

RISK MANAGEMENT

Capital adequacy and main risks

The current level of own funds and of risk-weighted assets means that Banco BPM Group is easily able to comply with both the regulatory thresholds and the specific thresholds required by the Supervisory Authority on conclusion of the Supervisory Review and Evaluation Process (SREP).

In order to provide its Management team, stakeholders and the Supervisory Authority with a complete and informed disclosure, which confirms the adequacy of its own funds, the first defence against the risks assumed, Banco BPM Group assesses its capital situation from a current and future perspective, both as regards Pillar I and Pillar II, based on Basel 3 rules and the specific guidelines that the banks receive from the Supervisory Authority. The Group's capital adequacy is substantiated in the continuous monitoring and management of capital ratios, so as to verify compliance with regulatory limits and ensure the maintenance of the minimum levels of capitalisation required by the Supervisory Authority. These ratios are also estimated during the Budget or Strategic Plan preparation process, as well as their consistency with the thresholds established in the Risk Appetite Framework (RAF). The RAF is effectively the instrument which makes it possible to establish, formalise, communicate and monitor in a unitary and synergistic manner the consistency of the risk profile of the Group with the risk appetite approved by the Board of Directors and constitutes a policy for the development of the main company processes. The Risk Function develops the RAF to support the Body with Management Functions, in collaboration with the Planning and Control Function and the other competent Functions, revising the framework at least annually based on changes in the internal and external conditions in which the Group operates.

From an operating perspective, activities to prevent assuming risks that are not consistent with the risk appetite are specifically covered by the process to manage the ex-ante opinions of the Risk Function (Most Significant Transactions - MST and Significant Transactions - ST¹), which must express a prior and non-binding opinion on all transactions that fall within the parameters established by internal regulations. One of the ways in which risk exposure is managed is an effective integrated risk reporting system, which enables all risk measurements and the main risk factors to which the Group is exposed to be closely monitored; this reporting system is also regularly accompanied by a positioning analysis, which compares the Group to the European and Italian banking system, based on a sample of Italian and European banks, selected according to the reference source, also on the basis of qualitative/quantitative criteria. The purpose of the positioning analysis is to provide in-depth information on at least the following areas of interest: Capital Adequacy & Capital Structure, Liquidity Adequacy, Profitability and Efficiency, Asset quality and market share, Risk-weighted assets and RWA Density and Credit Risk Parameters, adopting the perspective of the Regulator, and making use of the quarterly publication of the "EBA Risk Dashboards" and Public Disclosure documents (Pillar 3) of the main competitors.

During 2021, the periodic monitoring of the Group's capital adequacy (ICAAP), also in the light of the enhancement of the internal regulatory framework, was revised by "limiting" the scope of analyses to trends of scenario triggers. The definition of the macroeconomic scenarios adopted in the Bank's main processes continues to be the prerogative of the Scenario Council, for subsequent presentation to the Corporate Bodies. The Scenario Council consists of a team responsible for defining and updating or confirming the macroeconomic scenarios adopted in the Group's strategic processes in light of external events or specific vulnerabilities of the bank. It is also responsible for identifying the specific processes impacted and their potential updating. The team is comprised by the Chief Financial Officer and the heads of the Planning and Control, Risk and Administration and Budget Functions, with the participation of the Head of the Audit Function as auditor. In 2021, the Scenario Council met 7 times to continuously assess the changes in the external macroeconomic scenario and the impacts on the Bank's strategic and management processes.

In order to promptly and meticulously oversee the risks to which it is exposed, Banco BPM Group adopts a complex group of policies, processes, methods and instruments, which will be described briefly below, while reference should be made to the Notes to the financial statements (Part E) for more information.

Credit risk is managed by means of a portfolio VaR risk estimation model, belonging to the category of default models, which is applied on a monthly basis to credit exposures of Group banks. This model enables the economic

¹ The MST relate to credit and finance transactions, sales of non-performing receivables, purchases or sales of owned assets or other relevant transactions); the ST regard both loan granting transactions and assessments on classifications, and relate to the Credit area. Note that the credit category also includes leveraged transactions

capital against credit risk to be estimated, taking into account the portfolio concentration and the assumption of a joint non-fulfilment of counterparties, in a predefined context of significant macroeconomic variables. The confidence interval used is 99.9% and the time horizon of reference is one year. At the end of the model's simulation process, the maximum potential loss of the loans portfolio is broken down into the expected loss component and the unexpected loss component. For other residual exposures that are not part of the portfolio model, economic capital is calculated for the purpose of management control of risk through the use of supervisory regulatory metrics (Standardised approach).

As regards the processes and the tools used to manage and control the quality of the loans portfolio pertaining to Corporate and Retail customers, a key element is represented by internal ratings calculated by models that are differentiated and estimated specifically for each customer segment. The rating represents a valuation, referring to a time horizon of 12 months, made on the basis of all reasonably accessible information, both quantitative and qualitative, expressed by means of a classification on a ranking scale, of the ability of a party to whom a loan has been granted or is to be granted to honour its contractual obligations.

Rating plays a key role in loan granting, credit product disbursement, monitoring and performance management processes. In particular, it plays a role in deciding which Bodies are competent to approve loans, as well as on the mechanism for the automatic renewal of uncommitted credit facilities, and it contributes to determining automatic interception in the monitoring and management process (Watchlist).

Note that the internal rating is not applied for regulatory purposes to the perimeter of Banca Akros, to which standardised regulatory approach is applied. Therefore, in operational applications, including the quantification of economic capital and the calculation of the Expected Credit Loss under IFRS 9, proxies with average values are used. Instead, the internal rating is used for Banca Akros as part of the loan granting process for customers in common with the Parent Company. The classification of non-performing exposures is conducted in line with the criteria established by the EBA.

The management of non-performing loans in Banco BPM Group is based, to a great extent, on a model that assigns the management of a specific set of loans (portfolio) to specialist resources. The use of management models that are not based on specialist resources is limited to positions classified as Past Due and Unlikely to Pay, for amounts under the thresholds established by internal procedures. The monitoring, management and assessment of non-performing loans is supported by structured processes and by a specific management procedure.

More specifically, value adjustments are quantified by applying an automated calculation proposed and maintained by the Credit Governance Function and validated by the Risk Function, for Past Due positions regardless of their amount and to those classified as Unlikely to Pay or Bad Loans for amounts below a materiality threshold (of 1 million), while amounts over said threshold are quantified analytically by the manager. Value adjustments measured analytically by the managers are periodically reviewed.

Note that, with regard to the cost of credit for the purposes of the financial statements, an analytical valuation is made by the manage on defaulted positions within the Group's perimeter.

With regard to counterparty risk, defined as the risk that the counterparty in a transaction defaults before the final settlement of the cash flows of said transaction (EU Regulation no. 575/2013), solely for management purposes and to support capital adequacy assessment processes (ICAAP), the Parent Company and Banca Akros use internal methods to estimate exposures to the risk of possible default of counterparties in OTC derivative transactions subject to Collateral Agreements (Credit Support Annex - CSA).

The estimate of exposure to counterparty risk for positions in OTC derivatives for counterparties with whom a collateral agreement has been signed (CSA) is carried out using the simplified Shortcut Method simulation and assessed based on possible changes to the Mark to Market of the individual contracts underlying the same reference CSA, with a time horizon provided by the risk margin period for each contract. The measurement is also implemented in the Parent Company and Banca Akros lending process chain, together with a daily monitoring and reporting system. For the purposes of Prudential supervision, the Group adopts the standardised approach SA-CCR, which came into force in June 2021, to estimate exposure for the entire derivatives scope.

For the remainder of the perimeter exposed to counterparty risk (repurchase agreements, securities lending and medium/long-term loans), the amount of exposure is calculated using the standardised approach, also adopted for Supervisory Reporting.

In accordance with the Basel 3 Framework, additional capital requirements regarding the following are to be calculated:

- Own Funds for the Credit Valuation Adjustment (CVA) through the adoption of the standardised method, as established by (EU) Regulation no. 575/2013 for banks that are not authorised to use the internal model method (IMM) for counterparty risk;

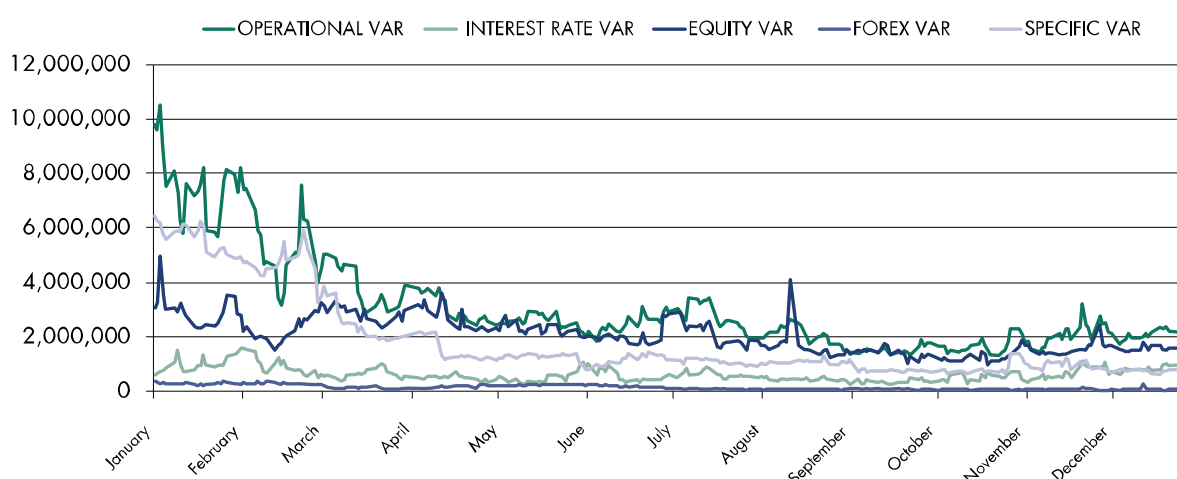
- exposures relating to operations with Qualified Central Counterparties (QCCP) by adopting the methods envisaged by Arts. 306-308 of EU Regulation no. 575/2013.

Furthermore, from September 2021, the Group has met the obligation envisaged by European Legislation (Delegated Regulation (EU) 2016/2251), by exchanging, based on the relative contracts (CTA - Collateral Transfer Agreement), the initial margins of OTC derivatives not cleared by a central counterparty, which provide additional protection in the event that one of the two counterparties is not able to meet its commitments over the life of the contract. Banco BPM Group uses the SIMM method, whose calculation is mostly risk-sensitive, and is based on aggregate sensitivities by risk and product category. The task of controlling the financial risk management, with a view to identifying the different types of risk, defining the methods to measure the same, to controlling limits at strategic level and verifying the consistency between the operations of the same and the risk/return targets assigned, is centralised in the Parent Company under the responsibility of the Risk Function for all Group banks.

Financial risks are monitored on a daily basis, both through the use of deterministic indicators (sensitivity to market risk factors and referred to the issuer) and probabilistic indicators (Value at Risk - VaR). The VaR, which indicates the maximum potential loss associated with market movements in unexceptional conditions, over a certain time horizon and with a certain confidence interval, represents a synthetic risk measurement. The approach used to calculate the VaR is based on historical simulation. The values calculated are provided with a confidence interval of 99% and a time horizon of one day. The correlations used are those implicit in historical scenarios applied to estimate the empirical distribution of values in the trading book. Following the request submitted in 2019 by Banco BPM Group, on 16 November 2020, the Supervisory Authority granted the authorisation to extend it to the specific risk of debt securities, therefore from the reporting date of 31 December 2020, Banco BPM Group uses the extended model to calculate the capital requirement for Market Risk. Said requirement is therefore calculated on the basis of VaR, Stressed VaR, including the specific risk of debt securities, and IRC. During 2021, significant refinements were made to the internal model, with a view to fulfilling the Obligations of previous inspections: the changes regarded, in particular, the measurement of foreign exchange positions, the quality of VaR, Stressed VaR and IRC market parameter data, the process of identifying and managing Risks Not In Model Engine (RNIME) and the Incremental Risk Charge (IRC) calculation method. As regards the latter, a limitation is in place with a 10% add-on on an individual and consolidated basis, until several relative methodological findings have been resolved.

The performance graph containing the operational VaR figures for 2021 related to the regulatory trading book of Banco BPM Group, is shown below.

Daily VaR and VAR by risk factor BANCO BPM GROUP: TRADING Book



In the first half of 2021, the prevalent risk component is that relating to equity risk, following the derisking which took place between the end of 2020 and the start of 2021, and which involved especially the bond portfolio, due to the need to respect the Market RWA limits after the extension of the internal model to the specific risk of debt instruments. In particular, portfolio risk was lower in the second quarter of 2021, due to the removal of the March/April 2020 scenarios from the VaR calculation.

In the second half of 2021, the prevalent component related to generic risk on equity instruments (with the exception of the peak of interest rate risk at the end of the year due to a technical change of the repo curves at year-end). The changes in these securities are mainly due to the trends in the Group's overall risks in the second half of the year. More specifically, the portfolio showed a lower level of risk in the second half of the year, due to lesser importance of the specific risk component, following its exit from relevant scenarios for the calculation of VaR in March 2020 and the significant reduction of the exposure in Italian government securities in the second half of the year.

With regard to operational risk, from the date of the merger, Banco BPM Group was authorised by the European Supervisors to temporarily use, for regulatory purposes, a combination of the three regulatory methods, specifically the AMA (Advanced Measurement Approach), relating to the validated scope of the former Banco Popolare Group (former Banco Popolare segments of the Parent Company and Banca Aletti), the TSA (Traditional Standardised Approach) on the scope of the former Banca Popolare di Milano Group (segments of the former Parent Company BPM S.c.a r.l., former BPM S.p.A., ProFamily and Banca Akros) and the BIA (Basic Indicator Approach) for the other remaining companies making up Banco BPM Group. After the transition period for the above ECB authorisation ended, from the reporting date of 31 December 2020, the Supervisory Authority asked the Group to fully adopt the Traditional Standardised Approach to calculate capital requirements for all companies that make up the Supervised Group, while with regard to the other qualitative-quantitative elements envisaged by Supervisory Regulations, to fulfil all of the requirements of Regulation EU 575/2013 (CRR) for the TSA, as well as those envisaged by the above-mentioned AMA in articles 321 (points b-e) and 322 (points b-f). To ensure that the measurement of potential profiles of exposure to these risks is always accurate, as well as the continuous improvement of management practices and risk prevention and mitigation techniques, with the constant objective of reducing the frequency and the severity of operational loss events in the medium term, Banco BPM Group has developed a measurement and management system (standards and processes, actors, roles and responsibilities and IT models and applications) in line with industry best practices. The quantitative assessment is based on internal loss data, gathered through a loss collection process and combined with external loss data pertaining to the Italian banking scenario (inbound flows of the DIPO consortium, set up by the major Italian Banking Groups within the ABI - Italian Banking Association), and on data deriving from the Risk Self Assessment, in which also qualitative information resulting from the ongoing assessment of the internal and external operational context are used. In line with mission of Banco BPM Group, the main risk impacts regard the Commercial Practices category, followed by Processes, which together represent the predominant portion of total risk and which, for the most part, arise in the Group's sales networks.

With reference to the category of External Fraud, given the tendency for criminals to adopt increasingly sophisticated techniques (e.g. identity theft, IT fraud etc.), the Group is constantly reinforcing physical and logical security, therefore containing these phenomena both in terms of frequency and the average impact on loss events of this kind. The Group takes the measures established in the mitigation plan (e.g. training, implementation of applications processes/procedures etc.) as protection against the main risk factors that arise.

Regarding liquidity risk, in 2021 Banco BPM Group effectively carried out its Internal Liquidity Adequacy Assessment Process (ILAAP), which the Corporate bodies use to ensure that the Group operates with liquidity levels that meet both the minimum regulatory requirements and the risk appetite approved within the RAF. As part of this process, liquidity risk is monitored regularly, on an intra-day, daily (short-term liquidity) and monthly (structural liquidity) basis, for both regulatory metrics (LCR, NSFR, ALMM) and metrics developed internally. In 2021, all regulatory liquidity reports required at the level of Banco BPM Group were prepared. Note that from June 2021, the NSFR is a regulatory requirement for banks with a minimum of 100%, in compliance with Regulation 2019/876 of the European Union (CRR 2).

For further information on credit, financial and operational risk, please refer to Part E in the Notes to the financial statements, which is dedicated to risk management. The same section also contains detailed information on structured credit products, on exposures towards Special Purpose Entities, on securitisation transactions and operations in derivatives. The models developed internally by Banco BPM Group are subject to periodic tests by the Internal Validation function, which is independent from the functions in charge of developing the models. The results of the tests are illustrated in specific reports shared with the Corporate Bodies.

Outlook for Group risks and objectives

The macroeconomic scenario currently envisaged for 2022 sees the continuing recovery of Italy's GDP, which showed a significant trend in 2021, but which will still be influenced by the evolution of measures to contain the pandemic and by developments in the international scenario relating to the Russia-Ukraine conflict. In this regard, refer to the paragraph below "Outlook for business operations" in this report.

The outlook for risks must take into account the tensions that may be triggered by energy price trends, on consumption and production, as well as the rise of market interest rates.

Any action taken by the Group will in any event be based on a prudent approach, continuously monitoring activities with a view to limiting the impact of potential adverse changes that cannot be predicted in the current economic scenario.

The capital ratios of Banco BPM Group are actually much higher than the minimum levels set by the Supervisory Authorities, guaranteeing adequate coverage of risks also in adverse macroeconomic scenarios.

Having said that, as regards credit risk, the Group intends to continue in the direction it has taken in previous years, with a view to reducing the proportion of non-performing loans, alongside the objectives pursued in terms of the breakdown of loans by sector. For this reason, it is reasonable to expect that the risk profile will prudently improve, with regard to both performing loans, due to provisioning and guarantee policies, and to the portfolio of non-performing loans.

With regard to both operational and structural liquidity risk, it is possible to forecast a situation of substantial stability and security.

The interest rate risk of the Group's own portfolio still shows a bullish trend, which, in the event of an increase in market rates, which are currently at very negative levels, would allow for an improvement in the net interest income to be achieved. During the year the Group's overall risk profile appeared to be adequate and consistent with the approved risk thresholds, just as the liquidity profile appeared to be adequate in the short and longer term, complying with the internal risk limits and, where present, with regulatory ones.

On 18 December 2019, the EBA published the final draft of the Regulatory Technical Standard (RTS) relating to the new standardised approach for counterparty risk SA-CCR, which was introduced as part of the CRR2. Project work on the implementation of the new regulatory requirements was completed, which were applied from June 2021.

The Risk Function coordinated the renewal of insurance coverage relating to the protection of both assets used in operations of the Group, both property, plant and equipment and intangible assets, and assets used to guarantee business transactions, with a view to appropriately managing the transfer of operational risk.

In this context, an analysis of the Group's active coverage was conducted, therefore making any possible rationalisations and boosting the effectiveness of the guarantees acquired. At the time of renewal, a comparison with the insurance markets took into account the new risks linked to pandemic events.

SUPERVISORY, CONTROL AND SUPPORT ACTIVITIES

Human resources

In a year that continued to be characterised by complexities and uncertainties as to the extension of the state of emergency due to the Covid-19 pandemic, to safeguard everyone's health and to guarantee the best working conditions (limitation to the number of people present, social distancing and provision of PPE), Banco BPM confirmed the extension of smart working, already adopted in 2020, flexibility for starting and finishing times and receiving customers by appointment in periods of highest alert.

The extension of this approach, on one hand guaranteed greater safety and encouraged the quality of the work-life balance, and on the other hand, enabled digital know-how to be further consolidated and strengthened, by adopting new work organisation approaches.

In addition to measures that sought to guarantee safety and the opportunity to continue to work as normal despite the continuation of the state of emergency, various initiatives were set in motion with a view to focusing business strategy on people, by listening, enhancing existing skills, experience gained, potential and professional aspirations, by planning personalised career paths, in line with personal traits and company needs.

In 2021, in accordance with the trade union agreement regarding the voluntary exit scheme, 450 new hires were made, against 1,283 employees leaving (access to the Solidarity Fund and subscription to Quota 100), favouring apprenticeship contracts, thus supporting the employment of young people and promoting generational turnover. The new employees joining the Group contributed to business development as they possess the new skills required by the market and by the changed context of reference, increasingly characterised by the use of new technologies.

The breakdown of personnel by category and gender as at 31 December 2021 is shown in the table below:

Category	Men			Women			Total
	Full-time	Part-time	Total	Full-time	Part-time	Total	
Executives	258	-	258	39	-	39	297
Middle Managers	5,299	36	5,335	2,060	392	2,452	7,787
Professional Areas/Other Personnel	5,347	174	5,521	4,001	2,811	6,812	12,333
Foreign employees	13	-	13	7	-	7	20
Total workforce	10,917	210	11,127	6,107	3,203	9,310	20,437
of which:							
Apprentices	213	-	213	265	1	266	479
Permanent contracts	10,704	210	10,914	5,842	3,202	9,044	19,958
Supply contracts	-	-	-	-	-	-	-

Planning and Development

In continuity with the 2020 plan, the Development model was applied in the process of managerial turnover implemented at the time of the voluntary exit scheme. During the first half of the year, career growth requirements were mapped, to define the pool of resources for managerial positions. Qualitative information available was assessed (expertise, potential, performance, experience) to define diversified career paths, with timelines based on individual profiles.

In this mapping exercise, the information gathered through the Development section of the Performance System enabled information of the professional aspirations of the individuals to be integrated, therefore making them a responsible and active part of their career paths.

This approach enabled development programmes focused on three population targets - Managers, Talents and Young People - to be planned - which will then be implemented from 2022. Each programme envisages specific management and development actions, with the objective of enhancing and consolidating individual talent.

The first to be implemented was the "Gender Program", the objective of which is to promote the development of female managers and professionals through personal career paths, to encourage a greater presence of women in managerial positions and to overcome the gender gap that has been created over the years. In 2021, 110 colleagues from the retail network participated in the first stage of the empowerment program dedicated to them.

The 2020 performance assessment was concluded at the beginning of the year, with the consequent return of feedback and the establishment of the development objectives for 2021. At the end of the year, around 19,800 resources took part in the 2021 self-assessment. The system, applied to all Group companies, promotes the empowerment of managers and collaborators and encourages the diffusion of quality conduct, via the recognition of individual performance and the application of assessment criteria based on the principles of fairness and merit. These contribute to creating a harmonised culture in empowering employees and enable managers to develop their own leadership style.

In parallel, the 2020 assessment cycle was completed and the 2021 cycle for top management was launched, and continues to maintain its reference to areas relating to ESG targets.

In collaboration with Selection and Assessment, a survey was launched to identify technical expertise in the credit area, which involved people working both in the Commercial Network and in Central Functions, for a total of around 3,500 people. The objective of the survey was to identify the technical areas covered, finding the main gaps and establishing training courses to consolidate expertise in the credit granting and monitoring processes (upskilling and reskilling), in accordance with EBA guidelines within the LO&M project.

Selection and Assessment

The update of the selection process, launched in 2020, was completed in 2021, and entailed the digitalisation of each stage of the same. The process was transformed to attract the new generations and to meet the expectations of new graduates and the continual evolution of the labour market. Around 2,550 people were screened in the selection process, to meet the requirements for new professionals with qualifications in the Group's key areas. The Selection addressed to hiring young people represents the first time that their potential is assessed.

In 2021, as in previous years, 35 internships were set in place, addressed to young university students and new graduates, with a view to putting the knowledge acquired during their studies into a work environment, and to develop their organisational and managerial skills, which will help increase their awareness when making future job decisions.

In collaboration with Planning and Development, Employer Branding activities, planned with the Universities that «train the Best» and with the major Business Schools, were conducted to support generational turnover, with initiatives to engage and attract young people and to convey the image of a dynamic and innovative company.

The activities carried out regard Education schemes with a view to making the know-how of the Company's professionals available to schools and universities. All schemes were held remotely and involved a total of roughly 2,000 young people and 38 colleagues in collaboration with 14 institutions (universities, business schools and training organisations).

Consistent with the development model that envisages measuring potential, between May and July, Assessments were conducted on people that work in the commercial network, with a view to accessing their first managerial positions.

The assessment is an integral part of the person's individual profile: it highlights their talent components and their strength to tackle new challenges. By means of feedback, it helps the person in question to acquire greater awareness and contributes to drawing up personalised and coherent development plans.

Training

In 2021, Training accompanied and supported staff in their professional and managerial growth, with updated job-based training courses, consistent with the changed context, supporting change management and pursuing company strategies, exploiting the potential of digital through the mobile channel and redesigning the experience in a virtual classroom.

The main training initiatives implemented in 2021 were:

- **#Respect Programme:** to encourage the development of a culture of respect within the Company, and to promote the spread of conduct and management practices characterised by respect. The programme stimulated an important reflection on the interpretation of respect in the company, focusing on five relational areas: Man-Woman, Manager-Subordinate, between Peers, between Functions and between the Network and the Head Office, Bank-Customer, resulting in more virtuous behaviour;

- Central Structures - Circles of value: to stimulate second-line managers to promote a new style of management, involving them in a reflection aimed at raising the quality of complex and generative problem-solving processes, empathetic communication, and a positive vision with a view to implementing pervasive, shared and identity-creating leadership, based on responsibility and flexibility;
- Retail Network - "In-branch Team coaching": to consolidate a modus operandi and a customer approach based on method, planning logic and the involvement of everyone in the Team to achieve sustainable objectives, by adopting a relational approach focused on coaching and clear, transparent and widespread communication on the reason for this approach to doing business;
- Corporate Network - Being Corporate: to jointly build and explore a structured Customer Approach model, in advance and by a team with a view to generating value for the customer and for Banco BPM, through effective, distinctive and shared leadership style and people management, with a view to involving everyone in a common objective to develop a sustainable business, in step with the changing needs of business customers;
- Disability Management: to promote a cultural change in the company and to facilitate the inclusion of people with disabilities; to improve business processes based on the involvement of people with disabilities in all facets of working life;
- Digital transformation project: to share the context of digital transformation in Banco BPM, facilitate the knowledge, the informed adoption and the promotion of the services and products designed as part of the .DOT Programme initiatives, to develop a common language for the concepts that characterise the omnichannel strategy. More specifically, with the Digital identity, online financial advice and smart selling initiatives, new apps for private and business customers;
- IT transformation and strengthening Group Data Quality: to support the IT transformation and reinforce the role of Data Quality and Group Cybersecurity, by mapping the specific knowledge of the IT/Data Governance and Cybersecurity sphere, and other supporting know-how. Upskilling and reskilling training programmes were carried out for the people involved: data analytics path;
- ESG Programme: to develop the ESG issues that have emerged from the training requirements expressed in the various initiatives of BBPM's ESG programme: Governance, People, Clients-Business, Clients-Wealth Management, Risk&Credit, Environment, Stakeholder engagement & Measurement. The initiatives focused on developing a people-centered business culture and facilitates the inclusion of Banco BPM's ESG commitments: from green awareness to ESG Ambassadors, from the energy upgrading of businesses to financial sustainability and the relative actions actually performed in the company, from sustainable investments to the responsible asset management;
- New Skills Fund - ANPAL: to develop a path of cross-functional, digital and technical skills for all of the colleagues of the 300 small branches involved in the rationalisation process of the Commercial Network of Banco BPM Group. There were three focus areas: soft and digital skills, re-skilling and up-skilling in financial consulting and credit risk assessment and monitoring, and the culture of compliance in sales processes. The training project was entirely funded by the New Skills Fund;
- Control Functions Programme (Audit, Compliance, Risk): to provide the reference framework needed to do the job with the highest recognised professional standards; to improve the knowledge of risk measurement methods in light of legislative changes and emerging risks; to explore auditing and compliance methods; to improve the knowledge of methods to prevent and combat fraud; to guarantee expertise in the digital tools applied in the control structures currently available or to be used in the near future; to acquire "Certified Internal Auditor" certification;
- Skills in risk prevention and control programme: to develop skills and greater awareness of the importance of proper risk management, and promoting and spreading a culture and awareness of operational risk. The growing relative importance of the Bank's reputational dimension requires an increasingly extensive culture to prevent risk in banking groups at all levels (compulsory and qualifying training);
- Credit culture: to spread and consolidate a company credit culture that is consistent with EBA guidelines and with legislation on credit risk governance. Training schemes have been developed in line with the development of new features relating to assessing the business plans of enterprises, the management of agricultural credit transactions and the rules for classifying new customers for prudential purposes resulting from the New Definition of Default;
- Sales4Change Project: to consolidate synergies and to promptly develop shared commercial actions, involving the various company departments that contribute to the commercial process. New features have been added, the most important of which regard Corporate and Business commercial planning, credit exposures and the economic conditions applied to customers;

- Development of CIB Cross Selling: to spread a culture of CIB products and transactions with higher added value, to maximise information sharing and cooperation and to offer a complete sales proposal, shared by Investment Banking and the Corporate, Businesses and Banca Aletti Networks;
- On-the-job training for the Retail commercial network: to accompany the professional growth of positions. The on-the-job training programme has been completely redesigned so that it can be provided in a virtual classroom and through e-learning. The skills are always aligned and strengthened to develop commercial relations with the customer by providing a personalised service in line with market changes, adopting effective ways of communicating and negotiating, and efficient work planning and organisation, consistent with the Group's business approach;
- Training courses for the Corporate commercial network: to guarantee continuous training on specialist and in-depth topics, through the adoption of relational, communication and inter-operability models, of new operating tools and of sales opportunities with product companies. The training provided in previous years was consolidated, to support the specific skills of the position, consistent with strategic business objectives and credit risk governance;
- Group bank training: to develop specialist skills:
 - Banca Aletti training: the training activities launched in 2020 continued and were implemented, with a view to improving technical, commercial and relational skills. More specifically, the specialist training focused on applied behavioural finance and financial personalities, taxation in Private Banking, the ESG certification course to prepare for the EFPA/ESG Advisor exam, the value of questions.
 - Banca Akros training: the training activities launched in 2021 continued and were implemented to improve technical, commercial and managerial skills. More specifically, the specialist training focused on basic and advanced Financial Modelling, the ESG certification course to prepare for the EFPA/ESG Advisor exam, behavioural finance and the value of questions.

In 2021, training was mostly provided virtually (synchronous and asynchronous), following the careful redesign of all training initiatives into different modes (virtual classroom; e-learning; mobile learning). Two Smart Learning initiatives were also set in motion.

The table below shows the hours of training provided in 2021, broken down by the various types of training course and the level of attendees.

2021	Man-days/ Hours provided
Training days	138,623
Training hours	1,039,673
of which in % by training area:	
Mandatory	12.8%
Technical - professional	33.5%
Qualifying technical professional	42.8%
Relational/skills development/commercial	8.5%
Managerial	2.3%

Remuneration Policies

With regard to remuneration policies, the short-term and the long-term incentive schemes were particularly important, as they aim to encourage the involvement and participation of personnel in the achievement of the objectives of the company and of the Group as a whole, both in the short and medium term.

The short-term incentive scheme has proven to be a useful management tool for the company to recognise the contribution of its personnel and reward individual merit, the purpose of the long-term incentive scheme, which will end in 2023, is to align management interests with those of all stakeholders that are important to the Group.

Detailed information concerning the Group's remuneration and incentive policy can be found in the "Explanatory report on the remuneration policy and payouts awarded of Banco BPM Group", which was drawn up in accordance with the applicable provisions of the Italian and European supervisory authorities and approved by the Bank's Corporate Bodies.

The Report is presented at the annual Ordinary Shareholders' Meeting and is published on the Group's website www.gruppo.bancobpm.it (section Corporate Governance - Remuneration Policy).

Industrial Relations

The following paragraphs illustrate the main issues discussed with the Trade Unions.

Prevention measures as regards health and safety in the workplace

With regard to the continuing serious problems caused by the Covid-19 pandemic and the consequent risk of infection in the workplace, the precautionary measures already adopted in 2020 were confirmed, adapting them to the preventive measures established by the emergency legislation in force at the time, in particular confirming the widespread use of smart working and the option of using periods of voluntary absence.

Reduction of the workforce

The implementation phases of the trade union agreement made at the end of 2020, regarding the reduction of the workforce, received particular attention, moreover integrated, at the beginning of 2021, by a specific agreement to increase the total number of workers able to access the extraordinary subsidies of the Solidarity Fund from 1,500 to 1,607.

Company interventions

Initiatives to further rationalise the group's corporate and operating structure were examined, relating to the merger by incorporation of ProFamily, Release and Bipielle Real Estate into the parent company Banco BPM.

The consequent processes of relocation for the personnel in question did not have any repercussions in terms of territorial mobility and were accompanied by training sessions for any necessary professional retraining.

2021-2024 Business Plan and development of the network model

The 2021-2024 Business Plan was illustrated, alongside the related evolution of the Group's commercial network, through the adoption of organisational solutions that seek to maximise the effectiveness of level of customer service. The above-mentioned organisational solutions were the subject of a specific disclosure and discussion procedure with the trade unions, as envisaged by the national contract for the industry.

As regards the complex negotiations, which started at the end of 2021, the agreements illustrated below were reached.

Company Bonuses and Welfare

To acknowledge the particular commitment of employees in the Professional Areas and of the category of Middle Managers to ensuring the continuity and the effectiveness of the services provided to customers, with relation to 2021, a Company Bonus, for the amount of 650 euro per head has been recognised, for which individuals may choose between two options (welfare or cash), as well as, a Welfare Bonus for an additional amount of 600 euro per head, of a non-monetary nature, which can only be used for welfare purposes.

Integration of the second-level contract as regards professional figures

The professional figures envisaged as part of the above-mentioned development of the network model and the related activation of Business Centres, have been integrated into second-level contracts, with a view to safeguarding the professional career paths already undertaken by the personnel in question, as well as, more specifically, to acknowledge the professionalism and specialist skills of the professional figures of the Business Centre Director, the Development Coordinator, the Company Coordinator and the Private Customer Coordinator.

Professional training and re-training

Access to funding from the Inter-professional Training Fund (Fondo Paritetico Interprofessionale - a Fund for Banks and Insurance Companies) was established, to provide a comprehensive series of training courses, confirming training as a toll for cultural integration and change, as well as for re-training, acquiring the skills needed to support professional career paths.

Use of voluntary absence from work

Again in 2022, the option to use voluntary absence from work, partially paid, for personal or family needs, was confirmed, and relates to the residual available days (30,000) of the voluntary suspension plan launched in previous years.

Internal audit

On the one hand, the Audit Function of the Parent Company is responsible for monitoring the regular performance of operations and the evolution of risks, with a view to third-level controls, including on-site and off-site checks, and, on the other hand, it strives to assess the completeness, adequacy, functionality and reliability of the organisational structure and other components of the internal control system, presenting possible improvements in the risk management, measurement and control process to the corporate bodies and taking an active part in their implementation.

The Audit Function is responsible for the internal audit activities of all the central and peripheral structures of the Italian companies of the banking Group; furthermore, for the only foreign entity belonging to the Group (Banca Aletti Suisse), it conducts its own audits in addition to those conducted by the local structure assigned audit activities and coordinates with the same where necessary.

When performing its duties, the Audit Function takes the provisions of the widely accepted professional standards into account.

The audits conducted in 2021 regarded the following areas:

- Governance Processes;
- Risk Control and Management Processes;
- Finance;
- Commercial;
- Credit;
- Support processes;
- Banking networks

with regard to the organisational processes adopted, compliance with internal regulations as well as employee conduct.

The most significant activities involving the Audit Function in 2021 included, in addition to obligatory audits (deriving from fulfilments required by external regulations or Internal Regulations), audits on processes regarding the management of irregular or non-performing loans, and on the measures for development of the risk measurement processes (with specific regard to the areas interested by the internal models validated for regulatory and Second Pillar purposes), as well as support to Supervision (provided both as part of the on-site inspections and as part of the monitoring carried out by the JST).

We also draw attention to the audits conducted on the processes adopted by the Group for the management of real estate and public collateral against customer loans, as well as to monitor credit exposures relating to the supporting measures for business operators in the context of the Covid-19 pandemic.

In addition to the usual internal audit activity, the Audit Function also provided advisory services, offering its experience mostly by participating in projects and working groups.

Compliance

The Group's Compliance Function carries out its activities, reporting directly to the Chief Executive Officer, both for the Parent Company and for the Group companies that have outsourced the service, and has direct access to the Corporate Bodies, communicating with them without any restrictions or intermediation.

The Function oversees the management of compliance risk with regard to all Group activities, according to a risk based approach, verifying that internal procedures are adequate to mitigate that risk.

The Compliance Manager has also been given the role of Data Protection Officer (DPO) in accordance with European Regulation 2016/679 (GDPR) concerning personal data protection.

During 2021, work continued to develop the IT processes, methods and tools adopted, specifically to obtain benefits in the identification, measurement, assessment and reporting of compliance risks.

The Compliance Function worked on identifying the applicable regulations and assessing their impacts on company processes, models and procedures, providing advice on compliance, as well as assessing compliance with internal regulations as part of the issuing process. In application of the annual or specific plan required by the Corporate Bodies or the Supervisory Authorities, the Function conducted compliance checks to evaluate the existence and adequacy of governance, organisation, control and IT measures of the Group, their strength and effectiveness in

mitigating compliance risks, and the compliance of the operating practices and conduct of employees or workers, reporting any situations of non-compliance and identifying possible remediation actions, monitoring their implementation. The Compliance Function also provided advice and assistance to the Group's corporate structures on topics where compliance risk is important, particularly as regards preparatory work relating to the issue of internal regulations and sales proposals.

The Function also provided its assistance in conducting personnel training courses, in order to disseminate and promote a solid and robust risk management culture within the Bank, adequate knowledge of the regulations and the relative responsibilities, as well as ensure awareness of the supporting instruments and procedures in the fulfilment of obligations.

The most significant activities involving the Compliance Function in 2021 included in particular: (i) the launch of a project to innovate Compliance methodologies; (ii) IT development implementations, in line with the changes introduced to methodologies; (iii) the automation of the process to manage and calculate the main Key Risk Indicators to support compliance analyses from a forward-looking perspective; (iv) the continuation of the refresher training course, launched in 2020, addressed to internal resources.

The Parent Company's Anti-Money Laundering function, part of the Compliance function, has full autonomy to oversee the risk of money-laundering and terrorist financing, as well as the reporting of suspicious transactions, and has direct access to the Corporate Bodies, communicating with them without any restrictions or intermediation; it also performs the tasks entrusted by law to the head of the Anti-Money Laundering function and the Suspicious Transaction Reporting Officer (SOS).

Also in this case, the activities are performed for both the Parent Company and the Group companies who have awarded it the service on an outsourcing arrangement, according to a risk-based approach, conducting audits and checks in order to assess exposure to the risk of money laundering and terrorist financing, the effectiveness of the organisational and control oversight measures, both when setting them in motion and when established, and any corrective measures to be implemented to remedy the issues found.

Among the findings of the Anti-Money Laundering function in 2021, the following are of particular interest: (i) the update of the Anti-Money Laundering and prevention of terrorist financing Regulation; (ii) the consolidation of the function's organisational model, as well as strengthening Anti-Money Laundering Controls, also by adopting a control system designed on the basis of KRIs - Key Risk Indicators; (iii) the various training schemes, also directly provided by the Anti-Money Laundering function, addressed to the Commercial Network, as well as to head office resources, and specific sessions addressed to Corporate bodies (board induction).

Research and development

Given the banking nature of the Group, research and development mainly regards studying the possible application of new technology to customer accounts, to improve and/or extend the range of products/services offered, as well as internal company services, to simplify them or make them more efficient. In addition, important regulatory projects, relating to the issue of new legislation at industry level have been completed or are in progress.

These activities are managed centrally by the Parent Company Banco BPM.

The main initiatives for each area are outlined below.

Technological projects and investments

Legal compliance

During the year, work continued on rationalising internal regulations to render them compliant with legislative changes, specifically with regard to:

IBOR's Transition – The transition of benchmark rates

By the end of 2021, the majority of the activities envisaged by the IBOR Transition project had been completed. The project mainly entailed aligning the organisational and IT processes, and the contracts and regulations of Banco BPM to the provisions envisaged by European Regulation 1011/2016 (Benchmark Reform, BMR), which has redesigned the legislative framework on market benchmarks.

Refer to part A “Accounting policies” - paragraph “Interest rate benchmark reform (“IBOR Reform”)” - in these Notes to the Consolidated Financial Statements for further details on the projects of the working group.

New Definition of Default (DoD)

As of 1 January 2021, for regulatory purposes, the application of the New Definition of Default (“DoD”) became compulsory, deriving from the implementation of the “RTS on the materiality threshold for credit obligations past due under Article 178 of the CRR (EU Delegated Regulation 2018/171)” and of the correlated EBA guidelines “EBA Guidelines on the application of the definition of default under Article 178 of the CRR”.

The above-mentioned regulation, while confirming the bases of default in payment delays and in the unlikely to pay status of the borrower, introduces several stricter criteria to identify non-performing positions and their subsequent return to performing.

In 2021, the internal models for the measurement of credit risk were amended, in order to implement the new definition of default, as part of a wider project to revise A-IRB models.

For a detailed illustration of the changes introduced in 2021 to advanced internal A-IRB models, please refer to the content of Part E, Section 1 - Risks of the consolidated book - A. Credit Quality of the notes to the consolidated financial statements.

Italian Legislative Decree 231/01 - Administrative liability of Companies

Banco BPM has continuously updated its Organisation, Management and Control Model, pursuant to Italian Legislative Decree 231/01 and that of its main subsidiaries, with a view to transposing any new legislative provisions relating to the predicate offences envisaged by Italian Legislative Decree 231/01, as well as changes to the corporate structure that could impact the model in question.

In 2021, a series of actions were completed to strengthen the 231/01 system, including:

- the greater involvement of the Compliance Function as regards monitoring the effectiveness of the Model and, in particular, in validating it, in reporting the need for any changes, and in mapping risks;
- strengthening the means of communicating the Model by checking that employees have consulted the model through online tracing, and verifying the effectiveness of training, also by managing the outcome of the courses taken by employees;
- acquiring an opinion on the risk assessment method used by the Compliance and Risk functions (Internal Validation);
- a 231/01 risk mapping exercise, which involved the commercial network, the central departments and top management bodies, to identify the areas that are most exposed to the likelihood of the crimes identified by Italian Legislative Decree 231/2001 being committed.

In addition, to increase the awareness of the risks of committing the crimes identified by Italian Legislative Decree 231/01, and to contextualise them with respect to the activities performed, information sheets were drawn up to show the connection between the activities performed by the various Group departments, the crimes that could be committed, the general principles of conduct, specific control ones and the reference to the company regulations in place.

Italian Legislative Decree 231/07 – Anti-money laundering and the prevention of terrorist financing

In 2021, Banco BPM updated its reference regulatory framework, as regards both Anti-Money Laundering and prevention of terrorist financing, which illustrates and justifies the decisions that the Group has taken as regards preventing the risk of being involved in money laundering and in international terrorist financing, and the operating rules, accompanied by developments in the IT system, to align it with the changes introduced by external provisions and, in particular, the update of the Bank of Italy circular “Instructions regarding customer classification”.

Technological projects and investments

The main areas in which the Group invested were the following:

DOT – Digital Omnichannel Transformation

In 2021, Banco BPM completed the main enabling elements of the new omnichannel and digital model, with specific reference to infrastructural elements, to services that enable customers to interact in the new digital context in the

various remote channels available, autonomously or by interacting directly with customer relations managers and with the bank's other commercial departments.

Of the various changes made, we draw attention to the creation, in addition to that already available to private customers, of the "Signature Room" for businesses, which, in addition to enabling documents and contracts to be signed digitally through internet banking, also enables financial advice to be offered.

The progressive adoption of the new solutions introduced by the Programme and of the new sales processes has continued through the provision of new digital services, the update of the catalogue and enabling customers.

In 2021, the programme focused on the sale of products and the provision of services in Self and Online Offer modes.

The development of the Web and App channels as regarded both sales activities, focusing in particular on insurance products, credit cards, payment systems and granting certain forms of financing, and the release of new services dedicated to optimising customer assistance.

The latter include the launch of the "Call me Now" and "Call me Back" service, the launch of the "New Onboarding You" to attract prospective customers, which includes the new Conto You (You Account) and the new Bancomat You (You Cashpoint card), as well as the Digital Identity contract.

The diffusion of the Digital Identity of private customers recorded in 2021 has led, and will continue to lead, to the progressive reduction of the production of paper documents in branches.

In 2021, the remote financial advisory service was launched, provided through a completely digital and paperless process, and customers showed their appreciation of the advantages of the new service, with a large number signing up for it. In parallel, the catalogue of online services and products was extended with the addition of bancassurance products (non-life).

Targeted interventions were also carried out to improve customer assistance, also through evolved support features, such as a new virtual assistant. Furthermore, the development of the Customer Centre was launched to exploit interactions of a higher value for the Bank and for customers, with a view to adopting a Digital Branch model.

The .DOT Programme has also led to an improvement in open banking services, the creation of a new App for Business Customers and to other work to improve and update the functions of the public website.

In 2021, the Customer Relationship Management system was fully overhauled in terms of industrialisation of contact, listening to customers and the architectural elements of the model.

The development of smart lending processes with a push approach is also of note, with reference to specific technical forms of loans, and of subsidised loans.

During the year, within the Programme, a feasibility study was also carried out to achieve the onboarding of prospective business customers, which is expected to be implemented in 2022.

Other areas developed:

IT Architecture and Cloud Adoption

In 2021, the applications architecture model for Banco BPM's new IT system was defined, the main technical components of which are leading market solutions, with a view to guaranteeing greater agility, automation, resilience and enabling new service models. Furthermore, Cloud solutions have been adopted to benefit from advantages in terms of speed, scalability and cost optimisation.

Data Quality and Data Analytics

To ensure the correct advancement of the business model and compliance with regulatory and legislative requirements, projects have been launched to increase data reliability and to define analytical synergies to produce information of value; specific focus on the credit world with the implementation of the relative DWH.

Data Centre Evolution and IT System Convergence

In line with the objective to modernise, increase performance and reduce inefficiencies, Banco BPM has focused on:

- the continuous development of the Group's technological architecture, to align it with the need for resilience, and upgrading the capacity of network traffic;
- the convergence of the IT systems of Group companies towards the Parent Company's ecosystem.

Managing Obsolescence

To guarantee the quality and continuity of the service provided and to reduce any IT risks, an overall assessment of the state of obsolescence of the applications pool, at the end of which a series of activities were prioritised, with a view to upgrading hardware, operating systems and databases in End of Life situations.

Communication

In 2021, the Bank's strategic and communication plans mostly regarded projects on ESG and sustainable development, as well as charity and solidarity projects.

With the aim of promoting all aspects of sustainability, the Brand Identity Partnership and Sponsorships department managed the production of an institutional campaign starting from ESG (Environment, Social, Governance) topics, and new guidelines for product communication were defined.

Again with regard to sustainability, the graphics layout for the Sustainable Investment Plafond scheme addressed to Businesses and Corporate firms was designed.

The five-year partnership agreement with the AIRC Foundation (Foundation for Cancer Research), as institutional partner of Banco BPM, continued, with a view to raising funds for scientific research and disseminating useful information on the prevention, diagnosis and treatment of cancer. As always the traditional support of communication was ever present: the Bank activated all of its channels (website, banners, social media) to contribute to disseminating the Foundation's social campaigns.

With regard to the "Language Revolution" project, 2021 saw the launch of a new Newsletter for customers: "Three minutes with Banco BPM", an agile, simple and geolocated instrument. Sent frequently and easy to read, the newsletter has a very direct communication style; it contains three pieces of news, two institutional ones and a commercial one. The first edition reached over 1.6 million private customers.

In addition, training courses were provided for internal resources, with a view to establishing guidelines to spread a new common language culture.

Sport as a vehicle for inclusion and community support, as the best expression of shared values, has always enjoyed the support of Banco BPM, especially as regards associations and companies focused on social and gender inclusion.

The Bank has chosen to support partners that are committed to promoting sport for young people, women and people with disabilities. More specifically, its partnership with AC Milan entails supporting all activities regarding young people and social topics promoted by the Milan team. Banco BPM is the "Jersey Sponsor" of the women's first division team, the main partner of the AC Milan Academy project for young people and of the Respect project.

The Institutional Relations with the Community structure continued to provide its support locally also through sponsorships, which privileged support to projects and activities with a strong focus on the social sphere, confirming the Bank's presence in local events with historical roots.

Education and instruction continue to be areas of crucial importance to the country: this is why Banco BPM has continued in its commitment to support schools, in the knowledge that education is the starting point for our country's future. In 2021, the "School Project", which was launched back in 2018, focused in particular on the support of public institutions of all levels: more specifically, it helped 268 schools in 41 different municipalities, completing 45 projects.

In addition to the "School Project", in 2021, Banco BPM undertook a new programme to combat young people abandoning school throughout Italy, called "School 4 Life" promoted by the Elis Consortium in collaboration with the main representatives of the national economic sphere.

Despite the restrictions imposed by the emergency situation and the relative reduction of activities relating to the organisation of events, initiatives relating to "Financial Awareness" were very successful, and entailed online workshops on economic and financial topics, focused in particular on the female world, through 48 meetings.

In 2021, the Media Relations department also coordinated the organisation and management of over 100 events and conferences, almost 90% of which regarded awareness and debate on ESG issues and, compatibly with the pandemic situation and in line with legislation in force, it continued to manage and organise over 20 institutional events (of which 5 digitally), in various Italian cities. The events prioritised cultural spheres and market outlooks, with specific reference to sustainable investments, and were addressed to both existing and potential customers for the entire Group.

The Media Relations department also focused on strengthening relations with national and local newspapers and press agencies.

In 2021, there were over 130 press releases on the activities of the whole Group, including the Foundations, and, in addition to institutional and business topics (2021-2024 strategic plan, ECB communications on stress testing, resolutions of the Board of Directors, bond issues, derisking ...), they also regarded areas in which Banco BPM demonstrates its loyalty to the community through specific projects: from school to sport, from financial education to public meetings with different stakeholders, from partnerships to sponsorships.

These communication actions were accompanied by a full programme of media presence, through dedicated interviews, presentations of public events and participation in conferences - both online and in person - organised or

sponsored by Banco BPM directly or in cooperation with other entities that operate locally in the different socio-economic areas.

On the social networks, Banco BPM's institutional communication activities mainly focused on topics that related to the schemes set in place for local communities to provide support to businesses and help households.

In 2021, the Internal Communication department continued in its role as the specific channel to transmit operating information to support the sales activities of the Network, to communicate the Bank's strategic assets, vision and values, and lastly to assist company departments in promoting projects, initiatives and contests to encourage sharing with and involving colleagues and Group colleagues.

The company Intranet and the Corporate TV were again confirmed in 2021 as the main communication instruments to channel communications relating to the Bank, together with digital encounters, which seek both to reinforce the sense of community and belonging and to shorten the distance from the Group's top management team, as well as to provide all of the operating instructions adopted by the company as regards the measures to combat the spread of the Covid-19 virus and safeguard the health and safety of its personnel.

To encourage engagement and collaboration, the Internal Communication department presented and promoted projects and initiatives aimed at promoting and fostering a culture of Sustainability, both through measures to increase awareness and spread the word, and by emphasising the Bank's actions, through strategies, training, products and services.

Internal Communication continued to focus on financial education initiatives, involving colleagues as participants and around 70 Brand Ambassadors trained as tutors for meetings at secondary and high schools. More specifically, the events that were held in 2021 regarded the webinar cycle "Il denaro con gli occhi delle donne" (money through the eyes of a woman), which was extended to colleagues, customers, and prospective customers, and financial education meetings dedicated to students, for which ad hoc training was organised for Brand Ambassadors who then gave online lessons. The objective is to continue to increase the awareness of the main economic and financial topics in an continuously evolving context.

With regard to internal Workshops, again this year, plenary sessions and meetings addressed to Banco BPM colleagues were organised and managed, mostly digitally, with some exceptions for a small number of people able to meet face to face (e.g. Iren Cup Regatta), in compliance with legislation in force for the pandemic emergency.

With the "In Teams with the CEO", several colleagues were able to enjoy discussions and swap suggestions with Giuseppe Castagna; in addition, several virtual encounters were organised with top management to share objectives and strategies, with a view to give colleagues an active role in the process of building the Group's identity. In addition, Management and Workshop events were organised for the Retail network in collaboration with the product companies.

Investor Relations

In 2021, the Investor Relations team managed 97 events overall, also with the involvement of the Group's top management, which led to dialogue with 453 investment companies and financial analyst firms (both on the stock and fixed income markets), credit rating agencies and other institutional financial entities. Of these events, 5, with a total of 28 investors attending, focused specifically on ESG topics.

Furthermore, during the year, Banco BPM held 5 telephone conferences with audio webcasts to present the Group's financial performance to the market (results as at 31 December 2020, 31 March 2021, 30 June 2021 and 30 September 2021) and the 2021-2024 Strategic Plan.

The following table summarises the events held over the year:

	No. of events	% of total	no. of companies met with	% of total
Industry conferences (stock market)	6	6.2%	81	17.9%
Industry conferences (fixed income market)	5	5.2%	46	10.2%
Roadshows & Reverse Roadshows (stock market)	11	11.3%	179	39.5%
Roadshows & Reverse Roadshows (fixed income market)	5	5.2%	41	9.1%
Other individual and/or group meetings, telephone conferences and video conferences (stock market)	58	59.8%	73	16.1%
Other individual and/or group meetings, telephone conferences and video conferences (fixed income market)	5	5.2%	6	1.3%
Other assets	1	1.0%	21	4.6%
Meetings/calls with rating agencies	6	6.2%	6	1.3%
Total	97	100%	453	100%
of which, with an ESG focus	5		28	
Presentation to the financial market with conference calls/webcasts	5			

On the stock market front, the Group participated in 6 industry conferences and 11 Roadshows and Reverse Roadshows organised by leading research and brokerage companies. Together, these resulted in meeting 260 counterparties, equal to 57.4% of the total reached overall during the year.

Similarly, in the fixed income market, Banco BPM participated in 5 industry conferences and 5 Roadshows and Reverse Roadshows, meeting 87 counterparties (19.2% of the total).

The remaining 23.4% of the institutional parties involved had the opportunity to dialogue with the Group on a further 70 occasions (individually and/or as a group).

Note that, given the pandemic crisis situation that characterised 2021, almost all of the meetings with the financial community were held virtually, enabling the Group to maintain constant and productive contact with its stakeholders, and, at the same time, safeguard the health and safety of all parties involved.

OTHER INFORMATION

Members and Shareholders

The share capital of Banco BPM, amounting to 7,100,000,000.00 euro, is represented by 1,515,182,126 ordinary shares, with no nominal value.

Banco BPM shares are listed on the Electronic Equity Market (MTA) organised and managed by Borsa Italiana S.p.A..

As at 31 December 2021, the Bank had around 290,000 shareholders, broken down as follows:

- approximately 190,000 depositors at Banco BPM Group;
- around 100,000 depositors with other brokers. This figure represents the situation as at the dividend distribution date (21 April 2021 - payment date), as no accounting transactions regarding the entire share capital were subsequently recorded.

In accordance with Article 120 of the Consolidated Finance Law, any investor with shares representing over 3% of the share capital of a listed company, must make a disclosure to the investee company and to CONSOB.

By means of a press release published on 12 April 2021, CONSOB announced that the temporary regime of enhanced transparency introduced by the resolution of 9 April 2020 would not be extended further. The latter had confirmed, for a period of three months from the date of entry into force of the same and unless revoked early, an additional temporary threshold of 1%, which, if exceeded resulted in the communication obligations set out in Article 120 of the Italian Consolidated Finance Law.

Whoever, over the period of time envisaged by the resolution, had held an interest exceeding the 1% threshold and below the 3% threshold, should have communicated it within 10 working days of the aforementioned date.

By means of resolutions of 8 July 2020, 7 October 2020 and 13 January 2021, CONSOB further renewed the extension of the provisions of the aforementioned resolutions until 13 April 2021.

From 14 April 2021, ordinary legislation regarding transparency on relevant changes in shareholding structures resumed effect.

As at 31 December 2021, according to the information published on the CONSOB website regarding parties which hold shares of over 3% in the share capital of Banco BPM, Capital Research and Management Company holds an interest corresponding to 4.99%.

Banco BPM stock

In 2021, the value of Banco BPM shares fluctuated between a minimum closing price of 1.781 euro on 25 January 2021 and a maximum closing price of 3.04 euro on 6 July 2021.

From the beginning of the year, Banco BPM shares recorded a positive performance of +46%. During 2021, average daily volumes were approximately 13 million shares.

In addition, it should be noted that at the end of 2021, the Banco BPM share was "covered" by 20 equity research companies (of which: 12 with positive recommendations, 8 neutral and 0 negative), with which continuous dialogue was maintained during the year.

Lastly, the shareholders of Banco BPM have the following consultation agreement in place relating to the shares of Banco BPM S.p.A., made public pursuant to Art. 122 of Italian Legislative Decree 58/1998 and Art. 129 of CONSOB Regulation 11971 of 14 May 1999.

This consultation agreement, originally signed on 21 December 2020 between several Italian Foundations, shareholders of Banco BPM with a total share of 5.49% of Banco BPM's share capital, gained new shareholders, who signed the Consultation Agreement on 20 July 2021.

To date, this agreement encompasses shareholders that hold 6.17% of the Bank's share capital.

It should also be clarified that a further consultation agreement, signed on 18 January 2021 by several Banco BPM shareholders, in possession of 6.683% of share capital, was terminated on 1 November 2021, with notice of termination announced in a press release on 5 November 2021.

For further details, please refer to the website www.gruppo.bancobpm.it Investor Relations - Stock, shareholder base and dividends section, "Consultation Agreements".

Group ratings

Summary table of Banco BPM ratings

Rating Agency	Type of Rating	31/12/2021	31/12/2020
Moody's Investors Service	Long Term on Senior Unsecured Debt	Ba2/Stable Outlook	Ba2/Negative Outlook
	Issuer Rating	Ba2/Stable Outlook	Ba2/Negative Outlook
	Long Term on Deposits	Baa3/Stable Outlook	Baa3/Negative Outlook
	Short Term on Deposits	P-3	P-3
	Baseline Credit Assessment	ba3	ba3
	Counterparty Risk Assessment	Baa3(cr)/P-3(cr)	Baa3(cr)/P-3(cr)
DBRS Morningstar	Long-Term Issuer Rating	BBB (low)/Positive Trend	BBB (low)/Negative Trend
	Short-Term Issuer Rating	R-2 (middle)/Positive Trend	R-2 (middle)/Negative Trend
	Long Term on Senior Debt	BBB (low)/Positive Trend	BBB (low)/Negative Trend
	Short Term on Debt	R-2 (middle)/Positive Trend	R-2 (middle)/Negative Trend
	Long Term on Deposits	BBB/Positive Trend	BBB/Negative Trend
	Short Term on Deposits	R-2 (high)/Positive Trend	R-2 (high)/Negative Trend
	Intrinsic Assessment	BBB (low)	BBB (low)
	Support Assessment	SA3	SA3

Summary table of Banca Akros ratings

Rating Agency	Type of Rating	31/12/2021	31/12/2020
DBRS Morningstar	Long-Term Issuer Rating	BBB (low)/Positive Trend	BBB (low)/Negative Trend
	Short-Term Issuer Rating	R-2 (middle)/Positive Trend	R-2 (middle)/Negative Trend
	Long Term on Senior Debt	BBB (low)/Positive Trend	BBB (low)/Negative Trend
	Short Term on Debt	R-2 (middle)/Positive Trend	R-2 (middle)/Negative Trend
	Long Term on Deposits	BBB/Positive Trend	BBB/Negative Trend
	Short Term on Deposits	R-2 (high)/Positive Trend	R-2 (high)/Negative Trend
	Support Assessment	SA1	SA1

Over the course of 2021, as part of normal rating activity, Moody's and DBRS Morningstar monitored Banco BPM's activities through reports, press releases and rating actions; the following were the main events:

- On 12 May 2021, Moody's upgraded the Outlook for the long-term deposit rating from Negative to Stable, as well as the long-term Issuer and senior unsecured debt rating of Banco BPM. At the same time, all of Banco BPM's ratings were confirmed, including the Baseline Credit Assessment (Ba3), the ratings on long and short term deposits (Baa3/P-3), as well as the long-term Issuer and senior unsecured debt rating (Ba2). This decision reflected a similar action that Moody's took with regard to several Italian banks and demonstrated, inter alia, a more positive assessment of the Italian economy and the domestic bank sector. On 14 June 2021, the rating company published an updated Credit Opinion on Banco BPM confirming said assessment;
- Following the publication of a Rating Report on Banco BPM on 22 January 2021 with regard to the ratings in force at the end of 2020, on 19 November 2021, DBRS Morningstar (DBRS) upgraded the Trend of Banco BPM and of Banca Akros from Negative to Positive, acknowledging the Group's reduction of risk related to Covid-19 and the strong track record demonstrated during the pandemic, including the significant improvements in credit quality and the overall capital position. Subsequently, on 6 December 2021, DBRS published a Rating Report analysing Banco BPM, which incorporated, inter alia, this recent improvement.