**	**-2,515,775**	**-23,594**	**0.9%**
Profit (loss) from operations	**2,166,148**	**1,994,971**	**171,177**	**8.6%**
Net adjustments on loans to customers	-682,281	-887,199	204,918	-23.1%
Profit (loss) on fair value measurement of tangible assets	-108,347	-141,633	33,286	-23.5%
Net adjustments on other financial assets	-9,106	-328	-8,778	N.S.
Net provisions for risks and charges	-57,214	-26,039	-31,175	119.7%
Profit (loss) on the disposal of equity and other investments	2,258	-18,768	21,026	
Income (loss) before tax from continuing operations	**1,311,458**	**921,004**	**390,454**	**42.4%**
Tax on income from continuing operations	-408,931	-253,828	-155,103	61.1%
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**902,527**	**667,176**	**235,351**	**35.3%**
Systemic charges after tax	-151,887	-144,995	-6,892	4.8%
Realignment of fiscal values to accounting values	-	81,709	-81,709	
Goodwill & Client Relationship impairment after tax	-8,132	-	-8,132	
Impact from the change in Own Credit Risk on certificates issued, after tax	4,818	4,354	464	10.7%
Purchase Price Allocation (PPA) after tax	-45,523	-39,460	-6,063	15.4%
Income (loss) attributable to minority interests	786	284	502	176.8%
NET INCOME (LOSS) FOR THE PERIOD	**702,589**	**569,068**	**133,521**	**23.5%**

BANCO BPM Group

Reclassified consolidated income statement - Quarterly evolution

(in euro thousand)	Q4 2022	Q3 2022 restated	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net interest income	723,957	551,319	527,591	511,542	506,005	516,427	522,367	496,829
Income (loss) from investments in associates carried at equity	34,803	31,566	41,472	49,642	87,066	46,795	56,535	41,544
Net interest, dividend and similar income	**758,760**	**582,885**	**569,063**	**561,184**	**593,071**	**563,222**	**578,902**	**538,373**
Net fee and commission income	447,262	473,197	486,771	480,092	485,821	475,308	478,679	471,395
Other net operating income	19,512	20,397	15,028	16,665	9,066	26,296	21,747	18,171
Net financial result	-8,951	75,138	48,863	127,933	-1,443	35,878	116,533	99,727
Income from insurance business	40,457	-8,739	-	-	-	-	-	-
Other operating income	**498,280**	**559,993**	**550,662**	**624,690**	**493,444**	**537,482**	**616,959**	**589,293**
Total income	**1,257,040**	**1,142,878**	**1,119,725**	**1,185,874**	**1,086,515**	**1,100,704**	**1,195,861**	**1,127,666**
Personnel expenses	-395,165	-400,532	-405,342	-407,862	-413,937	-409,823	-417,135	-426,904
Other administrative expenses	-171,476	-160,701	-162,650	-155,553	-149,106	-144,012	-153,903	-154,130
Net value adjustments on property and equipment and intangible assets	-84,729	-70,062	-64,059	-61,238	-61,610	-61,762	-60,603	-62,850
Operating costs	**-651,370**	**-631,295**	**-632,051**	**-624,653**	**-624,653**	**-615,597**	**-631,641**	**-643,884**
Profit (loss) from operations	**605,670**	**511,583**	**487,674**	**561,221**	**461,862**	**485,107**	**564,220**	**483,782**
Net adjustments on loans to customers	-184,691	-193,909	-152,553	-151,128	-213,978	-200,643	-255,513	-217,065
Profit (loss) on fair value measurement of tangible assets	-59,992	-7,510	-39,609	-1,236	-96,927	-7,817	-36,964	75
Net adjustments on other assets	-538	-3,028	-2,346	-3,194	-1,098	242	939	-411
Net provisions for risks and charges	-28,220	-16,260	-4,608	-8,126	2,255	-15,489	-5,615	-7,190
Profit (loss) on the disposal of equity and other investments	515	277	-60	1,526	-18,726	395	-393	-44
Income (loss) before tax from continuing operations	**332,744**	**291,153**	**288,498**	**399,063**	**133,388**	**261,795**	**266,674**	**259,147**
Tax on income from continuing operations	-93,435	-84,477	-92,599	-138,420	-37,228	-83,274	-50,628	-82,698
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**239,309**	**206,676**	**195,899**	**260,643**	**96,160**	**178,521**	**216,046**	**176,449**
Systemic charges after tax	-49	-77,271	-	-74,567	-4,792	-61,650	-19,309	-59,244
Realignment of fiscal values to accounting values	-	-	-	-	2,489	-	79,220	-
Goodwill & Client Relationship impairment after tax	-	-	-8,132	-	-	-	-	-
Impact from the change in Own Credit Risk on certificates issued, after tax	-20,513	-323	25,478	176	12,320	3,954	-5,105	-6,815
Purchase Price Allocation (PPA) after tax	-9,433	-20,427	-7,173	-8,490	-9,251	-10,172	-9,705	-10,332
Income (loss) attributable to minority interests	628	49	66	43	144	28	78	34
NET INCOME (LOSS) FOR THE PERIOD	**209,942**	**108,704**	**206,138**	**177,805**	**97,070**	**110,681**	**261,225**	**100,092**

BANCO BPM Group

Reclassified consolidated income statement, excluding non-recurring items

(in euro thousand)	2022	2021	Chg.	Chg. %
Net interest income	2,314,409	2,041,628	272,781	13.4%
Income (loss) from investments in associates carried at equity	157,483	189,820	-32,337	-17.0%
Net interest, dividend and similar income	**2,471,892**	**2,231,448**	**240,444**	**10.8%**
Net fee and commission income	1,887,322	1,911,203	-23,881	-1.2%
Other net operating income	71,602	75,280	-3,678	-4.9%
Net financial result	247,684	250,695	-3,011	-1.2%
Income from insurance business	31,718	-	31,718	
Other operating income	**2,238,326**	**2,237,178**	**1,148**	**0.1%**
Total income	**4,710,218**	**4,468,626**	**241,592**	**5.4%**
Personnel expenses	-1,620,769	-1,682,157	61,388	-3.6%
Other administrative expenses	-650,380	-601,151	-49,229	8.2%
Net value adjustments on property and equipment and intangible assets	-273,036	-244,815	-28,221	11.5%
Operating costs	**-2,544,185**	**-2,528,123**	**-16,062**	**0.6%**
Profit (loss) from operations	**2,166,033**	**1,940,503**	**225,530**	**11.6%**
Net adjustments on loans to customers	-569,565	-693,172	123,607	-17.8%
Net adjustments on other assets	-9,106	-328	-8,778	N.S.
Net provisions for risks and charges	-30,387	-26,039	-4,348	16.7%
Income (loss) before tax from continuing operations	**1,556,975**	**1,220,964**	**336,011**	**27.5%**
Tax on income from continuing operations	-489,563	-350,368	-139,195	39.7%
INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**1,067,412**	**870,596**	**196,816**	**22.6%**
Systemic charges after tax	-151,887	-125,695	-26,192	20.8%
Impact from the change in Own Credit Risk on certificates issued, after tax	4,818	4,354	464	10.7%
Purchase Price Allocation (PPA) after tax	-34,820	-39,460	4,640	-11.8%
Income (loss) attributable to minority interests	786	284	502	176.8%
NET INCOME (LOSS) FOR THE PERIOD (EXCLUDING NON-RECURRING ITEMS)	**886,309**	**710,079**	**176,230**	**24.8%**
IMPACTS EXCLUDED FROM "ADJUSTED" RESULT	**-183,720**	**-141,011**	**-42,709**	**30.3%**
NET INCOME (LOSS) FOR THE PERIOD	**702,589**	**569,068**	**133,521**	**23.5%**