Disclosure to the Public by Entities
Pillar 3

Data as at 30 June 2020

This document is an accurate translation into English of the document in Italian approved by the Board of Directors. In case of any discrepancies or doubts between the English and the Italian versions of the Report, the Italian version prevails.

This version includes the update of only the LRSum and LRCom templates of the Financial Leverage Section. The changes are limited to the comparison data of the previous year (December 2019).

Contents

Introduction

Periodic disclosure provided to the market regarding the Group's capital adequacy (Pillar 3 Disclosure)

Supervisory regulations require that banks fulfil specific obligations to publish information regarding their capital adequacy, exposure to risks and the general characteristics of the systems for identifying, measuring and managing these risks, and to supply information, on an annual basis, on remuneration practices and policies in order to strengthen the role of market discipline.

Since 1 January 2014, the prudential supervisory provisions applicable to banks have been contained in Circular 285 of 17 December 2013, the publication of which was functional to the start of application of the EU legislation (CRR Regulation EU no. 575/2013 and CRD IV Directive 2013/36/EU) containing the reforms of the Basel Committee accords (Basel 3).

The subject, as specifically noted in Part II, Chapter 13 of the Circular, is directly regulated by the CRR (Part Eight and Part Ten, Title I, Chapter 3) and by the European Commission regulations containing the technical rules for regulation or enactment. According to the CRR Regulation, banks must publish the information required at least once a year.

It is up to the same entities to assess, on the basis of the significant aspects of their activities, the need to publish some or all of the information required more frequently, in particular on the composition of Own Funds and capital requirements.

The Banco BPM Group, established 1 January 2017 following the merger of the two former groups, Banco Popolare and Banca Popolare di Milano, authorised by the Supervisory Authority to use internal methods to calculate capital requirements for credit risk, market risk and operational risk, believes it is appropriate to continue drawing up interim reports, also in accordance with the EBA's guidelines ("*Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) no. 575/2013*").

The present document, entitled Disclosure to the Public by Entities, constitutes fulfilment of the aforementioned regulatory obligations and is drawn up on a consolidated basis. Below, all qualitative and quantitative information regarding own funds is provided, with regards to capital requirements and financial leverage as of 30 June 2020 and information relative to risks subject to validation by the Supervisory Body.

Information relative to the Banco BPM Group is also structured in light of the indications and guidelines issued with regards to the Disclosure by the EBA and summarised in Bank of Italy's Circular 285/2013.

In particular, these refer to the following areas:

- EBA/GL/2014/14, on the relevance, exclusivity, confidentiality and frequency of the disclosure, pursuant to articles 432, paragraphs 1, 2 and 433 of Regulation EU 575/2013 ("CRR");

- EBA/GL/2016/11, on disclosure obligations pursuant to part eight of the CRR;
- EBA/GL/2017/01, on the disclosure of the liquidity coverage ratio, adding to the disclosure on liquidity risk management, pursuant to article 435 of the CRR;
- EBA/GL/2018/01, on uniform disclosures pursuant to article 473-bis of the CRR, with regards to transitional provisions aimed at attenuating the impact of the introduction of IFRS 9 on own funds;
- EBA/GL/2018/10, on disclosure obligations regarding non-performing exposures and forbearance measures. These Guidelines were implemented on 24 March 2020 with the 31st update of Circular 285/2013.

In the first half of 2020, the European Banking Authority published guidelines that have a direct impact on Disclosures to the public and relating mainly to:

- on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis (EBA/GL/2020/07); these provisions require information to be provided regarding
    - loans subject to "moratoria" that fall within the scope of application of EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);
    - loans subject to forbearance measures applied in response to the Covid-19 crisis (information required for reporting purposes only);
    - new loans guaranteed by the State or by another Public Entity.

  with application, as regards Disclosure to the market, from 30 June 2020 and a requirement for semi-annual publication.
- implementing technical standards, to promote the comparability and uniformity of the standard disclosure templates published by Entities (EBA/ITS/2020/04) as well as reorganising all guidelines and recommendations previously published. This is in line with the new provisions of Regulation EU 2019/876 (CRR2) with date of first application envisaged from the Disclosure to the public as at June 2021.

Reference macroeconomic scenario

The first half of the year was impacted by the international Covid-19 epidemic. In this context, characterised by heavy repercussions on the global economy as well as on business operations, the Group has put a detailed series of measures into place in order to protect customers and employees, as well as provide concrete support to businesses, households and the communities in which the Group operates, in observance of regulations in force.

In line with what was defined by the extraordinary provisions adopted by the government, the Bank activated specific and targeted measures that entailed the granting of payment moratoria, the suspension of mortgage instalments, the disbursement or renegotiation of loans backed by public guarantees and the granting of advances on unemployment benefits to corporate customers.

In addition, of the initiatives to support the economy is response to the Covid-19 emergency, the Bank resolved to grant credit to enterprises amounting to over € 11.5 billion covered by guarantees envisaged by Decree Law (Decree Law on Liquidity).

Lastly, approximately € 4 million was set aside by the Bank and the senior management to be donated to series of initiatives to support local communities, hospitals and research institutions to tackle the current health emergency.

Particular attention was dedicated to guaranteeing the continuity of essential services and supporting customers by strengthening online transactions and *digital banking* tools, optimising the "*omnichannel*" management of customer relationships and enhancing the development of new IT procedures to accelerate the loan approval and disbursement phases.

Below is a summary of the main measures adopted by the Supervisory Authorities in order to preserve the strategic role of banks in financing the real economy in the current critical situation, thus guaranteeing access to credit by both households and businesses:

- **Capital and Liquidity Reserves[1]:** banks may temporarily operate below: i) the Pillar 2 requirements (P2 Guidance); ii) the *Capital Conservation Buffer;* iii) the Liquid Coverage Ratio (LCR);

- **Pillar 2 Requirement[2]**: banks are authorised to use, in addition to Common Equity only for the part exceeding 56.25%, Additional Tier 1 and Tier 2 instruments in order to meet the Pillar 2 requirements (P2R). This decision anticipates by one year the entry into force of what is set forth in the revision of the *Capital Requirements Directive* (CRD V)[3];

- **Payment of Dividends and repurchase of treasury shares**: in order to strengthen the capital of entities and be able to provide more resources to support households and businesses in the economic situation arising from the ongoing health emergency, in an announcement dated 27 March 2020, the European Central Bank has recommended that dividends not be distributed for the years 2019 and 2020 at least until 1 October 2020, at the same time asking that repurchases of treasury shares to remunerate shareholders are not made. Subsequently, on 27 July 2020, the ECB extended the order not to pay dividends to 1 January 2021.

[1] ECB Press Release of 12 March 2020 *"ECB Banking Supervision provides temporary capital and operational relief in reaction to coronavirus"*.

[2] See note 1.

[3] EU Directive 2019/878 of the European Parliament and of the Council, published in the European Official Journal on 7 June 2019.

- **Application of the transitional provisions of IFRS 9**[4]: the European Central Bank recommended to entities that have not made a decision in that sense to implement the transitional provisions relating to the adoption of IFRS 9 in accordance with the provisions of European Regulation no. 575/2013; Furthermore, as regards **procyclicality in Expected Credit Losses (ECL) – IFRS9,** the ECB recommends that supervised entities avoid pro-cyclical assumptions in their internal models for the quantification of write-downs of loans, attributing greater weight to the long-term scenario when there is uncertainty in developing adequate outlook forecasts, also in order to limit excessive procyclicality of regulatory capital and published financial statements.

  With the publication of Regulation 873/2020 that amends Regulations (EU no. 575/2013 (CRR) and no. 876/2019 (CRR2), several specific requirements were envisaged in response to the Covid-19 pandemic, including the introduction of a new transition period for the application of accounting standard IFRS9, extended from 2020 to 2024.

- **Moratoria and public guarantees**: the European Central Bank has envisaged greater flexibility regarding the treatment of non-performing loans to allow supervised banks to be able to benefit from the guarantees and moratoria put in place by National public authorities; more specifically, with the publication of the EBA/GL/2020/02 guidelines "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis", the EBA provided specific indications for the classification of exposures subject to moratoria.

- **Mitigation of market risk**[5]: the ECB's Banking Supervision introduced a temporary measure to mitigate the calculation of the capital requirement for market risk. Entities may make a specific adjustment in order to reduce the market risk multiplier used to offset a possible underestimation in the quantification of that requirement;

- **EBA Stress Test**: on 12 March 2020, the European Bank Authority announced its decision to postpone the *EU-wide stress test exercise*, originally planned for this year, to 2021, to enable entities to focus on and ensure the continuity of their core activities, including providing support to their customers; this measure was accompanied by the decision of the ECB to postpone the deadline for several corrective measures (*remedial actions*) required of banks following on-site inspections, of the TRIM (*Targeted Review of Internal Models*) process and of assessments of internal models.

Fundamental Review of Market Risk: on 22 April 2020, the European Banking Authority reported that it had postponed the preparation of the first reporting relating to the Standard Approach of the *Fundamental Review of Market Risk (*CRR 2*) to 30 September 2021*.For further details and in-depth information, refer to the Sections entitled "The

[4] ECB Press Release of 20 March 2020 "*ECB Banking Supervision provides further flexibility to banks in reaction to coronavirus*".
[5]Press Release of 16 April 2020 "*ECB Banking Supervision provides temporary relief for capital requirements for market risk*".

economic scenario" and "Initiatives of Banco BPM to tackle the COVID-19 emergency" included in the Consolidated Interim Financial Report.

Additional information on capital adequacy, own funds and risks to which the Group is exposed are also published in the Consolidated Interim Financial Report.

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In compliance with the aforementioned disclosure and frequency obligations, the present document is published on the website www.bancobpm.it in the *Investor Relations* section.

All amounts shown in the tables below are stated in thousands of euro, unless otherwise indicated.

Capital adequacy ratios as at 30 June 2020

Own Funds and the capital ratios as at 30 June 2020 described below have been calculated by applying the provisions of the Bank of Italy and the European Central Bank in accordance with Basel 3 regulations[6].

Based on the provisions of Art. 26, paragraph 2 of EU Regulation no. 575/2013 of 26 June 2013 (CRR), the inclusion of interim profits in Common Equity Tier 1 Capital (CET1) is subject to the prior permission of the competent authorities (the ECB), which requires these profits to be verified by the auditing firm.

In this regard, note that, although the Consolidated financial statements as at 30 June 2020 of the Banco BPM Group were subject to a limited audit, with the issue of a report without any findings, the bank did not submit a formal application for the immediate inclusion in Common Equity Tier 1 Capital of the interim profit. The data and the capital ratios contained in this report therefore for not include the interim profit as at 30 June 2020, resulting from the consolidated financial statements of the Group approved by the Board of Directors on 6 August 2020.

Own Funds and capital adequacy ratios	**30/06/2020**	**31/12/2019**
A. Capital buffers and requirements		
Own funds		
Common Equity Tier 1 Capital (CET1)	9,470,860	9,497,203
Additional Tier 1 Capital (AT1)	803,404	431,354
Total Tier 1 Capital	10,274,264	9,928,557
Tier 2 Capital (T2)	1,288,289	1,525,456
TOTAL OWN FUNDS	**11,562,553**	**11,454,013**
Risk-weighted assets		
Credit and counterparty risks	56,811,394	57,643,090
Credit valuation adjustment risk	215,554	235,620
Settlement risk	483	611
Market risk	2,022,828	1,927,662
Operational risk	5,826,239	5,826,239
Other calculation elements	187,500	187,500
RISK-WEIGHTED ASSETS	**65,063,998**	**65,820,724**
B. Capital adequacy ratios (%)		
B.1 Common Equity Tier 1 Ratio	**14.6%**	**14.4%**
B.2 Tier 1 Ratio	**15.8%**	**15.1%**
B.3 Total Capital Ratio	**17.8%**	**17.4%**

[6] More specifically, the data has been calculated with consideration for the current legislation and the interpretations issued prior to 6 August 2020, the date on which the Board of Directors approved the Financial Statements as at 30 June 2020.

At 30 June 2020, Own Funds totalled € 11,563 million against weighted assets of € 65,064 million, mostly arising from credit and counterparty risks and, to a lesser extent, operational and market risks.

The Total Capital Ratio stood at 17.8%; the Group Tier 1 Ratio (Tier 1 Capital to RWAs) stood at 15.8%. The Common Equity Tier 1 Ratio (Common Equity Tier 1 to RWAs) was 14.6%.

Including the result for the first half of the year, the Total Capital ratio would be 17.9%, the Tier 1 ratio would be 16.0%, while the Common Equity Tier 1 Ratio would be 14.7%.

Scope of application

Changes in the scope of consolidation

Changes in the scope of consolidation compared to the situation as at 31 December 2019 are shown in the tables below:

Fully consolidated companies	
Outgoing company due to corporate liquidation	
Leasimpresa Finance S.r.l.	100.00%
Outgoing SPE due to closure of securitisation transaction	
Italfinance Securitisation Vehicle 2 S.r.l. (in liquidation)	-

Companies consolidated with the equity method	
Incoming company due to change in shareholding	
Anima Holding S.p.A.	19.385%

It should be noted that during the period, as a change in the scope of consolidation, the subsidiary Leasimpresa Finance S.r.l. left the company following its cancellation from the competent Companies' Register upon a liquidation procedure.

The Italfinance Securitisation 2 S.r.l. vehicle also leaves the scope of consolidation of the companies consolidated on a line-by-line basis, due to the early closure of the related securitisation transaction.

In addition, Anima Holding S.p.A., in which Banco BPM holds a 19.385% interest, has joined the group of companies consolidated using the equity method. This interest, considered strategic and intended to be held on a permanent basis, is considered such as to constitute a situation in which Banco BPM exercises considerable influence, also in view of the changes in the governance of the investee company.

EU LI3 - Differences in the scopes of consolidation (entity by entity)

Name of the entity:	Method of accounting consolidation:		Method of regulatory consolidation:				Description of the entity:		
	Full consolidation	Recognised under equity	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Sector	Registered office	Country
Agos Ducato S.p.A.		X				X	Consumer credit companies	Milan	ITALY
Agriurbe S.r.l. (in liquidation)	X				X		Production companies	Milan	ITALY
Alba Leasing S.p.A.		X				X	Leasing companies	Milan	ITALY
Aletti & C. Banca di Investimento Mobiliare S.p.A.	X		X				Banking system	Milan	ITALY
Aletti Fiduciaria S.p.A.	X		X				Trust administration companies	Milan	ITALY
Anima Holding S.p.A.		X				X	- Asset management	Milan	ITALY
Aosta Factor S.p.A.		X				X	Factoring companies	Aosta	ITALY
Arcene Immobili S.r.l. (in liquidation)		X			X		Production companies	Lodi	ITALY
Arcene Infra S.r.l. (in liquidation)		X			X		Production companies	Lodi	ITALY
Banca Akros S.p.A.	X		X				Banking system	Milan	ITALY
Banca Aletti & C. (Suisse) S.A.	X		X				Banking system in non-EU countries	Lugano	SWITZERLAND
Banco BPM S.p.A.	X		X				Banking system	Milan	ITALY
Bipielle Bank (Suisse) S.A. in liquidation	X		X				Banking system in non-EU countries	Lugano	SWITZERLAND
Bipielle Real Estate S.p.A.	X		X				Production companies	Lodi	ITALY
Bipiemme Vita S.p.A.		X				X	Insurance companies	Milan	ITALY
BP Covered Bond S.r.l.	X		X				Covered bond issuing companies	Milan	ITALY
BP Mortgages S.r.l.	X				X		Other financial intermediaries	Milan	ITALY
BP Trading Immobiliare S.r.l.	X		X				Production companies	Lodi	ITALY
BPL Mortgages S.r.l.	X				X		Other financial intermediaries	Conegliano V. (TV)	ITALY
BPM Covered Bond 2 S.r.l.	X		X				Covered bond issuing companies	Rome	ITALY
BPM Covered Bond S.r.l.	X		X				Covered bond issuing companies	Rome	ITALY
BRF Property S.p.A.	X				X		Production companies	Parma	ITALY
Bussentina S.c.a.r.l. (in liquidation)		X			X		Production companies	Rome	ITALY
Calliope Finance S.r.l. in liquidation		X			X		Other financial intermediaries	Milan	ITALY
Consorzio AT01	X				X		Production companies	Lodi	ITALY

Name of the entity:	Method of accounting consolidation:		Method of regulatory consolidation:				Description of the entity:		
	Full consolidation	Recognised under equity	Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Sector	Registered office	Country
CF Liberty Servicing S.p.A.		X			X		Production companies	Rome	ITALY
Etica SGR S.p.A.		X				X	Fund management companies	Milan	ITALY
Factorit		X				X	Other financial intermediaries	Milan	ITALY
FIN.E.R.T. S.p.A (in liquidation)	X		X				Other financial companies	Rome	ITALY
GE.SE.SO. S.r.l.	X		X				Production companies	Milan	ITALY
GEMA Magazzini Generali BPV-BSGSP S.p.A.		X			X		Production companies	Castelnovo Sotto (Reggio Emilia)	ITALY
HI-MTF SIM S.p.A.		X				X	Investment companies (SIM)	Milan	ITALY
Immobiliare Marinai d'Italia S.r.l.	X				X		Production companies	Lodi	ITALY
Italfinance Securitisation VH 1 S.r.l.	X				X		Other financial intermediaries	Conegliano V. (TV)	ITALY
Lido dei Coralli S.r.l.	X				X		Production companies	Sassari	ITALY
Meleti S.r.l.	X				X		Production companies	Lodi	ITALY
Milano Leasing S.p.A. (in liquidation)	X					X	Leasing companies	Milan	ITALY
P.M.G. S.r.l. (in liquidation)	X				X		Production companies	Milan	ITALY
Partecipazioni Italiane S.p.A. (in liquidation)	X				X		Other financial companies	Milan	ITALY
Perca S.r.l.	X				X		Production companies	Lodi	ITALY
Profamily S.p.A.	X		X				Financial companies	Milan	ITALY
Profamily Securitisation S.r.l.	X				X		Other financial intermediaries	Conegliano V. (TV)	ITALY
Release S.p.A.	X		X				Financial companies	Milan	ITALY
S.E.T.A. Società Edilizia Tavazzano S.r.l. (in liquidation)		X			X		Production companies	Milan	ITALY
Sagim S.r.l. Società Agricola	X				X		Production companies	Asciano	ITALY
SelmaBipiemme Leasing S.p.A.		X				X	Financial companies	Milan	ITALY
Sirio Immobiliare S.r.l.	X				X		Production companies	Lodi	ITALY
Tecmarket Servizi S.p.A.	X				X		Production companies	Verona	ITALY
Terme Ioniche S.r.l.	X				X		Production companies	Lodi	ITALY
Terme Ioniche Società Agricola S.r.l.	X				X		Production companies	Cosenza	ITALY
Vera Assicurazioni S.p.A.		X				X	Insurance companies	Verona	ITALY
Vera Vita S.p.A.		X				X	Insurance companies	Verona	ITALY

Note: companies that are neither consolidated nor deducted are considered in the calculation of risk-weighted assets.

Current or foreseeable legal or substantial impediments, which impede the rapid transfer of capital or funds within the Group.

There are no restrictions that impede the rapid transfer of capital or funds within the Group.

Aggregate amount by which actual own funds fail to meet requirements for all affiliates not included in the consolidation scope and names of such affiliates

As at 30 June 2020, none of the affiliates not included in the scope of consolidation are required to meet the own funds requirements set forth in Regulation (EU) 575/2013 or Directive 2013/36/EU.

Name of the subsidiaries not included in the scope of consolidation

The list of companies included in the scope of consolidation for statutory purposes but excluded from the prudential scope is illustrated in table EU LI3 above.

Reconciliation between the regulatory scope and the financial statement scope as at 30 June 2020

Reclassified asset items (in thousands of euro)	Banking Group	Insurance companies	Other businesses	Consolidation adjustments	30/06/2020
Cash and cash equivalents	838,403		0	0	838,403
Loans measured at Amortised Cost	121,193,499		3,896,404	-3,876,625	121,213,278
- Loans to banks	12,630,976		3,896,404	-3,702,653	12,824,727
- Loans to customers	108,562,523		0	-173,972	108,388,551
Other financial assets and hedging derivatives	43,868,386		25	17,077	43,885,488
- At FV through Profit or Loss	9,057,774		25	17,077	9,074,876
- At FV through OCI	13,112,219		0	0	13,112,219
- At AC	21,698,393		0	0	21,698,393
Equity investments	1,631,144		11,584	-65,663	1,577,065
Property, plant and equipment	3,444,018		78,126	-117	3,522,027
Intangible assets	1,257,371		3,414	0	1,260,785
Tax assets	4,628,778		7,055	-7,619	4,628,214
Non-current assets and asset disposal groups held for sale	103,632		1,600	0	105,232
Other assets	2,377,150		22,928	-15,208	2,384,870
Total assets	**179,342,381**	**-**	**4,021,136**	**-3,948,155**	**179,415,362**

Reclassified liabilities (in thousands of euro)	Banking Group	Insurance companies	Other businesses	Consolidation adjustments	30/06/2020
Direct funding	115,205,913		3,850,356	-3,822,615	115,233,654
- Due to customers	98,905,817		0	-136,361	98,769,456
- Securities and financial liabilities measured at fair value	16,300,096		3,850,356	-3,686,254	16,464,198
Due to banks	32,928,469		76,035	-74,904	32,929,600
Leasing payables	682,003		116	-116	682,003
- Leasing payables due to banks	7,258		0	0	7,258
- Leasing payables due to customers	674,745		116	-116	674,745
Other financial liabilities measured at FV	11,498,813		4	0	11,498,817
Liability provisions	1,287,595		7,069	-16,908	1,277,756
Tax liabilities	599,486		5,481	6,581	611,548
Liabilities associated with non-current assets held for sale and discontinued operations	4,216		0	0	4,216
Other liabilities	4,913,613		53,951	-25,204	4,942,360
Total liabilities	167,120,108		3,993,012	-3,933,166	167,179,954
Minority interests	22,854		0	1,705	24,559
Group shareholders' equity	12,199,419		28,124	-16,694	12,210,849
- of which Capital and reserves	12,096,026		28,124	-18,532	12,105,618
- of which Profit/(loss) for the period	103,393		0	1,838	105,231
Consolidated shareholders' equity	12,222,273		28,124	-14,989	12,235,408
Total liabilities and shareholders' equity	**179,342,381**	**-**	**4,021,136**	**-3,948,155**	**179,415,362**

Details of the capital assets of other companies included in the scope of consolidation for statutory purposes but excluded from the supervisory scope

	Company name (Other businesses)	Total assets 30/06/2020
1	Agriurbe S.r.l. in liquidation	11,295
2	BRF Property S.p.A.	16,798
3	Consorzio AT01	137
4	Immobiliare Marinai d'Italia S.r.l.	2,324
5	Lido dei Coralli S.r.l.	13,642
6	Meleti S.r.l.	235
7	Milano Leasing S.p.A. in liquidation	340
8	Partecipazioni Italiane S.p.A. in liquidation	5,281
9	Perca S.r.l.	1,265
10	P.M.G. S.r.l. in liquidation	7,870
11	Sagim S.r.l. Società Agricola	14,234
12	Sirio Immobiliare S.r.l.	17,212
13	Tecmarket Servizi S.p.A.	43,416
14	Terme Ioniche S.r.l.	13,620
15	Terme Ioniche Società Agricola S.r.l.	3,518
16	BP Mortgages S.r.l.	58
17	BP Mortgages 2007-1	85,773
18	BP Mortgages 2007-2	170,586
19	BPL Mortgages S.r.l.	95
20	BPL Mortgages 5	2,403,343
21	BPL Mortgages 7	1,208,436
22	Profamily Securitisation S.r.l.	10
23	Italfinance Securitisation VH 2 S.r.l.	881
24	Italfinance Securitisation VH 1 S.r.l.	767
		4,021,136

Own Funds

Template on the main features of equity instruments

The following tables are based on the templates from Implementing Regulation (EU) no. 1423 of 20 December 2013, which lays out the implementing technical standards for disclosure of own fund requirements for institutions according to Regulation (EU) no. 575/2013 of the European Parliament and of the Council.

In particular, Annex II of the Regulation contains a specific template for publication of the main features of equity instruments.

The model requires a description of instruments issued by the institution and eligible for calculation within:

- Common Equity Tier 1 capital;
- Additional Tier 1 capital;
- Tier 2 Capital.

Amounts are shown in millions of euro.

Template on the main features of equity instruments (1)			
1	Issuer	BANCO BPM SPA	Banco BPM S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**IT0005218380**	**XS0304963373**
3	Governing law(s) of the instrument	Italian law	English law
	Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1 Capital	Additional Tier 1 Capital
5	Post-transition CRR rules	Common Equity Tier 1 Capital	Not eligible
6	Eligible at individual entity/(sub-)consolidation/individual entity & (sub-)consolidation level	Individual entity and consolidation	Individual entity and consolidated
7	Instrument type (types to be specified for each jurisdiction)	Ordinary shares	Additional Tier 1 instrument pursuant to Art. 51, Art. 484 CRR and Art. 20 EU Delegated Regulation 2014/241
8	Amount recognised in regulatory capital (currency in millions, at most recent reporting date)	7,086	105
9	Nominal amount of instrument	N/A	105
9a	Issue price	N/A	100.00
9b	Redemption price	N/A	100.00
10	Accounting classification	Shareholders' equity	Liability - amortised cost
11	Original date of issuance	N/A	21/06/2007
12	Perpetual or fixed maturity	Perpetual	perpetual
13	Original maturity date	N/A	N/A
14	Issuer call subject to prior supervisory approval	NO	YES
15	Optional call date, contingent call dates and redemption amount	N/A	DATE: 21/06/2017 (reset date) Redemption in a bullet payment AMOUNT: Redemption at subsequent reset date and interest payment date: nominal plus accrued interest and additional amount due pursuant to Condition 9(a) (Taxation - Gross up); Regulatory Event or Tax Event: greater of (i) nominal amount and (ii) Make Whole Amount plus, in any event, accrued interest and any additional amount due pursuant to Condition 9(a) (Taxation - Gross up)
16	Subsequent call dates, if applicable	N/A	Each interest payment date (quarterly) subsequent to 21/06/2017
	Coupons/dividends		
17	Fixed or floating dividends/coupons	Floating	Fixed then floating
18	Coupon rate and any related index	N/A	Fixed 6.756% p.a. until June 2017, then 3M Euribor + 188 bps
19	Existence of a dividend stopper mechanism	NO	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	partially discretionary Reasons: the issuer does not have distributable profits; if the payment results in a capital deficiency event (failure to meet capital requirement); prohibition imposed by supervisory authorities;
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	partially discretionary
21	Existence of step up or other incentive to redeem	N/A	NO
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down mechanisms	NO	NO
31	If write-down mechanism, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-back mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1	Tier 2
36	Non-compliant transitional features	NO	YES
37	If yes, specify non-compliant features	N/A	payment not fully discretionary, dividend pusher

(1) Insert “N/A” if the question is not applicable

Template on the main features of equity instruments ([1])			
1	Issuer	Banco BPM S.p.A.	Banco BPM S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**XS1984319316**	**XS2089968270**
3	Governing law(s) of the instrument	Italian law	Italian law
	Regulatory treatment		
4	Transitional CRR rules	Additional Tier 1 Capital	Additional Tier 1 Capital
5	Post-transition CRR rules	Additional Tier 1 Capital	Additional Tier 1 Capital
6	Eligible at individual entity/(sub-)consolidation/individual entity & (sub-)consolidation level	Individual entity and consolidated	Individual entity and consolidated
7	Instrument type (types to be specified for each jurisdiction)	Additional Tier 1 instrument pursuant to art. 52 CRR	Additional Tier 1 instrument pursuant to art. 52 CRR
8	Amount recognised in regulatory capital (currency in millions, at most recent reporting date)	298	397
9	Nominal amount of instrument	300	400
9a	Issue price	100.00	100.00
9b	Redemption price	100.00	100.00
10	Accounting classification	Shareholders' equity - equity instruments	Shareholders' equity - equity instruments
11	Original date of issuance	18/04/2019	21/01/2020
12	Perpetual or fixed maturity	perpetual	perpetual
13	Original maturity date	N/A	N/A
14	Issuer call subject to prior supervisory approval	YES	YES
15	Optional call date, contingent call dates and redemption amount	If authorised by the relevant authority, the issuer has the option for partial or full redemption at 18/06/2024 and every subsequent five-yearly revision of the rate. "Regulatory call" and "tax call" clauses are envisaged, which can be exercised by the issuer. In these cases, the nominal value is due plus the accrued instalment and the additional amount, if applicable	If authorised by the relevant authority, the issuer has the option for partial or full redemption at 21/01/2025 and every subsequent payment of half-yearly interest. "Regulatory call" and "tax call" clauses are envisaged, which can be exercised by the issuer. In these cases, the nominal value is due plus the accrued instalment and the additional amount due, if applicable.
16	Subsequent call dates, if applicable	Every five-year rate review after 18/06/2024	Every payment of half-yearly interest subsequent to 21/01/2025
	Coupons/dividends		
17	Fixed or floating dividends/coupons	Fixed then floating	Fixed then floating
18	Coupon rate and any related index	8.750% fixed until 18/06/2024, then 5 years euro mid swap rate + 8.921%, to be reviewed every 5 years	6.125% fixed until 21/01/2025, then 5 years euro mid swap rate + 6.348%, to be reviewed every 5 years. Rate calculated on an annual basis then converted on a half-yearly basis in accordance with market conventions, not cumulative and, in any event, payable on a half-yearly basis.
19	Existence of a dividend stopper mechanism	NO	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	The issuer can decided at their sole discretion to annul any interest payment for any payment date of the same, on a non-cumulative basis.	The issuer can decided at their sole discretion to annul any interest payment for any payment date of the same, on a non-cumulative basis.
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	NO	NO
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down mechanisms	YES	YES
31	If write-down mechanism, write-down trigger(s)	If, at any time, the Issuer's CET1 ratio on an individual or consolidated Group basis is less than 5.125% (Trigger Event)	If, at any time, the Issuer's CET1 ratio on an individual or consolidated Group basis is less than 5.125% (Trigger Event)
32	If write-down, full or partial	The Issuer must annul interest accrued and reduce the amount of the security by the amount of the partial/full impairment until a CET1 level of 5.125% is restored. The total amount necessary for restoration is calculated pro-rata with other instruments involved in absorbing the loss.	The Issuer must annul interest accrued and reduce the amount of the security by the amount of the partial/full impairment until a CET1 level of 5.125% is restored. The total amount necessary for restoration is calculated pro-rata with other instruments involved in absorbing the loss.
33	If write-down, permanent or temporary	Temporary	Temporary
34	If temporary write-down, description of write-back mechanism	In the case of net positive individual/consolidated income, the issuer may, at its their sole discretion and without prejudice to the maximum amount distributable and maximum amount for reinstatement, write back the nominal amount of securities in issue. This restoration must also be applied proportionally to any other instruments involved in absorbing the loss.	In the case of net positive individual/consolidated income, the issuer may, at its their sole discretion and without prejudice to the maximum amount distributable and maximum amount for reinstatement, write back the nominal amount of securities in issue. This restoration must also be applied proportionally to any other instruments involved in absorbing the loss.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Tier 2
36	Non-compliant transitional features	NO	NO
37	If yes, specify non-compliant features	N/A	N/A

(1) Insert "N/A" if the question is not applicable

Template on the main features of equity instruments ([1])			
1	Issuer	Banco BPM S.p.A.	Banco BPM S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**XS0555834984**	**XS0632503412**
3	Governing law(s) of the instrument	Entire instrument - English law; Subordination clauses - Italian law	Entire instrument - English law; Subordination clauses - Italian law
	Regulatory treatment		
4	Transitional CRR rules	T2 Capital	T2 Capital
5	Post-transition CRR rules	T2 Capital	T2 Capital
6	Eligible at individual entity/(sub-)consolidation/individual entity & (sub-)consolidation level	Individual entity and consolidated	Individual entity and consolidated
7	Instrument type (types to be specified for each jurisdiction)	Tier 2 instrument pursuant to art. 63 CRR	Tier 2 instrument pursuant to art. 63 CRR
8	Amount recognised in regulatory capital (currency in millions, at most recent reporting date)	49	58
9	Nominal amount of instrument	710	318
9a	Issue price	99.27	99.26
9b	Redemption price	100.00	100.00
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	05/11/2010	31/05/2011
12	Perpetual or fixed maturity	on maturity	on maturity
13	Original maturity date	05/11/2020	31/05/2021
14	Issuer call subject to prior supervisory approval	NO	NO
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons/dividends		
17	Fixed or floating dividends/coupons	Fixed	Fixed
18	Coupon rate and any related index	6% fixed on a yearly basis	6.375% fixed on a yearly basis
19	Existence of a dividend stopper mechanism	NO	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	NO	NO
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down mechanisms	NO	NO
31	If write-down mechanism, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-back mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior
36	Non-compliant transitional features	NO	NO
37	If yes, specify non-compliant features	N/A	N/A

(1) Insert "N/A" if the question is not applicable

Capital instruments' main features template[1]			
1	Issuer	Banco BPM S.p.A.	Banco BPM S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**IT0005120313**	**IT0004966823**
3	Governing law(s) of the instrument	Italian law	Italian law
	Regulatory treatment		
4	Transitional CRR rules	T2 Capital	not eligible
5	Post-transition CRR rules	T2 Capital	not eligible
6	Eligible at individual entity/(sub-)consolidation/individual entity & (sub-)consolidation level	Individual entity and consolidated	N/A
7	Instrument type (types to be specified for each jurisdiction)	Tier 2 instrument pursuant to art. 63 CRR	not eligible pursuant to art. 65 CRR
8	Amount recognised in regulatory capital (currency in millions, at most recent reporting date)	208	-
9	Nominal amount of instrument	500	650
9a	Issue price	100.00	100.00
9b	Redemption price	100.00	100.00
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	30/07/2015	18/11/2013
12	Perpetual or fixed maturity	on maturity	on maturity
13	Original maturity date	30/07/2022	18/11/2020
14	Issuer call subject to prior supervisory approval	NO	NO
15	Optional call date, contingent call dates and redemption amount	Early redemption option linked to regulatory events	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons/dividends		
17	Fixed or floating dividends/coupons	Floating	Fixed
18	Coupon rate and any related index	3M Euribor + 4.375%	5.5% fixed on a yearly basis
19	Existence of a dividend stopper mechanism	NO	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	NO	NO
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down mechanisms	NO	NO
31	If write-down mechanism, write-down trigger(s)	NO	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-back mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior
36	Non-compliant transitional features	NO	NO
37	If yes, specify non-compliant features	N/A	N/A

(1) Insert "N/A" if the question is not applicable

Capital instruments' main features template[(1)]			
1	Issuer	Banco BPM S.p.A.	Banco BPM S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**XS0597182665**	**XS1686880599**
3	Governing law(s) of the instrument	Italian law	English law, except for subordination and Loss Absorption Requirements which are regulated by Italian law.
	Regulatory treatment		
4	Transitional CRR rules	T2 Capital	T2 Capital
5	Post-transition CRR rules	T2 Capital	T2 Capital
6	Eligible at individual entity/(sub-)consolidation/individual entity & (sub-)consolidation level	Individual entity and consolidated	Individual entity and consolidated
7	Instrument type (types to be specified for each jurisdiction)	Tier 2 instrument pursuant to art. 63 CRR	Tier 2 instrument pursuant to art. 63 CRR
8	Amount recognised in regulatory capital (currency in millions, at most recent reporting date)	60	500
9	Nominal amount of instrument	448	500
9a	Issue price	99.60	100.00
9b	Redemption price	100.00	100.00
10	Accounting classification	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	01/03/2011	21/09/2017
12	Perpetual or fixed maturity	on maturity	on maturity
13	Original maturity date	01/03/2021	21/09/2027
14	Issuer call subject to prior supervisory approval	NO	YES
15	Optional call date, contingent call dates and redemption amount	N/A	In a lump sum on maturity except for regulatory events. The only option for the issuer is to repay the loan, totally but not partially, on 21/09/2022 with the authorisation of the competent authority
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons/dividends		
17	Fixed or floating dividends/coupons	Fixed	Fixed with the parameter revision after 5 years
18	Coupon rate and any related index	7.125% annually	4.375% until 21/09/2022, then 5 years euro mid swap rate + 4.179%
19	Existence of a dividend stopper mechanism	NO	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory. The subordinated bonds constitute BPM 2nd level subordinated liabilities, so classified according to the supervisory legislation at the time of issue. Therefore, in case of liquidation of the Bank, bondholders will only be reimbursed after all the other creditors of the Bank not equally subordinate have been satisfied, except for those with a degree of subordination equal to or more than that of the Subordinated Bonds.	Mandatory. The subordinated bonds constitute BPM 2nd level subordinated liabilities of BANCO BPM, so classified according to the supervisory legislation at the time of issue. Therefore, in case of liquidation of the Bank, bondholders will only be reimbursed after all the other creditors of the Bank not equally subordinate have been satisfied, except for those with a degree of subordination equal to or more than that of the Subordinated Bonds.
21	Existence of step up or other incentive to redeem	NO	NO
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down mechanisms	NO	NO
31	If write-down mechanism, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-back mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior
36	Non-compliant transitional features	NO	NO
37	If yes, specify non-compliant features	Payment not fully discretionary	N/A

(1) Insert "N/A" if the question is not applicable

Capital instruments' main features template (1)		
1	Issuer	Banco BPM S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**XS2058908745**
3	Governing law(s) of the instrument	Italian law
	Regulatory treatment	
4	Transitional CRR rules	T2 Capital
5	Post-transition CRR rules	T2 Capital
6	Eligible at individual entity/(sub-)consolidation/individual entity & (sub-)consolidation level	Individual entity and consolidated
7	Instrument type (types to be specified for each jurisdiction)	Tier 2 instrument pursuant to art. 63 CRR
8	Amount recognised in regulatory capital (currency in millions, at most recent reporting date)	350
9	Nominal amount of instrument	350
9a	Issue price	100.00
9b	Redemption price	100.00
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	01/10/2019
12	Perpetual or fixed maturity	on maturity
13	Original maturity date	01/10/2029
14	Issuer call subject to prior supervisory approval	YES
15	Optional call date, contingent call dates and redemption amount	In a lump sum on maturity except for regulatory events. The only option for the issuer is to repay the loan, totally but not partially, on 01/10/2024 with the authorisation of the competent authority
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividends/coupons	Fixed with the parameter revision after 5 years
18	Coupon rate and any related index	4.25% until 01/10/2024 then 5 years euro mid swap rate + 4.672%
19	Existence of a dividend stopper mechanism	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory. The subordinated bonds constitute BPM 2nd level subordinated liabilities of BANCO BPM, so classified according to the supervisory legislation at the time of issue. Therefore, in case of liquidation of the Bank, bondholders will only be reimbursed after all the other creditors of the Bank not equally subordinate have been satisfied, except for those with a degree of subordination equal to or more than that of the Subordinated Bonds.
21	Existence of step up or other incentive to redeem	NO
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down mechanisms	NO
31	If write-down mechanism, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-back mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior
36	Non-compliant transitional features	NO
37	If yes, specify non-compliant features	N/A

(1) Insert "N/A" if the question is not applicable

Breakdown of Own Funds

The tables of Own Funds (Regulatory Capital) and risk assets are presented below. They are calculated according to the rules mentioned in the introduction.

The breakdown of Own Funds as at 30 June 2020 is also presented. This uses the template for the publication of information on own funds, in accordance with Annex IV of Implementing Regulation (EU) no. 1423 of 20 December 2013, compiled according to the pertinent instructions in Annex V.

BREAKDOWN OF OWN FUNDS		30/06/2020	31/12/2019
A.	**Common Equity Tier 1 Capital (CET1) before the application of prudential filters**	**11,410,120**	**11,328,075**
	of which CET1 instruments subject to transitional provisions	0	0
B.	**CET1 prudential filters (+/-)**	**-40,308**	**-10,688**
C.	**CET1 before items to be deducted and before the effects of the transitional arrangement (A +/- B)**	**11,369,812**	**11,317,387**
D.	**Items to be deducted from CET1**	**-2,799,736**	**-2,959,167**
E.	**Transitional arrangement - Impact on CET1 (+/-), including minority interest subject to transitional provisions**	**900,784**	**1,138,983**
F.	**Total Common Equity Tier 1 Capital (CET1) (C - D +/- E)**	**9,470,860**	**9,497,203**
G.	**Additional Tier 1 Capital (AT1) before items to be deducted and before the effects of the transitional arrangement**	**803,404**	**431,354**
	of which AT1 instruments subject to transitional provisions	104,900	129,900
H.	**Items to be deducted from AT1**	**0**	**0**
I.	**Transitional arrangement - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 by virtue of transitional provisions**	**0**	**0**
L.	**Total Additional Tier 1 Capital (AT1) (G - H +/- I)**	**803,404**	**431,354**
M.	**Tier 2 Capital (T2) before items to be deducted and before the effects of the transitional arrangement**	**1,395,029**	**1,594,188**
	of which T2 instruments subject to transitional provisions	0	0
N.	**Items to be deducted from T2**	**-106,740**	**-68,732**
O.	**Transitional arrangement - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 by virtue of transitional provisions**	**0**	**0**
P.	**Total Tier 2 Capital (T2) (M - N +/- O)**	**1,288,289**	**1,525,456**
Q.	**Total own funds (F + L + P)**	**11,562,553**	**11,454,013**

Disclosure on the nature and amounts of specific items regarding own funds

	Own funds disclosure template	AMOUNT AT DISCLOSURE DATE
	Common Equity Tier 1 (CET1) Capital: instruments and reserves	
1	Equity instruments and the related share premium reserves	7,100,000
	of which: ordinary shares	7,100,000
3	Profit reserves and other reserves (*)	5,210,673
5	Minority interests (portion calculated in Common Equity Tier 1)	14,410
5a	Profit for the period	-
6	**Common Equity Tier 1 (CET1) Capital before regulatory adjustments**	**12,325,083**
	Common Equity Tier 1 (CET1) Capital: regulatory adjustments	
7	Additional write-downs	-36,398
8	Intangible assets (net of the related tax liabilities)	-1,037,393
10	Deferred tax assets depending on future profits other than that deriving from temporary differences	-1,025,942
12	Negative amounts resulting from the calculation of expected loss amounts (shortfall)	-104,171
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-3,910
16	Own Common Equity Tier 1 instruments held by the entity directly or indirectly	-14,179
19	Common Equity Tier 1 instruments in the financial sector in which the entity has a significant investment, either directly, indirectly or synthetically (net of allowable short positions)	-449,873
22	Amount which exceeds the threshold of 17.65%	-182,357
23	of which: Common Equity Tier 1 instruments of subjects in the financial sector in which the entity has a significant investment, either directly, indirectly or synthetically	-114,322
25	of which: deferred tax assets that derive from temporary differences	-68,035
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1) Capital**	**-2,854,223**
29	**Common Equity Tier 1 Capital (CET1)**	**9,470,860**
	Additional Tier 1 (AT1) Capital: instruments	
30	Equity instruments and related share premium reserves	695,417
31	of which: classified as equity under applicable accounting standards	695,417
33	Equity instruments and related share premium reserves, temporarily calculable	104,900
34	Calculable equity instruments issued by affiliates and held by third parties (including minority interests calculable in additional Tier 1 capital)	3,087
36	**Additional Tier 1 (AT1) Capital before regulatory adjustments**	**803,404**
	Additional Tier 1 (AT1) Capital: regulatory adjustments	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) Capital**	**0**
44	**Additional Tier 1 (AT1) Capital**	**803,404**
45	**Tier 1 Capital (T1= CET1 + AT1)**	**10,274,264**

(*) The item includes the transitional positive component, pursuant to paragraph 8 of art. 473 bis CRR, aimed at mitigating the negative impact on own funds deriving from the introduction of the IFRS 9 accounting standard.

Tier 2 (T2) Capital: instruments and provisions		
46	Equity instruments and subordinate loans	1,225,459
48	Calculable equity instruments and subordinate loans issued by affiliates and held by third parties (including minority interests calculable on Tier 2 capital)	4,117
50	Positive amounts resulting from the calculation of expected losses (excess)	165,453
51	**Tier 2 (T2) Capital before regulatory adjustments**	**1,395,029**
Tier 2 (T2) Capital: regulatory adjustments		
52	Own Tier 2 equity instruments and subordinate loans directly or indirectly held by the entity	-353
55	Tier 2 equity instruments and subordinate loans of entities in the financial sector in which the entity has a significant investment, either directly, indirectly or synthetically	-106,387
57	**Total regulatory adjustments to Tier 2 (T2) Capital**	**-106,740**
58	**Tier 2 (T2) Capital**	**1,288,289**
59	**Total Capital (TC = T1 + T2)**	**11,562,553**
60	**Total risk-weighted assets**	**65,063,998**
Capital ratios and buffers		
61	**61 Common Equity Tier 1 ratio (CET1/total risk-weighted assets)**	**14.6%**
62	**Tier 1 Capital ratio (Tier 1 Capital/total risk-weighted assets)**	**15.8%**
63	**Total Capital ratio (Total Capital/total risk-weighted assets)**	**17.8%**
64	**CET1 minimum requirement**	**8.4%**
65	**of which: capital conservation buffer**	**2.5%**
66	**of which: counter-cyclical capital buffer**	**0.002%**
67a	**of which: reserve for other systemically important institutions (O-SII)**	**0.13%**
68	**Common Equity Tier 1 available for equity reserves (**)**	**4.9%**
Amounts less than the deduction thresholds (before risk weighting)		
72	Capital of parties in the financial sector held directly or indirectly, when the entity does not have a significant investment in these parties (amount less than the threshold of 10% and net of eligible short positions)	223,208
73	Common Equity Tier 1 instruments from parties in the financial sector in which the entity has a significant investment, either directly, indirectly or synthetically (amount exceeding a threshold of 10%)	920,231
75	Deferred tax assets deriving from temporary differences net of deferred tax liabilities available for offsetting (amount less than the threshold of 10%)	547,638
Maximums applicable for the inclusion of provisions in Tier 2 Capital		
78	Value adjustments on receivables in excess with respect to expected losses calculated on exposures for which credit risk is calculated using internal models (excess prior to application of maximums)	295,797
79	Maximum amount of excess of value adjustments on receivables with respect to expected losses calculable in Tier 2 Capital (excess calculable)	165,453
Capital instruments subject to phase-out (applicable only between 1 January 2014 and 1 January 2022)		
82	Maximum amount of Additional Tier 1 Capital instruments temporarily calculable	167,008
84%	Maximum amount of capital instruments and subordinate liabilities temporarily calculable in Tier 2 Capital	-

(**) Common Equity Tier 1 Capital available for buffers is expressed as a percentage of total risk-weighted assets, using as numerator the entity's Common Equity Tier 1 Capital, from which the following elements have been subtracted:

a) capital requirements for CET1
b) capital requirements for Tier 1 for any portion covered with CET1 surplus
c) capital requirements for Total Capital for any portion covered with CET1 surplus.

Transitional arrangements aimed at mitigating the negative impact of the introduction of IFRS 9 on own funds

By the deadline of 1 February 2018, Banco BPM informed the European Central Bank that it had exercised the option for the full application of the transitory arrangements envisaged by the new article 473 bis of Regulation EU 575/2013, which mitigates over time the impact on own funds resulting from the application of the new impairment model introduced by accounting standard IFRS 9. The above-cited transitional arrangements envisage the option of including a positive transitional component in Common Equity Tier 1 equivalent to a percentage of the increase made in provisions for expected credit losses as a result of applying IFRS 9. Said percentage decreases over time over a timeframe of five years, as indicated below:

- period from 1 January to 31 December 2018: 95% of the increase made in provisions for expected credit losses as a result of applying IFRS 9.
- period from 1 January 2019 to 31 December 2019: 85% of the increase made in provisions for expected credit losses;
- period from 1 January 2020 to 31 December 2020: 70% of the increase made in provisions for expected credit losses;
- period from 1 January 2021 to 31 December 2021: 50% of the increase made in provisions for expected credit losses;
- period from 1 January 2022 to 31 December 2022: 25% of the increase made in provisions for expected credit losses.

The negative impact expected from applying the new impairment model on own funds is consequently reduced to the supplementary temporary percentage applied to the impact recognised on the book value of shareholders' equity as of 1 January 2018;

From 1 January 2023, the impact deriving from first adoption of the IFRS 9 accounting standard will be fully reflected in the calculation of own funds.

Besides the option to defer the impact deriving from first adoption of the accounting standard as of 1 January 2018, the transitional rules provide for the option to defer any impacts from applying the new impairment model also in the first years after initial adoption of the new accounting standard, although limited to those deriving from measurement of non-impaired financial assets.

The consequent disclosure obligations are complied with through the publication of Table IFRS9-FL below. For purposes of the calculation and representation of the aggregates in question, specific clarifications issued by the competent authorities are also applied.

The aggregates of prudential supervision contained in this disclosure do not include any further impact resulting from the new transitional arrangements introduced by Regulation EU 2020/873 in response to the COVID-19 pandemic, which extended and strengthened the transitional arrangements pursuant to art. 473 bis of the CRR Regulation.

IFRS 9-FL template - Comparison of own funds and of the capital leverage ratios of entities, with or without application of the transitional arrangements on the subject of IFRS 9 or analogous losses expected on loans

		30/06/2020		31/03/2020		31/12/2019		30/09/2019		30/06/2019	
	Capital available (amounts)	**Phase-in**	**Fully Phased**	**Phase-in**	**Fully Phased**	**Phase-in**	**Fully Phased**	**Phase-in**	**Fully Phased**	**Phase-in**	**Fully Phased**
1	Common Equity Tier 1 (CET1) Capital	9,470,860	8,570,076	9,284,490	8,247,148	9,497,203	8,358,220	9,149,672	7,985,865	8,971,912	7,741,659
2	T1 Capital	10,274,264	9,268,580	10,088,327	8,946,085	9,928,557	8,659,674	9,581,347	8,287,640	9,403,841	8,043,688
3	Total capital	11,562,553	10,556,869	11,471,660	10,329,418	11,454,013	10,185,130	10,861,244	9,567,537	10,764,502	9,404,349
	Risk-weighted assets (amounts)										
4	Total risk-weighted assets	65,063,998	65,272,077	65,397,620	65,287,056	65,820,727	65,820,651	67,246,364	67,116,069	65,235,979	64,967,623
	Capital ratios										
5	Common Equity Tier 1 Capital (as a percentage of the risk exposure amount)	14.6%	13.1%	14.2%	12.6%	14.4%	12.7%	13.6%	11.9%	13.8%	11.9%
6	Tier 1 Capital (as a percentage of the risk exposure amount)	15.8%	14.2%	15.4%	13.7%	15.1%	13.2%	14.2%	12.3%	14.4%	12.4%
7	Total Capital (as a percentage of the risk exposure amount)	17.8%	16.2%	17.5%	15.8%	17.4%	15.5%	16.2%	14.3%	16.5%	14.5%
	Leverage ratio										
8	Measurement of total exposure of the leverage ratio	200,258,602	199,357,818	180,978,503	179,941,161	183,626,961	182,487,978	201,144,763	199,980,956	189,311,055	188,080,802
9	Leverage ratio	5.1%	4.6%	5.6%	5.0%	5.4%	4.7%	4.8%	4.1%	5.0%	4.3%

Reconciliation between Book value of equity and Own Funds

		30/06/2020	31/12/2019
	Consolidated shareholders' equity	12,210,849	11,861,006
	Adjustments for companies that do not belong to the Banking Group	-11,430	-9,592
	Book value of equity (Banking Group)	12,199,419	11,851,414
	minority interests	14,409	15,598
	reversal of treasury shares	0	0
	Income (loss) for the period not calculable	-103,393	-205,587
	Non-calculable valuation reserves	-4,898	1,834
	Capital instruments calculable in Additional Tier 1 Capital	-695,417	-298,112
	Prudential filter on sale of property	0	-37,072
A.	**Common Equity Tier 1 Capital (CET1) before the application of prudential filters**	**11,410,120**	**11,328,075**
	of which CET1 instruments subject to transitional provisions	0	0
B.	**CET1 prudential filters (+/-)**	**-40,308**	**-10,688**
C.	**CET1 before items to be deducted and before the effects of the transitional arrangement (A +/- B)**	**11,369,812**	**11,317,387**
D.	**Items to be deducted from CET1**	**-2,799,736**	**-2,959,167**
E.	**Transitional arrangement - Impact on CET1 (+/-), including minority interest subject to transitional provisions**	**900,784**	**1,138,983**
F.	**Total Common Equity Tier 1 Capital (CET1) (C - D +/- E)**	**9,470,860**	**9,497,203**
G.	**Additional Tier 1 Capital (AT1) before items to be deducted and before the effects of the transitional arrangement**	**803,404**	**431,354**
	of which AT1 instruments subject to transitional provisions	104,900	129,900
H.	**Items to be deducted from AT1**	**0**	**0**
I.	**Transitional arrangement - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 by virtue of transitional provisions**	**0**	**0**
L.	**Total Additional Tier 1 Capital (AT1) (G - H +/- I)**	**803,404**	**431,354**
M.	**Tier 2 Capital (T2) before items to be deducted and before the effects of the transitional arrangement**	**1,395,029**	**1,594,188**
	of which T2 instruments subject to transitional provisions	0	0
N.	**Items to be deducted from T2**	**-106,740**	**-68,732**
O.	**Transitional arrangement - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 by virtue of transitional provisions**	**0**	**0**
P.	**Total Tier 2 Capital (T2) (M - N +/- O)**	**1,288,289**	**1,525,456**
Q.	**Total own funds (F + L + P)**	**11,562,553**	**11,454,013**

Reconciliation of the Financial Statement and Regulatory Balance Sheets with elements of Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital, with an indication of the filters and deductions applied to Own Funds and the impacts of the Transitional Arrangement

ASSET ITEMS	Accounting figures		Relevant amount for purposes of own funds	Ref. "Own Funds disclosure template" table
	Statutory scope	Prudential scope		
030. Financial assets measured at FV through other comprehensive income	-13,112,219	-13,112,219	0	23
040. Financial assets measured at amortised cost	-142,911,671	-142,891,892	-106,387	55
070. Equity investments	-1,577,065	-1,631,144	-617,163	8 19 23
100. Intangible assets	-1,260,785	-1,257,371	-1,257,371	8
110. Tax assets	-4,628,214	-4,628,778	-1,093,977	10 25
Grand total			**-3,074,898**	

LIABILITY AND EQUITY ITEMS	Accounting figures		Relevant amount for purposes of own funds	Ref. "Own Funds disclosure template" table
	Statutory scope	Prudential scope		
010.c. Financial liabilities at amortised cost: debt securities issued	16,229,043	16,064,941	1,225,106	46 52
060. Tax liabilities	611,548	599,486	272,947	8
120. Valuation reserves	160,298	160,298	155,399	3
140. Equity instruments	695,417	695,417	695,417	30
150. Reserves	4,164,082	4,154,490	4,154,490	3
170. Share capital	7,100,000	7,100,000	7,100,000	1
180. Treasury shares	-14,179	-14,179	-14,179	16
190. Minority interests (+/-)	24,559	22,854	21,613	5 34 48
200. Profit (Loss) for the period	105,231	103,393	0	5a
Grand total			**13,610,793**	

OTHER ELEMENTS FOR THE RECONCILIATION OF OWN FUNDS	**20,974**	**3 7 12 14 50**
Negative amounts resulting from the calculation of expected losses with A-IRB models	-104,171	12
A-IRB write-downs of loans	165,453	50
Additional write-downs (negative amount)	-36,398	7
Prudential filters generated by sale of property	0	3
Gains/Losses on liabilities measured at fair value resulting from changes in own credit standing	-3,910	14
TRANSITIONAL ARRANGEMENT - IMPACT ON CET1 (+/-)	**900,784**	**3**
Transitional impacts of IFRS 9	714,563	3
DTAs above threshold (for transitional impacts of IFRS 9)	68,035	3
Significant equity investments above threshold (for transitional impacts of IFRS 9)	118,186	3
TRANSITIONAL ARRANGEMENT - IMPACT ON AT1 (+/-)	**104,900**	**33**
Amount of eligible items pursuant to art. 484 (4) subject to phase out from Additional Tier 1 Capital	104,900	33
TRANSITIONAL ARRANGEMENT - IMPACT ON T2 (+/-)	**0**	
TOTAL OWN FUNDS AS AT 30 JUNE 2020	**11,562,553**	

Analysis of changes in Own Funds during the period

(in thousands of euro)	30/06/2020
Common Equity Tier 1 Capital (CET1)	
Initial balance	**9,497,203**
CET1 instruments	**-156,153**
Increase/Decrease in reserves from measurements at FV through other comprehensive income	-11,271
Net income for the period	0
Increase/Decrease in equity	-2,661
Portion of decrease calculated from impact deriving from application of IFRS 9 accounting standard (annual decrease in temporarily calculable positive component)	-238,199
Increase/Decrease in other reserves	97,166
Increase/Decrease in minority interests calculable in CET1	-1,188
Prudential filters	**-29,621**
Increase/Decrease in regulatory value adjustments (prudential valuation)	-2,833
Increase/decrease on gains or losses on liabilities measured at fair value resulting from changes in own credit standing	-26,788
Deductions	**159,431**
Increase/decrease in intangible fixed assets (net of relative tax liabilities)	4,377
Increase/decrease in significant investments in CET1 instruments of entities in the financial sector and tax assets from temporary differences exceeding the threshold	157,653
Increase/decrease in tax assets deriving from carrying tax losses forward	-77,142
Increase/Decrease in non-significant investments in CET1 instruments	0
Increase/decrease in excess of expected losses with respect to write-downs (shortfall)	74,543
Final balance	**9,470,860**
Additional Tier 1 (AT1) Capital	
Initial balance	**431,354**
AT1 instruments	**372,050**
Increase/decrease in AT1 instruments	372,304
Increase/decrease in minority interests calculable in AT1	-254
Deductions	**0**
Increase/decrease in elements to be deducted from AT1	0
Final balance	**803,404**
Tier 2 (T2) Capital	
Initial balance	**1,525,457**
T2 instruments	**-199,159**
Increase/decrease in T2 subordinated instruments and liabilities	-196,034
Decrease in T2 instruments calculable under Grandfathering arrangements	0
Increase/decrease in minority interests calculable in T2	-339
Increase/decrease in excess of value adjustments with respect to expected losses	-2,786
Deductions	**-38,009**
Increase/decrease in elements to be deducted from T2	-38,009
Final balance	**1,288,289**
Total own funds	**11,562,553**

Common Equity Tier 1 (CET1) saw a decrease of € 26 million during the first half of 2020. The following contributed to this change:

- the negative change recorded in reserves from measurements at FV through other comprehensive income (-11 million), partially offset by the increase of 97 million in other reserves;

- the decline in the transitional impacts of IFRS 9 deriving from the application of Regulation 2017/2395, caused by the progressive reduction in the applicable rate (-238 million);

- the increase in negative prudential filters totalling 30 million, of which 27 million related to the exclusion of the impact of the fair value measurement of financial liabilities due to changes in own creditworthiness;

- the decrease in deductions for tax assets resulting from temporary differences and significant investments of CET1 instruments of other financial entities exceeding the combined threshold of 17.65% (158 million), also due to the reduction of deferred tax assets, which have been transformed into tax assets resulting from carrying forward higher tax losses;

- the increase in deductions resulting from the increase in tax assets resulting from carrying forward tax losses (77 million);

- the decrease of the deduction related to the surplus of expected losses with respect to write-downs of loans (75 million) due to higher write-downs of performing loans booked to the income statement for the half year.

Additional Tier 1 Capital (AT1) saw an increase of € 372 million during the period, following the issue of a new calculable equity instrument. The details are provided in the previous section dedicated to the topic.

Tier 2 capital (T2) reported a net decrease of € 237 million during the period, mainly due to the progressive lower computability (€-196 million) of subordinated liabilities in issue, resulting from the application of prudential rules that govern these instruments, as well as following the disbursement of a new subordinated loan, which increased the deduction for significant investments in the T2 instruments of other entities of the financial sector by around € 38 million.

Capital Requirements

Disclosure with respect to Pillar 1 capital adequacy pursuant to art. 92 of the CRR Regulation

The minimum requirements established by the regulation

On the basis of current prudential supervisory provisions ("Regulations for the Supervision of Banks" - Bank of Italy Circular no. 285 of 17 December 2013), the minimum *Total Capital Ratio* is set at 10.5% (including the capital conservation *buffer*, which is set at 2.5% as of 2019).

In December 2019, Banco BPM received a notification from the European Central Bank of the *SREP decision* containing the results of the annual *Supervisory Review and Evaluation Process (SREP)*. The capital requirements laid down by the ECB for 2020, in terms of *Common Equity Tier 1 ratio*[7], are presented below.

Banco BPM Group's Capital Requirements - in terms of CET1 ratio	**2020**
Pillar 1 regulatory minimum	4.500%
Pillar 2 requirement (P2R)	2.250%
Total SREP Capital Requirement (TSCR)	**6.750%**
Capital Conservation Buffer (CCB)	2.500%
Buffer for other systemically important institutions (O-SII)	0.130%
Counter-cyclical capital buffer (CCyB)[8]	0.005%
Overall Capital Requirement (OCR)	**9.385%**

On 12 March 2020, through the press release "*ECB Banking Supervision provides temporary capital and operational relief in reaction to coronavirus*", the European Central Bank issued specific extraordinary measures in response to the Covid-19 health emergency: in particular, supervised entities were given the possibility to cover the Pillar 2 requirement (P2R) for the portion exceeding 56.25%, also through Additional Tier 1 instruments (up to a maximum of 75% of P2R) and Tier 2 instruments (up to a maximum 25% of P2R). With these provisions, the ECB actually brought forward the entry into force envisaged by article 104.1.a of the new CRD V directive, which will officially come into effect next year (2021).

On the basis of what is specified above, as of the first quarter of 2020, the Banco BPM Group is required to respect, on a consolidated basis, an Overall Capital Requirement in terms of

[7] For purposes of determining prudential supervisory thresholds on a consolidated basis (SREP decision), as indicated in the press release issued to the market, the minimum Common Equity Tier 1 ratio requirement established by the ECB for 2020 is 9.25%, to which is added the O-SII buffer and the counter-cyclical capital buffer, for a total of 9.385%.

[8] Calculated considering the respective requirements established by the competent national authorities relating to exposures as at 30 September 2019 in relation to the countries in which the Group operates. On the date of this disclosure, the counter-cyclical capital buffer fell to 0.002% as illustrated below.

Total Capital (Phase in) equal to 12.88% (10.25% TSCR + 2.63% for the combined capital buffer requirement), of which a share of 8.40% consisting of Common Equity Tier 1 Capital.

It should also be noted that, as at 30/06/2020, the counter-cyclical capital buffer fell to 0.002% emphasising the trend of the previous quarter and implementing the further mitigating measures decided by the various National authorities that had not been finalised by the first quarter.

As at 30 June 2020, the Banco BPM Group was in full compliance with the required regulatory thresholds. It was therefore unnecessary to make recourse to the measures granted by the ECB as part of the Covid-19 emergency or use, even only temporarily, the capital buffers established in previous years in order to deal with potential stress situations (Capital Conservation Buffer and Pillar 2 Guidance).

The Pillar 1 capital requirements of the Group

The minimum capital requirement is equal to the sum of the capital requirement prescribed against credit, counterparty, market and operational risks. These requirements, in turn, arise from the sum of the individual requirements of the companies in the Group's prudential consolidation scope, after removing the effects of intra-group transactions.

Effective 1 January 2017, with the establishment of the Banco BPM Group, the Supervisory Authority has agreed to the use of internal models employed by the former Banco Popolare Group and by Banca Akros to calculate the capital requirements of the new Group on their respective pre-existing validation perimeters.

As at 30 June 2020, the Banco BPM Group is authorised to use its own internal models to calculate regulatory capital absorption with reference to the following Pillar 1 risks:

- credit risk (starting with the measurement as at 30 June 2012): the scope concerns the advanced internal rating-based approaches relating to retail and business loans made by Banco BPM S.p.A. For loan portfolios not falling within the scope of initial AIRB validation, the standard regulatory approach continues to be applied for prudential purposes. On 16 February 2018 Banco BPM S.p.A. received authorisation to use internal models to calculate capital requirements for the post-merger Banco BPM portfolio. This authorisation includes, in addition to the updated PD model, a new EAD *retail* model, the ELBE and the *LGD Defaulted Asset* model. Following the authorisation, Banco BPM must use the *add-ons* (LGD parameter multipliers) until all the *findings* outlined by ECB in the authorisation letter have been resolved. These models have been used to calculate capital requirements starting from the reports issued on 31 March 2018. Starting from reporting month June 2019, capital requirements are subject to the application of two additional prudential *add-ons* for LGD Businesses and PD Mid Corporate, imposed by the *Regulator* following the TRIM inspection on the *Corporate-SME* regulatory segment, which led to the identification of certain areas of IRB models requiring improvement, giving rise to specific *obligations*. From December 2019, the time series underlying the estimate of the LGD *Performing, ELBE and Defaulted Asset* parameters was updated. An audit phase which began in the last quarter of 2019 recently concluded, for which the Regulator's decision is pending for purposes of validating the new PD, LGD (*Performing, ELBE and Defaulted Asset*) and EAD models containing significant methodological changes with respect to the risk parameters currently used by the Group for Corporate and Retail customers, in compliance with new regulatory requirements and in resolution of specific ECB commitments. With regard to the EAD model only, the request for validation also includes a new model for Corporate customers, which up until now use a CCF *Standard.* In agreement with the Regulator, in August 2020, the application for a di model change was sent to introduce the new definition of default (EBA/GL/2016/07 - Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013) into company processes and procedures. The application also includes the effects of new logic for intercepting default on IRB risk parameters. The start of the inspection phase is scheduled for mid-September 2020;

- market risk: the currently validated perimeter includes generic and specific risk for equity securities, generic risk for debt securities in the trading book and exchange risk in the trading book. On 30 April 2019, an Application document was formally submitted for the extension of the internal model to the specific risk of debt securities and to the exchange rate risk of the Banking Book. On 19 July 2019, the inspection by the Supervisory Authority to carry out the validation activities was completed. The outcome of the validation was initially scheduled for October 2019. Following the 6-month postponement granted by the ECB in a communication dated 20/3/2020, the final decision on the extension of the internal model to the specific risk and to the exchange rate risk of the banking book is expected in September 2020.
- operational risk: advanced method (AMA) for ex-Banco Popolare segments already validated for use of these methods (ex-Banco Popolare segments of the parent company and Banca Aletti); standardised method (TSA) for ex-BPM segments already validated for use of these methods (ex-BPM Scarl and SpA segments merged into the new parent company, Banca Akros, ProFamily); basic method (BIA) For the other minor companies in the Group;

The capital requirements and capital ratios of the Banco BPM Group as at 30 June 2020 are presented as follows.

Capital requirements and capital ratios of Banco BPM Group

Information	30/06/2020		31/12/2019	
	Weighted amounts	Requirements	Weighted amounts	Requirements
B. Regulatory Capital Requirements				
B.1 Credit and Counterparty Risk	**56,811,394**	**4,544,912**	**57,643,090**	**4,611,448**
1. Standard Approach	28,834,441	2,306,755	29,073,832	2,325,907
2. Internal models - Basic	-	-	-	-
3. Internal models - Advanced	27,575,562	2,206,046	28,039,886	2,243,191
4. Securitisations	392,388	31,391	522,788	41,823
5. Pre-financed Contributions	9,003	720	6,584	527
B.2 Credit valuation adjustment (CVA) risk	**215,554**	**17,244**	**235,620**	**18,850**
B.3 Regulatory risk	**483**	**39**	**611**	**49**
B.4 Market risk	**2,022,828**	**161,826**	**1,927,662**	**154,213**
1. Standard Approach	140,404	11,232	145,411	11,633
2. Internal models	1,882,424	150,594	1,782,251	142,580
3. Concentration risk	-	-	-	-
B.5 Operational Risk	**5,826,239**	**466,099**	**5,826,239**	**466,099**
1. Basic Approach	112,351	8,988	112,351	8,988
2. Standardised Approach	2,707,001	216,560	2,707,001	216,560
3. Advanced Approach	3,006,887	240,551	3,006,887	240,551
B.6 Other calculation elements	**187,500**	**15,000**	**187,500**	**15,000**
B.7 Total Capital Requirements	**65,063,998**	**5,205,120**	**65,820,724**	**5,265,658**
C. Capital adequacy ratios (%)				
C.1 Common Equity Tier 1 ratio	**14.6%**		**14.4%**	
C.2 Tier 1 Ratio	**15.8%**		**15.1%**	
B.3 Total Capital Ratio	**17.8%**		**17.4%**	

Qualitative disclosure on the counter-cyclical capital buffer

The imposition of additional capital buffers with respect to the regulatory minimums has the objective of giving banks high-quality capital resources to be used in moments of market tension to prevent dysfunctions of the banking system and avoid breakdowns in the loan disbursement process and to manage the risks deriving from the systemic importance at the global or domestic level of certain banks. In this context, the counter-cyclical capital buffer has the aim of protecting the banking sector in the stages of excessive growth of credit. In fact, its imposition makes it possible to accumulate, during phases of credit cycle overheating, Common Equity Tier 1 Capital, which will then be used to absorb losses in the negative phases of the cycle (from Circular 285 - Part One – Transposition in Italy of the CRD IV Directive Section III – Counter-cyclical capital buffer).

Entities have an obligation to hold a counter-cyclical capital buffer equal to their total exposure to risk multiplied by the bank's specific counter-cyclical ratio. The Bank of Italy, like the other authorities designated by the individual Member States, has an obligation to determine quarterly the countercyclical ratio of our country and to monitor the congruity of the ratios applied by other countries, both EU and non-EU. Directive 2013/36/EU specifies that the specific counter-cyclical ratio of an entity is equal to the weighted average of the counter-cyclical ratios applied in the countries in which the significant exposures of the entity are situated.

It should be noted that, in a press release dated 27 March 2020, Bank of Italy set the counter-cyclical ratio to be applied to exposures held with Italian counterparties at 0%.

The detailed information in the following tables is published in accordance with Commission Delegated Regulation (EU) 2015/1555 dated 28 May 2015.

Amount of institution-specific counter-cyclical capital buffer

Line		Column
		10
10	Total risk exposure amount	65,063,998
20	Institution-specific counter-cyclical ratio	0.002%
30	Institution-specific counter-cyclical capital buffer requirement	1,301

Geographical distribution of credit exposures relevant for the calculation of the counter-cyclical capital buffer

Line				General credit exposures		Trading book exposure		Securitisation exposure	Total Exposures
				Exposure value according to SA Approach (000)	Exposure value according to IRB Approach (000)	Sum of the long and short position of the trading book (000)	Exposure value of trading book according to internal models (000)		
				10	20	30	40	50	60
010	Breakdown by country								
	Country:	SK	SLOVAKIA	0	0	0	0	0	0
		CZ	CZECH REPUBLIC	8,834	1,466	0	0	0	10,300
		HK	HONG KONG	3	903	0	0	0	906
		NO	NORWAY	2,886	0	0	0	0	2,886
		BG	BULGARIA	33	150	0	0	0	183
		LU	LUXEMBOURG	323,384	3,155	3,601	0	0	330,140
		OTHER COUNTRIES WITH RATIO OF ZERO		20,014,548	95,582,988	64,474	0	3,310,872	118,972,884
020				20,349,688	95,588,662	68,075	0	3,310,872	119,317,299

Line				Own funds requirements				Own funds requirements weighting factors	Counter-cyclical ratio
				Of which: generic exposures (000)	Of which: trading book exposures (000)	Of which: securitisation exposures (000)	Total (000)		
				70	80	90	100	110	120
010	Breakdown by country								
	Country:	SK	SLOVAKIA	0	0	0	0	-	1.50%
		CZ	CZECH REPUBLIC	386	0	0	386	0.01%	1.00%
		HK	HONG KONG	34	0	0	34	0.00%	1.00%
		NO	NORWAY	48	0	0	48	0.00%	1.00%
		BG	BULGARIA	3	0	0	3	-	0.50%
		LU	LUXEMBOURG	25,687	292	0	25,979	0.77%	0.25%
		OTHER COUNTRIES WITH RATIO OF ZERO		3,295,696	2,863	31,391	3,329,951	99.21%	-
020				3,321,854	3,155	31,391	3,356,401	100.00%	

Capital requirement for Credit and Counterparty Risk (Standardised Approach)

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/06/2020	31/12/2019
Exposures to or guaranteed by central administrations and central banks	269,182	275,032
Exposures to or guaranteed by regional administrations or local authorities	3,897	4,203
Exposures to or guaranteed by public sector entities	28,112	32,373
Exposures to or guaranteed by multilateral development banks	-	-
Exposures to or guaranteed by international organisations	-	-
Exposures to or guaranteed by intermediaries' subject to supervision	439,867	409,124
Exposures to or guaranteed by enterprises	489,227	507,074
Retail exposures	104,447	110,838
Exposures guaranteed by property	24,359	22,180
Exposures in default status	119,855	126,901
High-risk exposures	109,695	97,821
Exposures in the form of covered bank bonds	3,228	2,356
Short-term exposures to enterprises or supervised intermediaries	-	-
Exposures to undertakings for collective investment in transferable securities (UCITS)	96,312	112,002
Equity exposures	259,480	257,960
Other exposures	359,094	368,043
TOTAL CREDIT AND COUNTERPARTY RISK	**2,306,755**	**2,325,907**

Capital requirement for Counterparty Risk

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/06/2020	31/12/2019
Counterparty Risk	**90,602**	**86,866**

The requirement is already included in the capital requirement for credit and counterparty risk, as set out in the previous tables.

Capital requirement for Credit Valuation Adjustment (CVA) Risk

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/06/2020	31/12/2019
Credit Value Adjustment (CVA) risk	**17,244**	**18,850**

The requirement is determined through the standard approach and applied to exposures in OTC derivatives traded with financial counterparties, excluding intra-group exposures and those to Central Counterparties.

Capital requirement for Credit and Counterparty Risk (IRB Approach)

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/06/2020	31/12/2019
Exposures to or guaranteed by enterprises		
Specialised loans	0	0
SMEs	670,994	766,947
Other businesses	901,440	861,132
Retail exposures		
Exposures guaranteed by residential property: SMEs	104,789	98,596
Exposures guaranteed by residential property: natural persons	209,001	191,128
Qualified retail revolving exposures	13,750	14,039
Other retail exposures: SMEs	279,497	283,543
Other retail exposures: natural persons	26,574	27,806
TOTAL	**2,206,045**	**2,243,191**

Capital requirement for Credit Risk - Securitisations

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/06/2020	31/12/2019
SEC-SA securitisations	6,930	8,871
SEC-IRBA securitisations	16,967	25,438
SEC-ERBA securitisations	61	76
SEC-IAA securitisations	0	0
SEC-Other securitisations 1250%	7,433	7,438
TOTAL	**31,391**	**41,823**

Capital requirement for Credit Risk - Pre-financed Contributions to CCP

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/06/2020	31/12/2019
Amount of exposure to risk for contributions to the guarantee fund of a CCP	720	527
TOTAL	**720**	**527**

Capital requirement for Market Risk

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/06/2020	31/12/2019
Market risks (position, exchange rate and commodity)		
- Standardised approach	**11,232**	**11,633**
Position risk on debt instruments	10,453	7,497
Position risk on equity instruments	-	-
Exchange rate risk	565	3,814
Commodity risk	214	322
- Internal models	**150,594**	**142,580**
Internal models: total	150,594	142,580
TOTAL MARKET RISKS	**161,826**	**154,213**

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/06/2020	31/12/2019
Settlement risk	**39**	**49**
Positions included in regulatory trading book	39	49
Positions included in banking book	-	-

EU MR1 - Market risk under the standardised approach

	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	130,665	10,453
Equity risk (general and specific)	-	-
Foreign exchange risk	7,060	565
Commodity risk	2,675	214
Options		
Simplified approach	-	-
Delta-plus approach	4	0
Scenario approach	-	-
Securitisation (specific risk)	-	-
TOTAL	**140,404**	**11,232**

Capital requirement for Operational Risk

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/06/2020	31/12/2019
Basic Approach	8,988	8,988
Standardised Approach	216,560	216,560
Advanced Approaches	240,551	240,551
TOTAL OPERATIONAL RISK	**466,099**	**466,099**

EU OV1 – Overview of RWAs

			RWAs		Minimum capital requirements
			30/06/2020	31/03/2020	30/06/2020
	1	**Credit risk (excluding CCR) (*)**	**55,277,471**	**55,185,001**	**4,422,198**
Article 438, letters c) and d)	2	Of which the standardised approach	27,864,012	27,859,028	2,229,121
Article 438, letters c) and d)	3	Of which the foundation IRB (FIRB) approach	0	0	-
Article 438, letters c) and d)	4	Of which the Advanced IRB (AIRB) approach	27,413,459	27,325,973	2,193,077
Article 438, letter d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	0	0	-
Article 438, letters c) and d)	**6**	**CCR**	**1,357,088**	**1,378,329**	**108,567**
Article 438, letters c) and d)	7	Of which mark to market	537,674	514,344	43,014
Article 438, letters c) and d)	8	Of which original exposure			-
	9	Of which the standardised approach (**)	594,857	650,153	47,589
	10	Of which internal model method (IMM)	-	-	-
Article 438, letters c) and d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	9,003	9,375	720
Article 438, letters c) and d)	12	Of which CVA	215,554	204,457	17,244
Article 438, letter e)	**13**	**Settlement risk**	**483**	**6,000**	**39**
Article 449, letters o) and i)	**14**	**Securitisation exposures in the banking book (after the cap)**	**392,389**	**487,051**	**31,391**
Article 438, letter e)	**15**	**Market risk**	**2,022,828**	**2,327,500**	**161,826**
	16	Of which the standardised approach	140,404	151,791	11,232
	17	Of which IMA	1,882,424	2,175,709	150,594
Article 438, letter e)	**18**	**Large exposures**	**-**	**-**	**-**
Article 438, letter f)	**19**	**Operational risk**	**5,826,239**	**5,826,239**	**466,099**
	20	Of which basic approach	112,351	112,351	8,988
	21	Of which standardised approach	2,707,001	2,707,001	216,560
	22	Of which advanced measurement approach	3,006,887	3,006,887	240,551
Article 437, paragraph 2, Article 48 and Article 60	**23**	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**2,905,766**	**3,103,314**	**232,461**
	24	**Other risk exposure amounts**	**187,500**	**187,500**	**15,000**
Article 458	**25**	**Additional more rigorous prudential requirements based on Article 458**	**-**	**-**	**-**
Article 459	**26**	**Additional more rigorous prudential requirements based on Article 459**	**-**	**-**	**-**
Article 3	**27**	**Additional amount for exposure to risk due to Article 3, CRR**	**187,500**	**187,500**	**15,000**
	28	**TOTAL**	**65,063,998**	**65,397,620**	**5,205,119**

(*) The figure relates only to credit risk. The associated components referred to counterparty risk (CCR), contributions to the guarantee fund of a central counterparty (CCP) and securitisation transactions are, therefore, excluded.
The amounts in line 23 fulfil the obligation to publish pursuant to paragraph 1) letter d) detail iii) and paragraph 2) of Article 437 of Regulation 575/2013 (CRR). They are already included in the amounts in line 1 calculated according to Article 92, paragraph 4 of the same regulation and therefore not included in the grand total.
(**) Includes CCR risk not subject to IMM models whose RWAs, for credit risk purposes, are reported with the IRB approach.

EU CR8 - RWEA flow statements of credit risk exposures under the IRB approach

		RWA amounts	Capital requirements
1	**RWAs as at the end of the previous reporting period**	**27,325,973**	**2,186,078**
2	Asset size	1,325,389	106,031
3	Asset quality	132,837	10,627
4	Model updates	0	0
5	Methodology and policy	-1,370,509	-109,641
6	Acquisitions and disposals	0	0
7	Foreign exchange movements	0	0
8	Other	-231	18
9	**RWAs as at the end of the reporting period**	**27,413,459**	**2,193,077**

On 26 June 2020, Regulation EU 2020/873, containing a series of exceptional measures to mitigate the effects of the current economic crisis, was published in the Official Journal, and therefore became effective. These include bringing the provisions of the CRR2 (Regulation EU 2019/876) on the support factor for SMEs, forward by one year. In particular, article 501 of the CRR2 amends article 501 of the CRR (Regulation EU 2013/375), by envisaging an extension of the support factor also to counterparties with exposures at group level of over € 1.5 million. At the same time, a new formula to calculate RWAs was introduced, shown below, to replace the previous one (which simply multiplied the requirement by 0.7619).

$$RWEA^{*} = RWEA \cdot \frac{\min\{E^{*}; \text{EUR } 2\,500\,000\} \cdot 0{,}7619 + \max\{E^{*} - \text{EUR } 2\,500\,000; 0\} \cdot 0{,}85}{E^{*}}$$

where:

RWEA* = the RWEA adjusted by an SME supporting factor; and

E* = the total amount owed to the institution, its subsidiaries, its parent undertakings and other subsidiaries of those parent undertakings, including any exposure in default, but excluding claims or contingent claims secured on residential property collateral, by the SME or the group of connected clients of the SME.

EU MR2-B - RWEA flow statements of market risk exposures under the IMA

		VaR	SVaR	Total RWAs	Total capital requirements
1	**RWAs at the previous quarter-end**	**606,890**	**1,568,819**	**2,175,709**	**174,057**
1a	Regulatory adjustment	- 19,972	162,333	142,360	11,389
1b	RWAs at the previous quarter-end (end of the day)	626,862	1,406,486	2,033,349	162,668
2	Movement in risk levels	-103,056	-230,369	-333,425	-26,674
3	Model updates/changes				
4	Methodology and policy				
5	Acquisitions and disposals				
6	Foreign exchange movements	- 2,851	- 16,693	- 19,544	- 1,564
7	Other				
8a	RWAs at the end of the reporting period (end of the day)	520,955	1,159,424	1,680,380	134,430
8b	Regulatory adjustment	131,715	70,329	202,044	16,164
8	**RWAs at the end of the reporting period**	**652,670**	**1,229,753**	**1,882,424**	**150,594**

Disclosure with respect to Pillar 2 capital adequacy pursuant to art. 73 of CRD IV Directive

The process of assessing capital adequacy supports and supplements the consistency check conducted under Pillar 1, which requires the verification of the adequacy of Own Funds in terms of the minimum prudential requirements for credit risk (including counterparty risk), market risk and operational risk.

Significant risks (credit, counterparty, market, interest rate, operational and other measured risks) are measured using statistic and quantitative methods generally relating to the *VaR* technique.

Banco BPM Group has opted for a level of probability (or confidence interval) of 99.90%, in line with the confidence level of minimum capital requirements established by supervisory regulations, in order to make the reconciliation with estimates resulting from the application of regulatory approaches easier.

The risks are estimated with reference to a one-year horizon, with the exception of market risks, for which a 10-day *holding period* is used for market risk on the *trading book* (the *default* risk component is estimated with a 3-month *holding period*).

For *banking book* market risk, a ten-day *holding period* is used for the stock and exchange component. Risk on the HTC portfolio is estimated with a 6-month *holding period*. For the *HTCS* portfolio, the *VaR Spread* method includes a 1-month *holding period* (the *default* risk component - IDR is estimated with a 3-month horizon).

For the *banking book* equity instrument risk, the *holding* period is 6 months.

The assessment of capital adequacy carried out in the ICAAP context and included in the Group's Risk Appetite framework entails, besides the quantification of all the significant risks, the definition of the measure of total capital used as capital amount to cover the same business risks.

The Group's Risk Appetite Framework includes indicators that make it possible to monitor and assess the Group's Pillar 2 capital adequacy with the related definition of the Trigger, Tolerance and Capacity thresholds.

Among the "Strategic" indicators there is the "Capital Reserve" indicator in the "Capital Adequacy & Structure - Pillar 2" context, defined as the ratio of the amount of own Available Financial Resources (AFRs) to total diversified economic capital.[9]

In the context of Pillar 2 capital adequacy, the Group has decided to adopt a definition of its Available Financial Resources (AFRs) that is broader than Own Funds, also considering some components that are immediately available, despite the fact that current regulations do not allow full computability or imposes the deduction from Own Funds.

This amount must not be limited merely to covering total risk capital, but must also be able to:

[9] The Capital Buffer indicator for the 2020 RAF expresses the adequacy of Available Financial Resources in relation to the overall (diversified) Economic Capital, whereas for the 2019 framework the indicator was expressed in terms of the difference between the two amounts.

- expand for growth beyond what is defined in the strategic plan, ensuring potential flexible operational margins;
- manage business continuity should cumulative losses recorded over the twelve months exceed those estimated according to the assumed confidence level;
- handle situations where market developments could be substantially worse than projected and incorporated in the risk estimate models;
- maintain an additional capital buffer, for the purpose of maintaining/improving the level of capitalisation, with a view to improving rating agency judgements;
- pursue the target ratio objectives established by Top Management.

Moreover, in the context of Pillar 2 adequacy, the “MREL indicator” is also noted, which represents the requirement introduced by the European Bank Recovery and Resolution Directive (BRRD), whose objective is to ensure the proper functioning of the bail-in by increasing the Bank's loss-absorption capacity; compliance with the indicator is binding for the Group from 2020.

Internal capital adequacy of Pillar 2 is also assessed (ordinary and stressed conditions) in order to identify any imbalance between the evolution of risk which may be prudently forecast based on the objectives defined during strategic and budget planning, and the internal generation of capital through self-financing and the specific management of this process.

To guarantee this continuous monitoring, Banco BPM Group has adopted an advanced system for risk integration and quantification of available capital resources, with advanced functions of management, control, reporting and simulation of capital adequacy conditions.

The economic capital or total internal capital (total risks) thus determined is also assessed including the outcome of stress tests. Specifically, the combined impacts on various risk factors of macroeconomic scenarios, characterised by stress conditions, are considered.

In line with the external reference regulations (EBA guidelines for SREP and ECB guidelines for ICAAP), the Group updates its internal capital adequacy assessment process (ICAAP) on a quarterly basis, providing top management and corporate bodies with an aggregate overview and analysis of both capital requirements and second pillar risks.

Credit Risk - General information regarding all banks

EU CR1-A – Credit quality of exposures by exposure class and instrument

	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d-e)
Central governments or central banks	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-
Corporates:	6,505,633	68,575,848	2,861,976	-	-	320,048	72,219,505
Of which: Specialised lending	-	-	-	-	-	-	-
Of which: SMEs	4,766,370	25,610,995	2,171,678	-	-	34,723	28,205,686
Retail:	2,301,122	53,336,405	937,822	-	-	72,154	54,699,706
Secured by real estate property:	1,131,609	27,458,142	255,101	-	-	8,452	28,334,650
SMEs	486,197	4,019,525	121,992	-	-	4,054	4,383,729
Non-SMEs	645,412	23,438,618	133,109	-	-	4,398	23,950,921
Qualifying revolving	6,874	970,186	4,193	-	-	755	972,867
Other retail:	1,162,639	24,908,077	678,528	-	-	62,948	25,392,189
Of which: SMEs	1,049,765	23,058,416	615,194	-	-	60,676	23,492,987
Of which: Non-SMEs	112,874	1,849,661	63,334	-	-	2,271	1,899,202
Equity	-	-	-	-	-	-	-
Total IRB approach	**8,806,755**	**121,912,254**	**3,799,798**	**0**	**0**	**392,202**	**126,919,211**
Central governments or central banks	-	48,515,470	9,453	-	-	3,986	48,506,017
Regional governments or local authorities	-	654,101	119	-	-		653,982
Public sector entities	-	1,021,530	431	-	-		1,021,099
Multilateral development banks	-	-	-	-	-		-
International organisations	-	212,184	1	-	-		212,183
Institutions	-	50,766,780	11,826	-	-	8,006	50,754,954
Corporates:	-	9,143,459	30,482	-	-		9,112,977
Of which: SMEs		5,932,139	25,100	-	-		5,907,039
Retail:	-	4,723,814	14,449	-	-		4,709,365
Of which: SMEs		1,216,919	2,722	-	-		1,214,197
Secured by mortgages on properties:	-	722,512	23	-	-		722,489
Of which: SMEs		519,186	2	-	-		519,184
Defaulted exposures	2,669,677	0	1,101,151	-	262,408	78,427	1,306,119
Positions associated with particularly high risk	347,512	817,507	159,975	-	-	-	1,005,044
Covered bonds	-	298,263	18	-	-		298,245
Loans to institutions and corporates with a short-term credit assessment	-	-	-	-	-		-
Collective investments undertakings	-	1,266,652	1,456	-	-		1,265,195
Equity	-	1,857,794	439	-	-	-	1,857,355
Other exposures	-	5,327,279	-	-	-		5,327,279
Total with standardised approach	**3,017,189**	**125,327,345**	**1,329,823**	**-**	**262,408**	**90,419**	**126,752,303**
Securitisation positions	**0**	**3,284,212**	**4,954**	**0**	**0**	**0**	**3,279,257**
TOTAL	**11,823,944**	**250,523,811**	**5,134,575**	**0**	**262,408**	**482,622**	**256,950,772**
Of which: Loans	10,354,250	104,237,103	4,911,659		262,408	464,436	109,417,286
Of which: Debt securities	90,004	36,990,501	15,077		-	5,709	37,065,428
Of which: Off-balance-sheet exposures	1,308,034	58,586,820	114,809		-	- 1,278	59,780,045

EU CR1-D – Distribution of exposures of past-due bands

	Gross carrying values:					
	≤ 30 days	> 30 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year ≤ 5 years	> 5 years
Debt securities at cost or amortised cost	135,123,749	5,236,905	593,956	685,802	4,273,608	1,901,288
Debt securities at fair value subject to impairment	12,731,964	0	0	0	0	0
Debt securities at LOCOM or fair value not subject to impairment	495,206	276,759	4,566	3,169	30,781	272
Total exposures	**148,350,919**	**5,513,664**	**598,522**	**688,971**	**4,304,389**	**1,901,560**

EU CR1-E – Non-performing and forborne exposures

	Gross carrying values of performing and non-performing exposures						
		Of which: performing but past-due > 30 days and <= 90 days	Of which: performing forborne	Of which: non-performing			
					Of which: defaulted	Of which: written down (non-performing)	Of which: forborne
Debt securities at cost or amortised cost	147,815,308	2,817,589	1,811,251	9,873,970	9,873,970	9,873,970	4,936,322
Debt securities at fair value subject to impairment	12,731,964	0	0	0	0	0	0
Debt securities at LOCOM or fair value not subject to impairment	810,753	7,523	54,437	308,024	308,024		214,079
Off-balance-sheet exposures	59,894,854		76,370	1,308,034	1,308,034		96,154

	Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
	On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
		Of which forborne		Of which forborne		
Debt securities at cost or amortised cost	-454,334	-76,256	-4,469,083	-2,001,057	4,305,407	3,892,785
Debt securities at fair value subject to impairment	-4,242	0	0	0	0	0
Debt securities at LOCOM or fair value not subject to impairment			-187,770	-130,658	29,371	39,489
Off-balance-sheet exposures	-32,884	-392	-81,925	0	207,339	32,829

EU CR2-A - Changes in the stock of general and specific credit risk adjustments

	Write-downs without increase in credit risk after initial recognition (Stage 1)	Write-downs with increase in credit risk after initial recognition, but not impaired (Stage 2)	Write-downs for impaired debt securities (Stage 3)
Opening balance	**129,470**	**209,035**	**4,572,501**
Changes due to variations in credit risk (net)	66,183	54,494	283,517
Changes due to updating the estimation method (net)	0	0	0
Increases due to adjustments at the disbursement/issue/acquisition stage	0	0	0
Decreases due to repayments or redemptions	-371	-258	-131,715
Decreases due to write-offs	16	-673	-261,719
Impact of exchange rate differences	0	0	0
Business combinations, including acquisitions and disposals of subsidiaries	0	0	0
Other adjustments	-92	0	6,380
Closing balance	**195,174**	**262,598**	**4,468,964**
Recoveries from collection on assets previously written off	0	0	3,060
Write-offs recognised directly through profit or loss	0	0	-56,217

EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities

		Gross carrying value of defaulted exposures
1	**Opening balance**	**10,771,920**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	568,977
3	Returned to non-defaulted status	-124,698
4	Amounts written off	-327,743
5	Other changes	-592,726
6	**Closing balance**	**10,295,730**

Guidelines on disclosure of non-performing and forborne exposures

TABLE 1 - Credit quality of forborne exposures

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value changes due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which: collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	1,865,688	5,150,401	5,150,401	4,936,322	-76,256	-2,131,715	3,932,274	2,372,465
Central banks	0	0	0	0	0	0	0	0
General governments	730	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial corporations	7,142	212,938	212,938	176,393	-454	-154,067	24,498	18,177
Non-financial corporations	1,307,984	4,448,396	4,448,396	4,271,821	-61,199	-1,887,565	3,009,844	1,973,305
Households	549,832	489,067	489,067	488,108	-14,603	-90,083	897,932	380,983
Debt securities	0	0	0	0	0	0	0	0
Loan commitments given	76,370	96,154	96,154	96,154	-392	0	32,829	14,336
Total	**1,942,058**	**5,246,555**	**5,246,555**	**5,032,476**	**-76,648**	**-2,131,715**	**3,965,103**	**2,386,801**

TABLE 3 - Credit quality of performing and non-performing exposures by past due days

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**104,237,103**	**101,411,991**	**2,825,112**	**10,091,842**	**2,598,548**	**598,522**	**688,971**	**1,532,085**	**2,772,156**	**707,601**	**1,193,959**	**10,091,842**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	1,932,480	1,932,459	21	5,597	2,254	2	1,148	1	756	-	1,436	5,597
Credit institutions	2,685,160	2,685,160	-	-	-	-	-	-	-	-	-	-
Other financial corporations	13,710,136	13,678,019	32,117	308,096	183,356	481	13,354	32,535	33,943	13,215	31,212	308,096
Non-financial corporations	53,653,777	51,959,200	1,694,577	8,457,516	2,180,226	435,737	497,864	1,275,828	2,396,538	611,959	1,059,364	8,457,516
Of which SMEs	31,082,240	30,286,111	796,129	6,093,264	1,230,408	318,730	422,087	888,677	2,085,687	534,036	613,639	6,093,264
Households	32,255,550	31,157,153	1,098,397	1,320,633	232,712	162,302	176,605	223,721	340,919	82,427	101,947	1,320,633
Debt securities	**36,990,501**	**36,990,501**	**-**	**90,004**	**90,004**	**-**	**-**	**-**			**-**	**90,004**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	29,819,727	29,819,727	-	-	-	-	-	-	-	-	-	-
Credit institutions	2,796,976	2,796,976	-	-	-	-	-	-	-	-	-	-
Other financial corporations	3,756,154	3,756,154	-	80,203	80,203	-	-	-	-	-	-	80,203
Non-financial corporations	617,644	617,644	-	9,801	9,801	-	-	-	-	-	-	9,801
Off-balance-sheet exposures	**58,586,820**			**1,308,034**								**1,308,034**
Central banks	-			-								-
General governments	1,145,156			14,851								14,851
Credit institutions	3,027,816			-								-
Other financial corporations	9,921,176			16,433								16,433
Non-financial corporations	39,667,478			1,258,310								1,258,310
Households	4,825,194			18,440								18,440
Total	**199,814,424**	**138,402,492**	**2,825,112**	**11,489,880**	**2,688,552**	**598,522**	**688,971**	**1,532,085**			**1,193,959**	**11,489,880**

TABLE 4 - Performing and non-performing exposures and related provisions

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	104,237,103	97,071,145	6,874,278	10,091,842	0	9,873,822	-442,697	-183,262	-259,433	-4,600,781	0	-4,468,964	-590,238	61,225,231	4,334,778
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	1,932,480	1,912,131	16,735	5,597	0	5,597	-5,823	-5,808	15	-2,119	0	-2,119	0	7,427	0
Credit institutions	2,685,160	2,676,443	8,717	0	0	0	-1,839	-1,811	-27	0	0	0	0	589,325	0
Other financial corporations	13,710,136	13,507,738	94,396	308,096	0	271,552	-15,350	-13,417	-1,933	-205,044	0	-169,313	-63,910	6,388,992	60,129
Non-financial corporations	53,653,777	49,709,724	3,816,030	8,457,516	0	8,278,940	-312,880	-141,670	-171,209	-4,018,874	0	-3,923,105	-517,762	25,216,937	3,411,740
Of which SMEs	31,082,240	28,267,155	2,788,005	6,093,264	0	6,042,931	-208,457	-77,271	-131,186	-2,976,024	0	-2,951,178	-321,805	19,847,510	2,616,298
Households	32,255,550	29,265,109	2,938,400	1,320,633	0	1,317,733	-106,805	-20,556	-86,249	-374,744	0	-374,427	-8,566	29,022,550	862,909
Debt securities	36,990,501	36,491,265	288,187	90,004	0	0	-15,077	-11,912	-3,165	-55,953	0	0	0	2,338,261	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	29,819,727	29,790,038	29,689	0	0	0	-6,588	-6,475	-113	0	0	0	0	0	0
Credit institutions	2,796,976	2,640,680	25,906	0	0	0	-1,988	-1,825	-163	0	0	0	0	0	0
Other financial corporations	3,756,154	3,641,172	83,134	80,203	0	0	-3,979	-3,527	-452	-48,926	0	0	0	2,338,261	0
Non-financial corporations	617,644	419,375	149,458	9,801	0	0	-2,522	-85	-2,437	-7,027	0	0	0	0	0
Off-balance-sheet exposures	58,586,820	57,778,177	808,651	1,308,034	0	1,308,034	-32,884	-26,737	-6,147	-81,925	0	-81,925		15,719,642	207,339
Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
General governments	1,145,156	1,052,269	92,893	14,851	0	14,851	-93	-92	-1	-33	0	-33		865	0
Credit institutions	3,027,816	3,008,403	19,413	0	0	0	-406	-395	-11	0	0	0		604,321	0
Other financial corporations	9,921,176	9,882,021	39,155	16,433	0	16,433	-5,433	-5,324	-109	-416	0	-416		7,209,996	952
Non-financial corporations	39,667,478	39,115,933	551,547	1,258,310	0	1,258,310	-21,466	-16,943	-4,523	-78,767	0	-78,767		6,894,482	201,633
Households	4,825,194	4,719,551	105,643	18,440	0	18,440	-5,486	-3,983	-1,503	-2,709	0	-2,709		1,009,978	4,754
Total	**199,814,424**	**191,340,587**	**7,971,116**	**11,489,880**	**0**	**11,181,856**	**-490,658**	**-221,911**	**-268,745**	**-4,738,659**	**0**	**-4,550,889**	**-590,238**	**79,283,134**	**4,542,117**

TABLE 5 - Quality of non-performing exposures by geography

	Gross carrying amount/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which subject to impairment			
			Of which defaulted				
On-balance sheet exposures	**170,177,313**	**10,181,994**	**10,181,994**	**160,940,095**	**-4,927,659**		**-187,770**
ITALY	150,591,239	10,058,249	10,058,249	144,251,820	-4,861,380		-167,630
Rest of World	19,586,074	123,745	123,745	16,688,275	-66,279		-20,140
Off-balance-sheet exposures	**59,894,854**	**1,308,034**	**1,308,034**			**- 114,809**	
ITALY	57,140,096	1,307,953	1,307,953			-114,468	
Rest of World	2,754,758	81	81			- 341	
Total	**230,072,167**	**11,490,028**	**11,490,028**	**160,940,095**	**- 4,927,659**	**- 114,809**	**- 187,770**

TABLE 6 - Credit quality of loans and advances by industry

	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	1,599,113	107,275	107,275	1,598,083	-45,323	-471
Mining and quarrying	385,956	26,410	26,410	385,956	-9,364	0
Manufacturing	21,129,685	1,632,877	1,632,877	21,007,676	-944,652	-50,951
Electricity, gas, steam and air conditioning supply	1,065,498	63,550	63,550	1,059,184	-27,715	-5,879
Water supply	633,113	45,985	45,985	632,409	-26,548	0
Construction	7,453,283	2,402,063	2,402,063	7,427,989	-1,191,833	-6,099
Wholesale and retail trade	9,258,688	664,644	664,644	9,258,175	-410,754	0
Transport and storage	2,318,396	228,567	228,567	2,318,396	-85,275	0
Accommodation and food service activities	2,130,494	209,313	209,313	2,101,319	-86,278	-18,593
Information and communication	1,776,786	70,369	70,369	1,776,325	-37,057	0
Financial and insurance activities	283,630	19,535	19,535	283,630	-15,260	0
Real estate activities	7,670,496	2,514,582	2,514,582	7,550,055	-1,056,356	-13,776
Professional, scientific and technical activities	2,964,951	225,218	225,218	2,964,951	-143,858	0
Administrative and support service activities	1,058,178	89,122	89,122	1,058,178	-58,133	0
Public administration and defence, compulsory social insurance	6,543	0	0	6,543	7	0
Education	55,541	2,346	2,346	55,541	-1,952	0
Human health services and social work activities	776,950	20,439	20,439	776,950	-12,871	0
Art, entertainment and recreation	311,344	33,411	33,411	310,687	-16,292	0
Other services	1,232,648	101,810	101,810	1,232,647	-66,456	0
Total	**62,111,293**	**8,457,516**	**8,457,516**	**61,804,694**	**-4,235,984**	**-95,769**

TABLE 9 - Collateral obtained by taking possession and execution processes

	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	**0**	**0**
Other than PP&E	**1,090,824**	**-345,336**
Residential immovable property	16,016	-4,549
Commercial immovable property	1,059,254	-335,489
Movable property (auto, shipping, etc.)	0	0
Equity and debt instruments	15,554	-5,298
Other	0	0
Total	**1,090,824**	**-345,336**

Information on exposures subject to legislative and non-legislative moratoria and on newly originated exposures subject to public guarantee schemes

On 2 June 2020, the European Banking Authority (EBA) issued the Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07).

These guidelines require information to be provided on:

- loans subject to "moratoria" that fall within the scope of application of EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);
- loans subject to forbearance measures applied in response to the Covid-19 crisis. These details are for reporting purposes only;
- new loans guaranteed by the State or by another Public Entity.

The Group has granted various measures to support households and businesses, both by virtue of that envisaged by government decrees (Italian Decree Law 18/2020 issued on 17 March 2020 "Measures to strengthen the National Health Service and economic support for families, workers and businesses related to the Covid-19 epidemiological emergency", so-called "Cura Italia", and on the basis of initiatives granted due to agreements with trade associations. The purpose of these measures is to provide support to parties affected by the suspension or limitation of economic activities resulting from the Covid-19 crisis, through the suspension of payments.

In light of the indications provided by the various Authorities (primarily the EBA, ECB) and the IASB, the aforementioned moratorium interventions:

- in accordance with the recommendations of the EBA dated 2 April 2020 ("Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis"), have not, as a rule, led to the classification of the exposure as "subject to forbearance measures", as these are interventions whose purpose is to mitigate systemic risks and not the specific needs of an individual borrower, with the exception of limited cases in which the borrower is confirmed as being in financial difficulty before the crisis, which meet the conditions envisaged by the guidelines;
- have not led to the automatic classification of the exposure as Stage 2 defined by the IFRS 9[10] impairment model, insofar as said measures do not necessarily entail a significant increase in credit risk with respect to the disbursement date of the loans;
- do not represent an automatic trigger for the classification as unlikely to pay; in particular, during the period of suspension, the counting of days past due is interrupted, resulting in an extension of the ninety-day period, which represents the automatic trigger for switching between non-performing loans.

In this regard, it should be noted that, for the purposes of the aforementioned framework, the guidelines published on the subject by the EBA on 2 April 2020, as amended on 25 June 2020 in order to extend the deadline for the application of these guidelines to moratoriums initiated and applied until 30 September 2020 (compared to the date of 30 June 2020 initially planned), have been taken into account.[11]

With regard to the related accounting treatment, reference should be made to the provisions of IFRS 9 for the case of "renegotiation of financial assets", which occurs when the original contractual conditions are modified at the will of the parties. In this case, it must be verified whether the financial asset should continue to be recorded in the financial statements, or if this is not the case, the original financial asset should be derecognised, and a new financial instrument recognised.

To this end, it is necessary to evaluate whether the amendments made to the contractual terms of the renegotiation are substantial. More specifically:

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[10] Based on the impairment model introduced by IFRS 9, the expected losses relating to exposures classified as stage 2 (which include exposures subject to forbearance measures) are calculated with reference to a time horizon of a "lifetime" (namely corresponding to the entire duration of the loan granted), instead of the traditional one of twelve months envisaged for exposures classified as stage 1.

[11] In detail, the EBA specifies that measures that can be traced back to "general moratoriums on payment" are not classified as forborne. In that case, the suspension:

- must take the form of a mere change in payment terms, and therefore not include further changes in the contractual clauses, such as a reduction in the interest rate;
- must be based on a legislative or bilateral initiative. In the latter case, the measure must form part of a shared intervention in the banking sector such as to ensure homogeneity between the moratoriums granted by the various institutions;
- must be applied to a broad spectrum of debtors, determined on the basis of general criteria (belonging to a given customer segment, production sector or geographical area affected by the crisis);
- must be applied at the same conditions to all subjects that benefit from it; must not be granted to loans disbursed after the date on which the moratoria was announced;
- must be equipped to deal with the emergency caused by the pandemic and must be applied until 30 September 2020.

However, the EBA draws attention to the need for banks to monitor the credit quality of exposures affected by moratoriums, with a view to correctly classifying the exposure, paying particular attention to customers who, at the end of the moratorium, may show payment difficulties or other signs of deterioration.

- if there is a material change, the entity must derecognise the financial instrument being amended and recognise a new financial asset on the basis of the new contractual provisions (derecognition accounting);
- for non-substantial renegotiations, the entity shall restate the gross value by calculating the present value of the cash flows resulting from the renegotiation, based on the original rate of exposure existing before the renegotiation. The difference between the aforementioned gross value and the gross book value prior to the change is recognised in the income statement under item 140 "Gains (losses) from contractual modification without derecognition" (modification accounting).

The contractual amendments in question, involving a mere deferment of payments, are to be considered as non-substantial and therefore to be treated on the basis of "modification accounting".

In this regard, it should be noted that the moratoria granted by the Group provide for the application of interest charged on the residual debt for the entire period of suspension of payments. Interest shall also be paid on expiry of the original instalment, in the event of suspension of the principal only, or from the end of the moratorium period, in the event of suspension of the entire instalment. This means that the present value of the post-renegotiation exposure is substantially in line with the present value of the pre-negotiation exposure.

In conclusion, as the moratoria in question entail a mere deferment of payments, they have been treated, from an accounting perspective, according to the rules of "modification accounting". Taking into account the mechanism for the functioning of the suspensions granted by the Group - which provide for the accrual of interest on the residual debt for the entire moratorium period - no effect on the income statement following renegotiation has been calculated, since the aforementioned mechanism is such as to ensure a substantial correspondence between the present value of the post-renegotiation and pre-renegotiation exposures.

These conclusions are also consistent with the expectations of ESMA, which considers that the changes under consideration are unlikely to be substantial enough to lead to derecognition, given the temporary nature of the support measures and the fact that the economic value of the loan will not change significantly. In addition, for legislative moratoria, the same explanatory report of the "Cura Italia" Decree states that "the provisions provide that there is no economic loss for the bank as a result of the moratorium. The mechanism, therefore, is actuarially neutral, i.e. it is limited to redistributing payments without resulting in loss for the bank or benefits for the company".

As of the date of this Report, the activities necessary to process further requests for moratoria granted to customers are continuing.

The above-cited guidelines (EBA/GL/2020/07) specify the content of the disclosure required through the preparation of uniform and standard formats, as shown below.

Template 1 *- Information on loans and advances subject to legislative and non-legislative moratoria*

	Gross carrying amount						
		Performing			Non-performing		
			of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or are past-due ≤ 90 days
Loans and advances subject to moratoria	**12,938,766,680**	**12,917,278,027**	**601,718,516**	**1,795,669,442**	**21,488,652**	**7,448,009**	**16,276,247**
of which: Households	2,207,295,587	2,202,382,789	93,338,804	551,116,604	4,912,797	1,629,009	2,386,792
of which: Collateralised by residential immovable property	1,302,599,516	1,300,296,730	60,806,261	409,075,726	2,302,786	922,070	942,284
of which: Non-financial corporations	10,645,199,634	10,628,623,779	502,869,474	1,229,607,978	16,575,855	5,819,000	13,889,455
of which: Small and medium-sized enterprises	9,243,390,634	9,226,814,779	500,291,110	1,154,794,245	16,575,855	5,819,000	13,889,455
of which: Collateralised by commercial immovable property	4,690,192,157	4,684,737,506	419,967,795	842,022,737	5,454,651	1,843,841	4,822,359

	Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non-performing			
			of which: exposures with forbearance measures	Of which: instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		of which: exposures with forbearance measures	Of which: unlikely to pay that are not past-due or are past-due ≤ 90 days	Inflows to non-performing exposures
Loans and advances subject to moratoria	**114,464,553**	**108,503,492**	**33,601,692**	**80,873,667**	**5,961,061**	**1,961,803**	**4,607,657**	**-**
of which: Households	19,833,458	18,795,679	3,016,514	15,991,598	1,037,779	322,097	576,268	-
of which: Collateralised by residential immovable property	11,674,746	11,499,980	1,791,057	10,580,222	174,766	66,713	76,761	-
of which: Non-financial corporations	93,565,493	88,642,210	30,249,350	64,139,873	4,923,282	1,639,707	4,031,390	-
of which: Small and medium-sized enterprises	85,963,543	81,040,261	30,194,377	59,442,153	4,923,282	1,639,707	4,031,390	-
of which: Collateralised by commercial immovable property	63,858,431	63,314,615	25,721,804	49,659,011	543,816	144,285	486,288	-

As at 30 June 2020, the amount of loans and advances subject to legislative and non-legislative moratoria was roughly € 13 billion. 82% of the above-mentioned moratoria was granted to Non-financial corporations - more specifically, 71% to small and medium-sized enterprises and the remainder to households. Almost all suspensions were granted to customers with performing exposures, of which 14% classified as stage 2. Only 0.2% of the suspensions related to counterparties classified as stage 3.

Template 2 *- Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria*

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	**72,743**	**13,299,768,215**							
Loans and advances subject to moratorium (granted)	**70,408**	**12,938,766,680**	**12,938,766,680**	**-**	**672,773,740**	**8,387,687,447**	**1,949,973,386**	**1,875,157,504**	**53,174,603**
of which: Households		2,207,295,587	2,207,295,587	-	93,604,186	1,238,554,352	190,525,048	654,161,279	30,450,721
of which: Collateralised by residential immovable property		1,302,599,516	1,302,599,516	-	44,398,059	535,104,807	113,391,920	581,119,386	28,585,344
of which: Non-financial corporations		10,645,199,634	10,645,199,634	-	573,320,896	7,090,261,194	1,742,363,998	1,216,544,434	22,709,111
of which: Small and medium-sized enterprises		9,243,390,634	9,243,390,634	-	544,939,167	6,741,311,315	1,561,594,426	375,537,563	20,008,163
of which: Collateralised by commercial immovable property		4,690,192,157	4,690,192,157	-	183,423,383	3,097,323,313	898,149,616	494,366,862	16,928,983

As at 30 June 2020, 99.5% of the moratoria granted had a residual maturity of within 12 months, of which 70% within 6 months (this is explained by the high percentage (97%) of suspensions resulting from the application of the measure set forth in art. 56 of Italian Legislative Decree 17 March 2020.

Template 3 *- Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis*

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**2,829,452,383**	**12,099,435**	**2,111,760,511**	**2,639,112**
of which: Households	366,380,833			729,340
of which: Collateralised by residential immovable property	2,097,044			-
of which: Non-financial corporations	2,462,754,518	8,642,546	1,764,663,013	1,909,772
of which: Small and medium-sized enterprises	2,300,371,981			1,909,772
of which: Collateralised by commercial immovable property	41,352,837			-

As at 30 June 2020, new loans and advances granted under the provisions of Italian Legislative Decree 8 April 2020 converted into Law on 5 June 2020 (and effective from 7 June 2020), with the public guarantee of the Management Fund for Small and Medium-sized Enterprises and/or of Sace, amounted to roughly € 2.8 billion. 87% of the beneficiary counterparties belong to the Non-financial corporation sector, of which 81% are small and medium-sized enterprises.

The public guarantees received cover 75% of the volumes granted.

As at the date of this disclosure, work is continuing to finalise the loan applications received from customers.

Credit Risk - standard approach

Process of assessing creditworthiness

Credit risk – standardised approach

List of ECAIs (External Credit Assessment Institutions) and ECAs (Export Credit Agencies) used in the standardised approach and of the portfolios in which their ratings are applied.

Portfolios	ECA/ECAI	Characteristics of the ratings (solicited/unsolicited)
Exposures to Central Administrations and Central Banks	Moody's	Solicited
	Standard & Poor's	
	Fitch	
Exposures to International organisations	Moody's	Solicited
	Standard & Poor's	
	Fitch	
Exposures to multilateral development banks	Moody's	Solicited
	Standard & Poor's	
	Fitch	
Exposures to businesses and other subjects	Moody's	Solicited
	Standard & Poor's	
	Fitch	
	Cerved	Unsolicited
Exposures to undertakings for collective investment in transferable securities (UCITS)	Moody's	Solicited
	Standard & Poor's	
	Fitch	

Securitisations

Portfolios	ECA/ECAI
Securitisation positions	Moody's
	Standard & Poor's
	Fitch
	Scope
	DBRS

The process for assessing the creditworthiness of the issuer/issue requires transposing the available information supplied by external providers for counterparties/securities, irrespective of the presence and type of business of the banking book (e.g., exposures in banking book securities, mortgage loans, etc.) and the nature of the security.

In the case of common customers, this information is subsequently disseminated to all of the Group's legal entities, in order to standardise the assessment of creditworthiness and subsequent weighting.

If there are assessments from more than one ECAI, the capital requirements calculation software (B3PRO) determines the creditworthiness assessment to be used for reporting purposes in compliance with the regulatory indications envisaged in Regulation (EU) no. 575/2013. Specifically, as required by art. 138, if there are two assessments, the rating relative to the highest weighting factor is assigned. If there are more than two assessments, the ratings corresponding to the lowest weighting factors are selected, and of these, if different, the lowest rating applies.

With reference to the association of the external rating of each ECAI or export credit agency chosen to the creditworthiness classes, the mapping used is provided by Implementing Regulation (EU) 2016/1799 of the European Commission.

EU CR4 – Standardised approach – Credit risk exposure and CRM effects

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes	**On-balance-sheet amount**	**Off-balance-sheet amount**	**On-balance-sheet amount**	**Off-balance-sheet amount**	**RWAs**	**RWA density**
Central governments or central banks	44,931,961	3,567,815	51,148,172	3,600,833	3,358,540	6.13%
Regional governments or local authorities	191,078	460,148	247,366	3,102	48,155	19.23%
Public sector entities	534,210	486,889	536,621	66,891	351,405	58.23%
Multilateral development banks	0	0	118,839	2,275	0	0.00%
International organisations	1,578	210,605	1,578	0	0	0.00%
Institutions	10,453,605	9,946,085	10,485,009	503,039	4,657,925	42.39%
Corporates	6,317,986	2,561,614	5,912,197	572,244	6,014,376	92.75%
Retail	1,812,574	2,895,804	1,773,501	12,456	1,305,500	73.10%
Secured by mortgages on immovable property	693,153	29,336	692,097	14,342	304,493	43.10%
Defaulted exposures	1,287,845	17,679	1,281,009	2,938	1,497,594	116.64%
Exposures associated with particularly high risk	845,002	160,042	837,425	76,698	1,371,185	150.00%
Covered bonds	298,245	0	298,245	0	40,355	13.53%
Loans to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0.00%
Collective investments undertakings	1,163,289	89,676	1,163,265	36,667	1,199,932	100.00%
Equity	1,839,737	0	1,839,737	0	3,225,879	175.34%
Other items	5,327,279	0	5,327,279	0	4,488,673	84.26%
Total	**75,697,541**	**20,425,693**	**81,662,342**	**4,891,485**	**27,864,012**	**32.19%**

EU CR5 – Standardised approach - Breakdown of exposures by asset class and risk weight

Exposure classes	Risk weight															Total
	0	2	4	10	20	35	50%	70%	75	100%	150%	250%	370%	1250%	Other	Deducted	
Central governments or central banks	51,477,227	0	0	0	140,741	0	315,848	0	0	2,576,977	0	238,213	0	0	0	68,035	54,749,006
Regional governments or local authorities	0	0	0	0	250,468	0	0	0	0	0	0	0	0	0	0		250,468
Public sector entities	0	0	0	0	282,941	0	51,177	0	0	269,394	0	0	0	0	0		603,512
Multilateral development banks	121,114	0	0	0	0	0	0	0	0	0	0	0	0	0	0		121,114
International organisations	1,578	0	0	0	0	0	0	0	0	0	0	0	0	0	0		1,578
Institutions	0	684,146	369,762	0	3,633,705	0	4,851,027	0	0	1,381,836	67,571	0	0	0	0		10,988,048
Corporates	0	0	0	0	54,743	0	752,807	0	0	5,424,542	252,349	0	0	0	0		6,484,441
Retail	0	0	0	0	0	0	0	0	1,785,957	0	0	0	0	0	0		1,785,957
Secured by mortgages on immovable property	0	0	0	0	0	124,451	581,989	0	0	0	0	0	0	0	0		706,440
Defaulted exposures	0	0	0	0	0	0	0	0	0	856,652	427,295	0	0	0	0		1,283,947
Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	914,124	0	0	0	0		914,124
Covered bonds	0	0	0	192,941	105,303	0	0	0	0	0	0	0	0	0	0		298,245
Institutions and corporates with a short-term credit assessment																	0
Collective investments undertakings	0	0	0	0	0	0	0	0	0	1,199,932	0	0	0	0	0		1,199,932
Equity	0	0	0	0	0	0	0	0	0	915,643	0	924,094	0	0	0	564,196	1,839,737
Other items	835,450	0	0	0	3,945	0	0	0	0	4,487,884	0	0	0	0	0		5,327,279
Total	**52,435,369**	**684,146**	**369,762**	**192,941**	**4,471,847**	**124,451**	**6,552,847**	**0**	**1,785,957**	**17,112,861**	**1,661,338**	**1,162,306**	**0**	**0**	**0**	**632,231**	**86,553,827**

The exposures detailed in the "Deducted" column do not contribute to the total of risk-weighted assets, similar to the presentation of the Corep schemes for credit risk. Additionally, it should be specified that the estimate of risk-weighted assets inferable from an analysis of the data shown in the present table is different from the actual final amount of RWAs published in Table CR4 because it does not consider the SME supporting factor provided for in art. 501 of the CRR Regulation in the cases and with the applicable limits.

Credit Risk - IRB approach

Authorisation by the Supervisory Authority and scope of application

The former Banco Popolare Group obtained the original validation of its internal models based on A-IRB (Advanced Internal Rating Based model) from the Bank of Italy for use in calculating the capital requirement on credit risk, on 18 May 2012. Following the merger operation between the former Banco Popolare Group and the former BPM Group, the European Supervisory Authority agreed to the use of internal models at the time validated on the former Banco Popolare perimeter on the same basis of the new Banco BPM Group for the purpose of calculating the capital requirements until 31/12/2017.

Following the acceptance of the "model change" application made by the former Banco Popolare in May 2015, the ECB authorised the Group to make the model changes requested, incorporating a series of temporary prudential measures into the calculation of non-performing RWAs, of non-performing expected losses and on the retail EAD. These measures would have expired after authorisation to use the new A-IRB models for retail EAD, LGD defaulted assets and ELBE. Starting from the reporting of 31 March 2017, and for all of 2017, the following prudential measures (add-ons) were therefore made operational:

- application of a credit conversion factor of 100% for IRB Retail exposures
- calculation of non-performing IRB RWA through application of a regulatory formula
- obligation of a floor for non-performing expected loss corresponding to 45% of gross exposures.

In this context, it must be specified that, in May 2017, an application for model change and authorisation to extend the A-IRB models to the combined Banco BPM portfolio was sent to the ECB, which included the new EAD retail, LGD defaulted assets and ELBE models.

Following the ECB audit process, on 16 February 2018, the Group received authorisation to adopt its internal risk management systems with extension to BPM S.p.A. The authorisation is effective starting from the reporting of 31 March 2018.

The validation perimeter consists of the assets attributable to the regulatory classes "loan exposures to businesses" and "loan exposures to retail" (acceptance and monitoring models) of the Parent Company Banco BPM.

As at 30 June 2020, Banco BPM Group is authorised to use:

- five rating models, used to estimate the Probability of Default (PD), respectively for the counterparties segmented using the ratings models for Large Corporate, Mid Corporate Plus, Mid Corporate, Small Business and Private
- two Loss Given Default (LGD) models (Loss Given Default performing, ELBE and Defaulted Asset) for estimating the loss rate in the event of default of Businesses and Private Customer counterparties, respectively
- an EAD model relative only to the Retail portfolio.

During 2019, the Group developed a number of significant changes to the PD, LGD and EAD risk parameters, aimed above all at resolving IMI and TRIM obligations deriving from the last two inspections of its ratings models, which led to the application of specific add-ons when calculating capital requirements. The changes made fall within the Model Change regulatory context, consequently they will be assessed by the Regulator and will begin use only after the necessary approval is obtained from the ECB.

In addition to resolving the IMI and TRIM findings (respectively deriving from the authorisation letter of 16/02/2018 and of 25/04/2019), these Model Changes will allow for the removal of the corresponding add-ons after approval, as well as (i) addressing certain significant regulatory dictates regarding new EBA guidelines for estimating PD, LGD and Downturn, (ii) making it possible to extend the IRB approach to segments with structured finance operations[12] (real estate, project finance and leveraged and acquisition finance) as planned in the Group's roll-out plan (iii) making it possible to calculate EAD through internal CCF for the corporate area, also envisaged in the Group's roll-out plan.

In August 2020, the application for a model change was sent to introduce the new definition of default (EBA/GL/2016/07 - Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013) into company processes and procedures. The application also includes the effects of new logic for intercepting default on IRB risk parameters. The start of the inspection phase is scheduled for mid-September 2020.

Illustration of the structure, use, management processes and control mechanisms of the internal rating systems

Structure of the internal rating systems (PD)

The rating models involved in the validation are intended to respond to a precise rationale, that of obtaining, for both reporting and management purposes, risk measures:

- capable of incorporating the fundamental drivers underlying creditworthiness of parties in relation to which the Group has or intends to assume loan exposures;
- relatively stable over time, so as to reflect, in each customer segment, the long-term expected riskiness of the Group's current and potential loan exposures;
- capable of preventing phenomena of uncontrolled growth of risk in positive cycle periods and, on the contrary, of indiscriminate restriction of loans in those of negative cycle (counter-cyclicity).

In light of these objectives, advanced statistical techniques were used in the various stages of the estimation process (e.g. identification of the explanatory/predictive variables of default, integration of the scores, etc.) as well as calibration of the internal ratings.

The rating models were developed internally under the responsibility of the Risk Models structure.

The various stages of development of the models were structured to provide for the active

[12] In this context, note that the Regulator focused the audit assessments between Q4-2019 and Q1-2020 solely on model change interventions on Corporate and Retail IRB estimates, postponing its assessments regarding the new IRB modelling for structured finance transactions.

involvement—in order to facilitate consistency of the models with management practices— of all internal stakeholders, namely the Group's Loans Unit, the Organisation Unit, the Retail and Corporate Commercial Units, the Administration and Financial Statements Unit and the Information Technology (IT) Unit.

In the process of developing the models, statistical techniques were used to support the methodological choices with solid empirical evidence. In particular, the interpretability and economic-financial value of the indicators used in the context of the rating models were the subject of verification by the Risks Unit during the estimation activity (i.e. economic as well as statistical significance of the indicators) and discussions in the context of the planning Workgroup (i.e. Loans, Internal Validation, Internal Audit Units).

The statistical significance of the information was ascertained through appropriate analyses, which led to successive selections of the most significant indicators. This approach enabled the identification of the most significant information, avoiding the inclusion of redundant or superfluous information which would have increased its complexity, with no effective added value in terms of accuracy of the estimates produced.

The set of information used to estimate the rating models was defined with the objective of making the best use of the whole available database and was developed on the basis of the experience gained on the rating models previously estimated and of consistency with loan management practices, verified through the active collaboration of the competent corporate units.

In particular, the historical series used in the estimation stage feature the greatest time depth available, and the development samples were selected to ensure the highest representativeness with respect to the Group's loan portfolio.

Structure of the internal rating systems (LGD)

The internal models for calculating the Loss Given Default (LGD) were developed with the aim of favouring consistency with the Group lending processes, when identifying the explanatory drivers of estimates.

The existing models as at 30 June 2020 are differentiated by exposure bands, type of technical macro-form, presence/absence of guarantee, administrative status of the counterparty (performing, past due, unlikely to pay and bad loans) and vintage for defaults.

These were estimated by analysing the losses suffered by the Group on historic defaults (LGD workout), with a definition of default consistent with that applied to PD estimation models.

In order to include the impacts deriving from recessive short-term periods in the LGD calculation structure, the downturn component is estimated on the basis of the type of portfolio being analysed.

Additionally, the model includes the estimate of indirect costs, i.e. administrative costs which are not directly attributable to the single procedure.

The new LGD defaulted asset models also make it possible, through a bootstrapping approach with opportune identification of an extreme percentile of the distribution of the LGD averages, to identify unexpected values of losses (or LGD DA), the difference of which from the best estimate of LGD (or LGD ELBE) makes it possible to calculate (by using a specific regulatory formula) the Risk Weighted Assets on defaults.

The Banco BPM Group updated the historical series underlying the estimate of the risk parameter in question in order to incorporate the most recent evolutions of the economic cycle.

Use of the rating system for management purposes

The main characteristics of the rating system used in the process of granting, monitoring and managing loans, in pricing, in corporate governance and in reporting are described briefly below.

Granting Loans

The rating plays a central role in assessing creditworthiness at the time of granting and revising/modifying credit.

The rating is used:

- for the purpose of identifying the decision-making powers, for which:
  - the assessment of creditworthiness — expressed by the rating determined by the models developed for the various regulatory segments of customers — is attributed operationally to "Classes of decision-making competence";
  - the riskiness of the operations is measured using mitigation classes defined based on the LGD associated with each credit line;
- at the moment of closing the proposal and the related decision, when the proponent and the decision maker must express an opinion on the overall consistency between the fiduciary arrangement being proposed/decided on (type of credit lines and ancillary guarantees) and the assessment of creditworthiness expressed by the rating.

The Parent Company's Credit Unit defines the credit policy guidelines, considering the economic and geo-sectoral information acquired from external sources in relation to the default probability and the expected losses of the various economic sectors.

The distribution of the growth of lending volumes is divided into the various sectors based on the values of the above metrics, providing for power reservations for counterparties with higher rating levels.

Loan Monitoring and Management

Positions that show the first symptoms of negativity are automatically placed in a monitoring and management process. These positions are identified automatically once a month based on a series of indicators, including the rating.

The positions of each segment that present the worst ratings classes are detected and placed into the process. In addition, for each position included in the process, the Manager must analyse the consistency of the rating with the management class proposed and assess, case by case, any need to activate the process to change (override) the rating.

Pricing

The Group has a pricing determination corrected for credit risk; this tool is capable of quantifying the minimum spread with respect to the internal rate of transfer of the funds which the company must carry out to ensure coverage of the expected loss, of the cost of capital and of all the components which enable value generation.

Corporate governance

The system of internal models is used as input to the portfolio model for the estimate of economic capital against the credit risk of both performing and default exposures, in the context of updating the risk propensity and of monitoring the risk limits (using Pillar 2 economic capital metrics), both on a final-figure basis and on a prospective basis.

Reporting

The rating and the LGD are the foundation of the management and operational reporting on the risks of the loan portfolio. As regards the management reporting, the Risks Unit periodically prepares the Integrated Risk Report, which provides an overview of the Group's risk position with reference to the set of all risk factors, according to a framework compliant with Basel 3 (Pillar 1 and Pillar 2).

Calculation of value adjustments on performing exposures

From 1 January 2018, the Banco BPM Group has adopted accounting standard IFRS 9 to calculate value adjustments on performing exposures. While further details on the impairment model used can be found in the explanatory notes to the condensed consolidated financial statements contained in the Consolidated Interim Financial Report, note that for the calculation of value adjustments on performing exposures as at 30 June 2020, given the extraordinary situation resulting from the health emergency, changes have been made to the model, with specific reference to the PD framework that encompasses the influence of the economic cycle. The purpose of the changes made is to encompass the new forward-looking scenarios for default rates into the calculation of ECL, broken down by sector of economic activity. This change was necessary given the significant difference in the impact of the pandemic from sector to sector. Further changes have also been made to take the impact of the supportive measures introduced by the Italian government to sustain credit and guarantee the required levels of liquidity on the calculation model.

Calculation of value adjustments on defaulted exposures

Again, while further details on the impairment model used can be found in the explanatory notes to the condensed consolidated financial statements contained in the Consolidated Interim Financial Report, note that the collective approach is applied to:

- Bad Loans and Unlikely to Pay (UtP) of a nominal amount of less than € 1 million at the measurement date;
- Defaulted past due exposures irrespective of the nominal amount.

With reference to non-performing positions not included in the perimeters described above, the measurement is analytical.

Following the application of accounting standard IFRS 9, as of 1 January 2018, solely for Group exposures classified as bad loans, the calculation of expected credit losses includes forward-looking elements. This is done through the introduction of specific sales scenarios in which the Group's NPL strategy envisages that these exposures may be recovered through disposal, with the aim of pursuing a derisking strategy to decrease the NPL ratio, that is, the percentage impact of non-performing exposures with respect to total exposures.

In line with the disposal objectives established by the Board of Directors, the Group's exposures classified as bad loans are measured through the configuration of two different estimates of expected cash flows:

- the first is determined by assuming a reference scenario in which debt is collected based on internal activities, according to the ordinary measurement guidelines followed by the Group (workout scenario);
- the second is determined by assuming a reference collection scenario involving disposal of the loan (sales scenario).

Estimates of recoverable amounts are therefore equal to the weighted average of the probabilities assigned to the two scenarios used to estimate cash flows the Group expected to receive from the scenarios.

Process of management and recognition of the techniques to mitigate credit risk

The Banco BPM Group places attention on the acquisition of loan collateral and securities, i.e. the use of tools and techniques that facilitate the mitigation of credit risk. On this point, the Group Banks, when performing lending activities, acquire guarantees typical of the banking business; these are mainly collateral on properties or financial instruments and personal sureties given by private individuals, businesses, financial institutions, etc.

Within the Basel Project, and in particular in the CRM project area — which involved the transversal contribution of resources from the Risks, Organisation and Information Systems units — all methodological, organisational and procedural interventions were carried out in order to enable the use of risk mitigation techniques based on internal probability of default (PD) and loss given default (LGD) models, in line with the legislative requirements.

With particular reference to the management of the various types of collateral and personal guarantees, there are:

- IT procedures that cover all the aspects related to management of the aforementioned guarantees;
- internal rules (circulars, instructions, regulations, process standards) to be used by all Organisational Structures involved (Network and central structures), which provide instructions of both a "Legislative" and a technical-operational nature.

The compliance of these interventions with legislative requirements was verified by the internal validation and audit units.

Control and revision of rating systems

A prerequisite for the adoption of internal risk measurement systems to calculate capital requirements is the presence of a process of validation and internal auditing of the rating systems, both at the stage of setting up these systems, with a view to obtaining authorisation from the Supervisory Authorities, and at the stage of continual management/maintenance of the same once authorisation has been obtained.

The Banco BPM Group has an internal Validation unit (part of the staff of the Risks unit) responsible for the validation processes of the Banco BPM Group's risk measurement and management systems. These activities are carried out independently by the units tasked with risk measurement and management and by the unit responsible for Internal Audit. The structure is responsible for continual and iterative validation activity related to the risk measurement and management systems, in order to assess their adequacy with respect to the legislative requirements, the corporate operating needs and those of the market of reference.

The Internal Audit activity provided for in the Supervisory Regulations is carried out by Banco BPM's Audit unit. With specific regard to credit risks, the structure audits the entire process of adoption and management of the internal measurement systems according to methods and areas of responsibility defined by the corporate regulations and on the basis of a specific work plan. The structure is tasked with assessing the functionality of the overall arrangement of the process of measuring, managing and controlling the Group's exposure to credit risks, including through periodic audits of the process of internal validation of the related models prepared under the terms of the prudential supervisory regulations.

Description of the internal rating models for the regulatory Corporate and Private Individuals segment

Aspects common to the various models

Calibration of the model is based on a long-term central tendency. The calibration function was created to define a correspondence between integrated scores and the long-term default probabilities (PDs).

The calibration philosophy adopted by the former Banco is based on a "through-the-cycle" (TTC) approach, which neutralises the possible impacts deriving from an economic cycle in the phase of expansion or recession.

The PD models return valuations divided into 11 performing rating classes, with average class PDs differentiated for each rating model.

Additionally, the Group has defined a methodological approach, on the basis of which the counterparty's rating undergoes notching to consider whether the counterparty belongs to an Economic Group (only legal links between parent company and subsidiary are considered).

Large Corporate model

The Large Corporate rating model was defined considering the classification of customers provided by the Credit Department experts (expert rank ordering). The objective of this decision was to obtain an assessment of the counterparty, which, on one hand, would be based on statistical principles and, on the other, would incorporate the specialised experience of the Credit Unit on this customer segment.

This model is made up of two modules: economic-financial and qualitative.

The score obtained by the quantitative model is achieved through notching (positive, negative or neutral) of the rating class arising from the economic-financial score.

The counterparty's rating can subsequently be changed for companies belonging to an economic group.

Lastly, the Rating Desk attributes the final rating by reviewing the rating assigned by the model on the basis of warning signals or other performance-related information available but not directly captured by the model.

Business models

The models related to Small Business, Mid Corporate and Mid Corporate Plus segmented counterparties are developed starting from four information sources processed in specific modules that contribute, through statistical scores, to determining the final probability of default (PD) for each individual counterparty, through the adoption of integration functions differentiated by segment and by seniority of customers (acceptance portfolio and monitoring portfolio).

The elementary modules on which these models are based, corresponding to the four information sources, are the following:

- **Internal Performance module**: its purpose is to detect the trend of creditworthiness of trusted counterparties over time and is based on data concerning relations of the said counterparties with the banks in the Group;
- **Central Credit Register module**: its purpose is to detect the evolution over time of the counterparty's relationship (if reported) with the other banks of the system, based on the reporting data of the Central Credit Register;
- **Economic-Financial module**: its purpose is to assess the creditworthiness of customers based on economic-financial information, with particular reference to counterparties that prepare financial statements according to the provisions of the Civil Code (or ordinary accounting);
- **Qualitative module**: based on information coming from qualitative questionnaires, divided into the counterparties' business activity segments.

Starting from the single scores of the modules, an integrated score is statistically calculated (integration function) to summarise in a single risk indicator the results coming from the elementary modules (Internal Performance, Central Credit Register and Economic-Financial for the monitoring model; Central Credit Register, Economic-Financial and Qualitative for the acceptance model).

The score produced by the integration function is subsequently associated with a default probability (PD) through the definition and application of a specific calibration function; this probability of default is, finally, mapped on the rating classes. The calibration functions, which are differentiated for each rating segment, aim to "anchor" the Probability of Default to the long-term Central Tendency.

Then, after the calibration phase, the qualitative questionnaire on the monitoring model is used for notching the rating class, starting from specific ranges (cut-offs) of the qualitative scores (in particular, each cut-off corresponds to a certain number of notches above or below the rating class).

Finally, in the case of a Large Corporate, Mid Corporate Plus, Mid Corporate or Small Business segmented counterparty belonging to a group or with a consolidating parent company which is Large Corporate or Mid Corporate Plus (with consolidated financial statements), the rules on notching (upgrading/downgrading of the counterparty's rating) defined by the Group are applied.

Private Customer model

The default probability is calculated and attributed by counterparty. For customers shared with several banks in the Group, the principle of data accumulation is adopted in order to calculate a single rating for these counterparties.

The development sample is made up of all Private counterparties, that is counterparties whose legal nature is "Natural Persons or Joint Accounts of natural persons", with an exposure recorded in relation to the Group banks, with no connection to a sole trader, or joint accounts of natural persons.

Each module is based on a different information source and provides an intermediate score, which contributes to the various integration functions that assign the final PD to the counterparty. The model is made up of four elementary modules which contribute to determining the final counterparty PD through four integration functions, divided by seniority of relationship between customer and bank and by presence/absence of a new product.

Description of the Business and Private LGD models

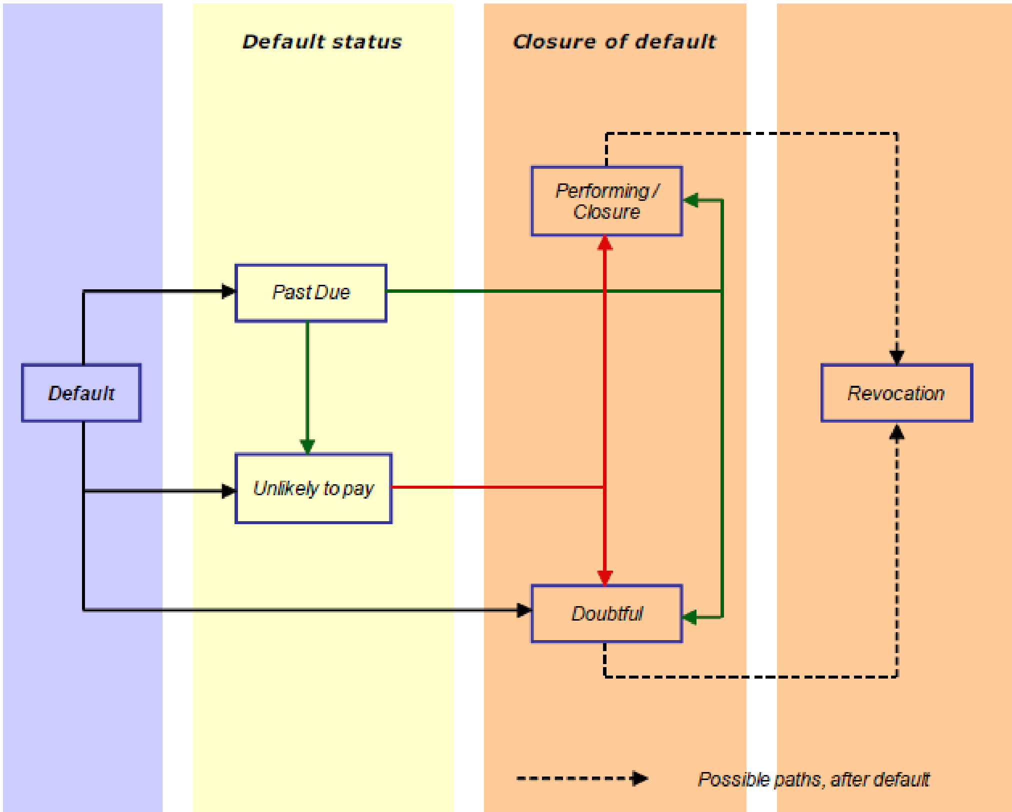
These models are differentiated by exposure bands, type of technical macro-form, presence/absence of guarantee and status of the counterparty (performing, past due, unlikely to pay and bad loans). These were estimated by analysing the losses suffered by the Group on historic defaults (LGD workout), with a definition of default consistent with that applied to PD estimation models.

Conditioned upon entry into default status, a resolution case for their cycle may be associated with each counterparty, irrespective of the progress made in the intermediate stages of default. These cases may be:

- **return to performing**: the case of a counterparty in default that returns to being part of the performing portfolio. This can happen regardless of whether the Bank incurs a loss;
- **closure of the position**: when a counterparty in default does not transfer to Bad Loans and closes the commercial relationships with the Bank during the status of Past Due or Unlikely to Pay. This can happen regardless of whether the Bank incurs a loss;
- **transfer to Bad Loans**: the most serious default status, from which it is not possible to return either to a previous default status or to performing. When a counterparty is

transferred to Bad Loans, all relationships with the Bank are closed, and the process begins of recovering the amount for which the counterparty is exposed.

All the possible routes that a counterparty in default may follow, and which were considered in the LGD models, are shown in the figure below:



The default statuses related to Past Due and Unlikely to Pay can occur as initial entry statuses or, only in cases of Unlikely to Pay, also later. Lastly, an additional possibility for resolution of the default is activation of the Revocation procedure (or action), which can occur after transfer to Bad Loans following a closure or return to performing.

The LGD models consist of five versions, according to the administrative status of the counterparty.

In order to include the impacts deriving from recessive short-term periods in the LGD calculation structure, the downturn component is estimated on the basis of the type of portfolio being analysed. The addition of this effect to the LGD estimate is determined through the application of a specific correction factor (add-on). This approach consists of estimating the main components of the model in downturn periods identified along the historical series taken as a reference and verifying the impact with respect to the result obtained from the LGD estimate performed on the entire observation period.

The models also include the estimate of indirect costs (administrative costs that are not directly attributable to the individual file), which is obtained through the following steps: identification of the average cost per year for a bad loan file, allocation — based on the duration of the default file — of the annual average cost and, finally, prudential allocation of the same amount also for pre-bad loan statuses.

In addition, to comply with the relevant legislative requirements, the new LGD defaulted asset models allow, through a bootstrapping approach with appropriate identification of an extreme percentile of the distribution of the LGD averages, the identification of unexpected values of losses (known as LGD DA), whose difference from the best estimate of LGD (the LGD ELBE) makes it possible to calculate (through the use of a specific regulatory formula) the Risk Weighted Assets on defaults.

Relation between internal and external ratings

The connection between internal and external rating models is reported below, specifically with reference to *Standard & Poor's* rating.

S&P Rating	Large Corporate model	Mid Corporate Plus model	Mid Corporate model	Small Business model	Private Customer model
AAA	12	1	-	-	-
AA	3	-	-	-	-
A	-	2	1	-	1
BBB	4	3	2	-	23
BB	5	4-5	3-5	1-3	4-6
B	6-9	6-9	68	4-8	79
CCC - C	10-11	10-11	9-11	9-11	10-11

Value of exposures by regulatory asset class

Regulatory asset class	EAD		EAD	
	30/06/2020	Period average (03/2020-06/2020)	31/12/2019	Period average (03/2019-12/2019)
Loan exposures to businesses				
- SMEs	21,870,528	21,892,953	22,204,406	22,522,633
- Other businesses	26,742,640	26,333,389	25,194,461	25,296,720
Total	**48,613,168**	**48,226,342**	**47,398,866**	**47,819,353**
Retail loan exposures				
- Exposures guaranteed by residential immovable property: SMEs	4,442,894	4,417,703	4,420,785	4,542,284
- Exposures guaranteed by residential immovable property: Natural Persons	24,053,704	24,137,400	24,447,735	24,405,402
- Qualified retail revolving exposures	940,921	948,177	967,816	911,961
- Retail exposures: Other: SMEs	11,899,332	12,180,702	12,706,683	12,485,619
- Retail exposures: Other: Natural Persons	1,802,337	1,816,497	1,903,361	1,688,259
Total	**43,139,188**	**43,500,478**	**44,446,380**	**44,033,525**

PD and LGD risk factors (average figures for reference period)

PERFORMING A-IRB	30/06/2020		31/12/2019	
Performing portfolio	**PD**	**LGD**	**PD**	**LGD**
Loan exposures to businesses	**2.52%**	**28.30%**	**2.63%**	**28.14%**
- SMEs	4.13%	25.67%	3.92%	25.36%
- Other businesses	1.40%	30.12%	1.65%	30.28%
Retail loan exposures	**2.94%**	**18.95%**	**2.31%**	**19.15%**
- Exposures guaranteed by residential immovable property: SMEs	6.05%	16.99%	5.26%	17.09%
- Exposures guaranteed by residential immovable property: Natural Persons	2.04%	11.48%	1.37%	11.47%
- Qualified retail revolving exposures	2.57%	33.09%	2.39%	32.80%
- Retail exposures: Other: SMEs	3.66%	34.23%	3.12%	34.03%
- Retail exposures: Other: Natural Persons	3.69%	18.90%	2.81%	19.24%
Total	**2.73%**	**23.73%**	**2.47%**	**23.60%**

The situation of the first half of 2020 was negatively influenced by the Covid-19 emergency. The increase of PD in June was related above all to the deterioration of the performance modules, which recorded an increase in credit risk mainly on the Small Business and Private Customer models, also due to payment defaults, lower collections and overruns on both payments by instalment and other credit lines. The deterioration of the rating will be partially mitigated when the government measures to sustain credit, which have been approved but not yet finalised, become fully effective.

Rating Models	PD 30/06/2020	PD 31/12/2019	Δ
total	**2.73%**	**2.47%**	**0.26%**
Corporate Models (Large/Mid/Mid Plus)	2.31%	2.42%	-0.11%
Retail Models	**3.12%**	**2.51%**	**0.61%**
Small Businesses	4.47%	4.01%	0.45%
Private Customers	2.31%	1.59%	0.72%

EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range

Regulatory Portfolio	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Weighted average PD	Number of obligors	Weighted average LGD	Weighted average maturity	RWAs	RWA density	EL	Provisions
Exposures to or guaranteed by businesses - SMEs	0.00 to < 0.15	684,020	1,170,924	8.73%	729,731	0.07%	902	30.53%	2.35	80,556	11.04%	149	112
	0.15 to < 0.25	1,573,805	984,984	4.51%	1,468,430	0.17%	1,676	25.85%	2.55	223,710	15.23%	643	329
	0.25 to < 0.50	2,092,791	1,335,341	7.10%	2,025,137	0.30%	1,930	27.00%	2.44	449,185	22.18%	1,637	815
	0.50 to < 0.75	2,561,171	1,265,012	6.49%	2,387,981	0.55%	2,357	26.35%	2.47	687,665	28.80%	3,410	2,131
	0.75 to < 2.50	5,887,093	1,689,239	11.29%	5,696,220	1.58%	5,755	25.08%	2.92	2,394,130	42.03%	22,625	14,491
	2.50 to < 10.00	3,418,080	1,202,384	34.77%	3,719,796	5.78%	3,100	25.15%	3.37	2,407,888	64.73%	53,591	42,673
	10.00 to < 100.00	1,478,540	130,508	20.87%	1,463,606	27.09%	1,704	23.53%	3.46	1,302,561	89.00%	94,342	79,783
	100.00 (default)	4,200,886	545,157	20.33%	4,222,199	100.00%	3,858	41.23%	-	759,719	17.99%	1,680,193	2,011,302
	Past due	8,501	1,585	36.25%	8,776	100.00%	342	27.40%	-	1,264	14.40%	2,303	2,401
	UtP	2,674,217	494,978	12.48%	2,696,547	100.00%	1,246	30.47%	-	382,702	14.19%	790,904	1,109,255
	Bad loans	1,518,168	48,594	99.80%	1,516,877	100.00%	2,270	60.46%	-	375,753	24.77%	886,986	899,647
	Sub-total	21,896,387	8,323,550	12.86%	21,713,101	22.78%	21,282	28.68%	2.89	8,305,414	38.25%	1,856,591	2,151,637
Total (all portfolios)		87,918,823	42,503,020	17.33%	91,455,191	10.83%	809,535	25.21%	2.49	27,413,459	29.97%	3,597,731	3,775,331

Regulatory Portfolio	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Weighted average PD	Number of obligors	Weighted average LGD	Weighted average maturity	RWAs	RWA density	EL	Provisions
Exposures to or guaranteed by businesses - Other businesses	0.00 to < 0.15	6,436,351	11,030,927	14.48%	7,977,494	0.07%	1,358	31.34%	2.10	1,263,103	15.83%	1,826	7,218
	0.15 to < 0.25	1,868,022	1,712,249	9.62%	2,006,147	0.18%	540	30.54%	1.86	506,524	25.25%	1,102	704
	0.25 to < 0.50	5,344,470	3,744,872	20.70%	6,075,866	0.38%	618	30.50%	2.40	2,605,322	42.88%	7,033	23,723
	0.50 to < 0.75	57,413	98,911	30.20%	86,672	0.52%	40	31.14%	2.98	43,212	49.86%	141	336
	0.75 to < 2.50	6,090,349	3,897,287	24.70%	6,984,872	1.20%	857	29.27%	2.22	4,401,482	63.01%	24,679	30,557
	2.50 to < 10.00	1,615,941	407,045	22.49%	1,682,181	4.71%	355	28.04%	2.31	1,566,479	93.12%	21,808	23,500
	10.00 to < 100.00	467,278	81,823	16.09%	474,583	32.95%	104	22.62%	2.95	571,270	120.37%	36,031	27,787
	100.00 (default)	1,193,939	543,833.73	27.87%	1,341,422	100.00%	175	38.97%	-	236,918	17.66%	503,821	573,337
	Past due	18,205	1,582	31.65%	18,706	100.00%	14	14.39%	-	1,481	7.92%	2,573	2,346
	UtP	1,082,056	523,086	25.22%	1,211,243	100.00%	137	35.92%	-	198,889	16.42%	419,214	498,365
	Bad loans	93,678	19,166	100.00%	111,474	100.00%	24	76.21%	-	36,548	32.79%	82,034	72,626
	Sub-total	23,073,764	21,516,949	17.59%	26,629,237	6.36%	4,047	30.57%	2.22	11,194,310	42.04%	596,441	687,163
Total (all portfolios)		87,918,823	42,503,020	17.33%	91,455,191	10.83%	809,535	25.21%	2.49	27,413,459	29.97%	3,597,731	3,775,331

Regulatory Portfolio	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Weighted average PD	Number of obligors	Weighted average LGD	Weighted average maturity	RWAs	RWA density	EL	Provisions
Retail exposures - Exposures guaranteed by property: natural persons	0.00 to < 0.15	7,425,001	4,765	8.96%	7,425,427	0.10%	73,621	11.40%	-	215,915	2.91%	871	408
	0.15 to < 0.25	3,261,383	7,526.44	4.06%	3,261,688	0.20%	36,917	11.50%	-	159,683	4.90%	751	404
	0.25 to < 0.50	6,101,078	7,014	3.73%	6,101,340	0.33%	66,862	11.49%	-	430,053	7.05%	2,309	975
	0.50 to < 0.75	2,859,736	3,125	2.43%	2,859,812	0.56%	34,224	11.56%	-	297,635	10.41%	1,868	965
	0.75 to < 2.50	2,063,414	3,787	10.23%	2,063,801	1.39%	23,054	11.50%	-	383,147	18.57%	3,293	2,266
	2.50 to < 10.00	352,570	868	8.74%	352,646	4.90%	3,696	11.56%	-	140,879	39.95%	1,998	3,513
	10.00 to < 100.00	1,346,774	1,577	5.48%	1,343,973	28.40%	12,971	11.51%	-	894,797	66.58%	44,003	37,185
	100.00 (default)	645,212	200	0.00%	645,015	100.00%	6,396	28.42%	-	90,409	14.02%	176,062	87,393
	Past due	16,704	0	0.00%	16,704	100.00%	435	11.22%	-	324	1.94%	1,848	730
	UtP	401,679	200.26	0.00%	401,498	100.00%	3,763	16.80%	-	38,564	9.60%	64,365	32,644
	Bad loans	226,830	0	0.00%	226,813	100.00%	2,198	50.25%	-	51,521	22.72%	109,849	54,020
	Sub-total	24,055,168	28,862	5.61%	24,053,704	4.67%	257,741	11.93%	-	2,612,518	10.86%	231,153	133,109
Total (all portfolios)		87,918,823	42,503,020	17.33%	91,455,191	10.83%	809,535	25.21%	2.49	27,413,459	29.97%	3,597,731	3,775,331

Regulatory Portfolio	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Weighted average PD	Number of obligors	Weighted average LGD	Weighted average maturity	RWAs	RWA density	EL	Provisions
Retail exposures - Qualified retail revolving exposures	0.00 to < 0.15	10,209	192,201	99.17%	200,822	0.09%	30,155	29.14%	-	3,540	1.76%	56%	9
	0.15 to < 0.25	11,895	77,483	100.15%	89,502	0.20%	14,931	30.49%	-	3,090	3.45%	55	10
	0.25 to < 0.50	20,793	91,674	97.63%	110,338	0.33%	18,292	31.67%	-	5,921	5.37%	115	16
	0.50 to < 0.75	27,364	82,540	91.47%	102,925	0.56%	16,886	32.83%	-	8,799	8.55%	191	26
	0.75 to < 2.50	104,397	182,560	91.74%	272,604	1.42%	55,559	37.89%	-	53,425	19.60%	1,453	277
	2.50 to < 10.00	51,272	35,020	72.62%	77,430	4.90%	12,869	34.26%	-	33,757	43.60%	1,300	435
	10.00 to < 100.00	68,057	14,721	78.77%	80,890	18.62%	12,157	30.80%	-	62,308	77.03%	4,737	1,799
	100.00 (default)	6,410	464	0.00%	6,410	100.00%	1,580	43.88%	-	1,032	16.10%	2,730	1,620
	Past due	2,996	117	0.00%	2,996	100.00%	896	38.92%	-	423	14.13%	1,132	577
	UtP	3,410	347	0.00%	3,410	100.00%	681	48.15%	-	608	17.84%	1,593	1,043
	Bad loans	4	1	0.00%	4	1	3	116.18%	-	1	13.79%	4	0
	Sub-total	300,397	676,663	94.24%	940,921	3.24%	162,429	33.17%	-	171,873	18.27%	10,635	4,193
Total (all portfolios)		87,918,823	42,503,020	17.33%	91,455,191	10.83%	809,535	25.21%	2.49	27,413,459	29.97%	3,597,731	3,775,331

Regulatory Portfolio	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Weighted average PD	Number of obligors	Weighted average LGD	Weighted average maturity	RWAs	RWA density	EL	Provisions
Retail exposures - Other retail exposures: natural persons	0.00 to < 0.15	341,421	36,402	22.81%	349,745	0.10%	11,326	18.35%	-	16,603	4.75%	64	24
	0.15 to < 0.25	173,389	22,279	18.58%	177,568	0.20%	7,886	19.19%	-	14,645	8.25%	68	26
	0.25 to < 0.50	282,231	28,133	25.58%	289,491	0.33%	12,080	18.88%	-	32,499	11.23%	180.	54
	0.50 to < 0.75	170,952	37,059	25.33%	180,401	0.56%	9,779	19.02%	-	27,982	15.51%	194	92
	0.75 to < 2.50	312,665	52,082	34.74%	329,989	1.41%	26,405	19.75%	-	77,449	23.47%	906	376
	2.50 to < 10.00	121,771	22,795	33.53%	129,510	4.90%	7,079	17.66%	-	35,714	27.58%	1,121	685
	10.00 to < 100.00	224,008	24,252	34.89%	233,284	20.84%	21,401	18.95%	-	99,199	42.52%	9,342	4,499
	100.00 (default)	111,282	1,543	72.32%	112,077	100.00%	28,425	55.78%	-	28,018	25.00%	60,273	57,565
	Past due	11,933	224	45.83%	12,025	100.00%	15,923	38.76%	-	1,363	11.34%	4,552	2,136
	UtP	52,793	491	37.76%	52,950	100.00%	7,909	33.96%	-	10,256	19.37%	17,161	23,220
	Bad loans	46,556	828	100.00%	47,102	100.00%	4,593	84.65%	-	16,399	34.82%	38,560	32,209
	Sub-total	1,737,719	224,546	28.65%	1,802,066	9.68%	124,381	21.20%	-	332,109	18.43%	72,148	63,322
Total (all portfolios)		87,918,823	42,503,020	17.33%	91,455,191	10.83%	809,535	25.21%	2.49	27,413,459	29.97%	3,597,731	3,775,331

Regulatory Portfolio	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Weighted average PD	Number of obligors	Weighted average LGD	Weighted average maturity	RWAs	RWA density	EL	Provisions
Retail exposures - Exposures guaranteed by property: SMEs	0.00 to < 0.15	165,237	2,884	16.09%	165,700	0.11%	1,602	12.30%	-	4,061	2.45%	22	10
	0.15 to < 0.25	315,932	10,531	15.52%	317,566	0.20%	2,287	16.43%	-	16,788	5.29%	103	55
	0.25 to < 0.50	425,336	5,575	15.55%	426,203	0.35%	3,514	15.23%	-	32,176	7.55%	232	141
	0.50 to < 0.75	374,569	15,542	14.64%	376,845	0.60%	2,614	16.71%	-	45,425	12.05%	382	305
	0.75 to < 2.50	1,271,928	18,905	16.40%	1,274,369	1.52%	8,205	17.56%	-	293,610	23.04%	3,404	2,994
	2.50 to < 10.00	694,607	9,762	10.92%	695,185	4.95%	4,690	18.21%	-	329,039	47.33%	6,264	7,385
	10.00 to < 100.00	706,141	2,576	12.45%	704,269	25.72%	5,902	17.33%	-	527,229	74.86%	31,181	34,976
	100.00 (default)	485,744	453	0.00%	482,758	100.00%	3,053	28.36%	-	61,539	12.75%	132,010	76,126
	Past due	10,985	0	0.00%	10,958	100.00%	199	14.82%	-	304	2.78%	1,599	982
	UtP	300,558	453	0.00%	300,001	100.00%	1,836	20.30%	-	29,184	9.73%	58,566	33,162
	Bad loans	174,201	0	0.00%	171,799	100.00%	1,018	43.31%	-	32,050	18.66%	71,844	41,982
	Sub-total	4,439,494	66,228	14.69%	4,442,894	16.26%	31,867	18.23%	-	1,309,866	29.48%	173,596	121,992
Total (all portfolios)		87,918,823	42,503,020	17.33%	91,455,191	10.83%	809,535	25.21%	2.49	27,413,459	29.97%	3,597,731	3,775,331

Regulatory Portfolio	PD range	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Weighted average PD	Number of obligors	Weighted average LGD	Weighted average maturity	RWAs	RWA density	EL	Provisions
Retail exposures - Other retail exposures: SMEs	0.00 to < 0.15	256,719	1,871,990	10.72%	440,661	0.07%	3,517	33.01%	-	20,683	4.69%	94	50
	0.15 to < 0.25	1,477,422	2,376,632	12.70%	1,565,061	0.19%	14,925	32.51%	-	160,351	10.25%	963	304
	0.25 to < 0.50	1,335,016	1,746,303	13.48%	1,344,464	0.35%	14,144	33.10%	-	208,434	15.50%	1,554	481
	0.50 to < 0.75	1,501,210	1,573,623	13.90%	1,460,903	0.59%	16,276	33.07%	-	306,999	21.01%	2,842	1,056
	0.75 to < 2.50	3,678,231	2,597,256	19.02%	3,408,410	1.51%	58,425	34.31%	-	1,098,139	32.22%	17,717	5,842
	2.50 to < 10.00	2,052,973	975,694	22.84%	1,782,763	5.09%	37,666	35.78%	-	763,080	42.80%	32,293	13,601
	10.00 to < 100.00	1,202,657	387,312	24.53%	1,057,058	23.28%	37,167	37.60%	-	702,432	66.45%	93,174	46,222
	100.00 (default)	911,669	137,411	20.97%	813,948	100.00%	25,668	64.71%	-	227,251	27.92%	508,527	546,359
	Past due	66,483	21,442	11.65%	63,516	100.00%	8,270	38.12%	-	11,594	18.25%	23,287	24,017
	UtP	366,162	97,900	8.42%	344,709	100.00%	9,545	46.50%	-	71,619	20.78%	154,566	179,909
	Bad loans	479,025	18,069	100.00%	405,723	100.00%	7,853	84.34%	-	144,038	35.50%	330,675	342,434
	Sub-total	12,415,895	11,666,222	15.40%	11,873,269	10.26%	207,788	36.33%	-	3,487,369	29.37%	657,166	613,916
Total (all portfolios)		87,918,823	42,503,020	17.33%	91,455,191	10.83%	809,535	25.21%	2.49	27,413,459	29.97%	3,597,731	3,775,331

Effective write-downs

Regulatory asset class	Amount	
	30/06/2020	31/12/2019
Net write-downs		
BUSINESSES - Exposures to SMEs	2,171,678	2,041,453
BUSINESSES - Exposures to Other businesses	690,298	811,787
RETAIL - Exposures guaranteed by residential immovable property: SMEs	121,992	105,150
RETAIL - Exposures guaranteed by residential immovable property: natural persons	133,109	118,664
RETAIL - Qualified retail revolving exposures	4,193	3,621
RETAIL - Other retail exposures: SMEs	615,194	564,269
RETAIL - Other retail exposures: natural persons	63,334	74,706
Total	**3,799,798**	**3,719,650**

Effective write-downs (trend - performing/default)

		Regulatory asset class	Total write-downs	
			30/06/2020	31/12/2019
PERFORMING LOANS	BUSINESSES	Exposures to SMEs	147,303	115,427
		Exposures to Other businesses	116,759	68,938
	RETAIL	Exposures guaranteed by residential immovable property: SMEs	45,866	34,975
		Exposures guaranteed by immovable residential property: natural persons	45,716	34,508
		Qualified retail revolving exposures	2,573	2,174
		Other retail exposures: SMEs	68,645	60,401
		Other retail exposures: natural persons	5,768	5,289
Total PERFORMING			**432,629**	**321,712**
DEFAULT	BUSINESSES	Exposures to SMEs	2,024,375	1,926,025
		Exposures to Other businesses	573,539	742,849
	RETAIL	Exposures guaranteed by residential immovable property: SMEs	76,126	70,175
		Exposures guaranteed by immovable residential property: natural persons	87,393	84,156
		Qualified retail revolving exposures	1,620	1,447
		Other retail exposures: SMEs	546,549	503,868
		Other retail exposures: natural persons	57,565	69,417
Total DEFAULT			**3,367,169**	**3,397,937**
Total			**3,799,798**	**3,719,650**

EU CR7 – IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques

	Pre-credit derivatives RWAs	Actual RWAs
Exposures under FIRB		
Central governments and central banks	N/A	0
Institutions	N/A	0
Corporates – SMEs	N/A	0
Corporates – Specialised lending	N/A	0
Corporates – Other	N/A	0
Exposures under AIRB		
Central governments and central banks	N/A	-
Institutions	N/A	-
Corporates – SMEs	N/A	8,387,425
Corporates – Specialised lending	N/A	-
Corporates – Other	N/A	11,267,996
Retail – Secured by real estate SMEs	N/A	1,309,866
Retail – Secured by real estate non-SMEs	N/A	2,612,518
Retail – Qualifying revolving	N/A	171,873
Retail – Other SMEs	N/A	3,493,709
Retail – Other non-SMEs	N/A	332,173
Equity IRB	N/A	-
Other non-credit obligation assets	N/A	-
Total	**N/A**	**27,575,560**

Comparison between estimates and actual results

In order to calculate capital requirements against Credit Risk and only on the scope of the Parent Company, Banco BPM Group adopts internal estimates of PD and of LGD for Corporate and Private Customer portfolios and EAD for the retail segment.

The comparison between estimates and empirical data is made separately for PD, LGD and CCF, by means of backtesting conducted by the Internal Validation function.

With reference to the PD models, Banco BPM Group adopts performance measurements to check the accuracy ratio (AR) of the estimates and calibration tests (Jeffrey's Test for individual and overall rating classes) to compare the decay rates (DRs) recorded over an annual time horizon with the estimated PD values.

Regarding the Corporate segment, the latest backtesting showed a good discriminatory range of models, both in terms of single modules and final integrating ratings, which produced values comparable and at times superior to those obtained during the development phase. With regard to the calibration, satisfactory values were found for all models. Overall, the model performed well for the Private customer segment. In a number of modules, performance is better than that obtained during development was recorded. As regards calibration, the results of the tests were satisfactory.

With reference to the LGD parameter, testing was conducted on both the performing and default components. Internal Validation did not detect significant problems with the estimated generated for the private and corporate models.

Testing was conducted in relation to retail CCF. Internal Validation did not detect significant problems with the estimated generated for the retail models.

Risk Mitigation Techniques

The tables below show the values of exposures covered by personal guarantees, financial collateral and other collateral.

EU CR3 – CRM Techniques – Overview

	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by personal guarantees	Exposures secured by credit derivatives
Total loans	45,339,787	65,560,006	52,133,523	13,426,483	0
Total debt securities	40,625,892	0	0	0	0
Total exposures	170,712,340	86,238,431	79,429,035	6,809,396	0
Of which defaulted	3,188,840	3,745,688	3,514,746	230,942	0

Counterparty Risk

EU CCR1 – Analysis of CCR exposure by approach

	Notional	Replacement cost / Current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		630,975	671,795			1,082,416	532,587
Original exposure	-					-	-
Standardised approach						-	-
IMM (for derivatives and SFTs)				-		-	-
- Of which securities financing transactions				-		-	-
- Of which DERIVATIVES and long settlement transactions				-		-	-
- Of which from contractual cross-product netting				-		-	-
Financial collateral simple method (for SFTs)						-	-
Financial collateral comprehensive method (for SFTs)						2,592,706	581,749
VaR for SFTs							
Total							**1,114,337**

The figures refer to regulatory exposures, RWAs and parameters used for RWA calculations for all exposures subject to the CCR framework (excluding CVA charges or exposures cleared through a CCP).

EU CCR2 – CVA capital charge

		Exposure value	RWAs
1	Total portfolios subject to the advanced method	0	0
2	VaR component (including the 3× multiplier)		0
3	SVaR component (including the 3× multiplier)		0
4	Total portfolios subject to the standardised method	602,731	215,554
EU4	Based on the original exposure method	0	0
5	**Total subject to the CVA capital charge**	**602,731**	**215,554**

EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk

Exposure classes	Risk weight											Total
	0	2	4	10	20	50%	70%	75	100%	150%	Other	
Central governments or central banks	0	0	0	0	0	0	0	0	6,241	0	0	6,241
Regional governments or local authorities	0	0	0	0	2,756	0	0	0	0	0	0	2,756
Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0
International organisations	0	0	0	0	0	0	0	0	0	0	0	0
Institutions	0	762,818	73,454	0	2,691,492	539,219	0	0	9,887	921	0	4,077,791
Corporates	0	0	0	0	0	9,333	0	0	87,238	8,571	0	105,142
Retail	0	0	0	0	0	0	0	118	0	0	0	118
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	22,180	0	0	22,180
Total	**0**	**762,818**	**73,454**	**0**	**2,694,248**	**548,552**	**0**	**118**	**125,545**	**9,492**	**0**	**4,214,228**

EU CCR4 – IRB approach – CCR exposures by portfolio and PD range

	PD range	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity (years)	RWAs	RWA density
Corporates – SMEs	0.00 to < 0.15	3,244	0.07%	70	30.84%	3.77	516	15.90%
	0.15 to < 0.25	10,176	0.18%	206	27.59%	4.24	2,421	23.79%
	0.25 to < 0.50	13,071	0.32%	252	28.73%	4.15	4,255	32.55%
	0.50 to < 0.75	19,661	0.55%	301	28.99%	4.27	8,362	42.53%
	0.75 to < 2.50	52,616	1.61%	688	28.80%	4.31	30,509	57.98%
	2.50 to < 10.00	29,860	6.03%	329	27.91%	4.39	23,210	77.73%
	10.00 to < 100.00	8,473	24.17%	99	28.82%	4.32	9,026	106.52%
	100.00 (default)	20,327	100.00%	40	36.07%	-	3,712	18.26%
	Past due	-	0.00%	-	0.00%	-	-	0.00%
	UtP	20,231	100.00%	32	35.88%	-	3,678	18.18%
	Bad loans	96	100.00%	8	76.13%	-	35	36.12%
	Sub-total	**157,428**	**16.00%**	**1,985**	**29.55%**	**4.29**	**82,010**	**52.09%**

	PD range	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity (years)	RWAs	RWA density
Corporates: Other	0.00 to < 0.15	27,087	0.07%	160	30.31%	3.46	5,634	20.80%
	0.15 to < 0.25	7,852	0.18%	80	30.31%	3.49	2,817	35.88%
	0.25 to < 0.50	24,014	0.38%	120	30.35%	3.51	12,359	51.47%
	0.50 to < 0.75	1,429	0.52%	2	28.83%	2.95	751	52.53%
	0.75 to < 2.50	24,318	1.31%	122	30.02%	3.69	19,677	80.92%
	2.50 to < 10.00	21,272	3.84%	43	28.25%	4.60	23,067	108.44%
	10.00 to < 100.00	5,942	41.62%	10	27.73%	4.26	9,164	154.22%
	100.00 (default)	1,490	100.00%	10	30.97%	-	218	14.61%
	Past due	518	100.00%	1	20.28%	-	58	11.19%
	UtP	945	100.00%	8	35.54%	-	150	15.86%
	Bad loans	27	100.00%	1	75.51%	-	10	35.89%
	Sub-total	**113,403**	**4.61%**	**547**	**29.72%**	**3.78**	**73,687**	**64.98%**
Retail: Other non-SMEs	from 0.00 to < 0.15	67	0.13%	2	18.04%	-	4	5.64%
	from 0.15 to < 0.25	-	0.00%	-	0.00%	-	-	0.00%
	from 0.25 to < 0.50	15	0.33%	5	19.70%	-	2	11.71%
	from 0.50 to < 0.75	-	0.00%	-	0.00%	-	-	0.00%
	from 0.75 to < 2.50	51	1.82%	2	5.43%	-	3	6.32%
	from 2.50 to < 10.00	7	4.90%	1	18.49%	-	2	28.86%
	from 10.00 to < 100.00	83	36.29%	3	18.08%	-	42	50.65%
	100.00 (default)	49	100.00%	4	28.29%	-	11	23.12%
	Past due	-	0.00%	-	0.00%	-	-	0.00%
	UtP	49	100.00%	4	28.29%	-	11	23.12%
	Bad loans	-	0.00%	-	0.00%	-	-	0.00%
	Sub-total	**271**	**29.66%**	**17**	**17.66%**	**-**	**64**	**23.62%**
Retail: Other SMEs	from 0.00 to < 0.15	600	0.07%	58	31.80%	-	28	4.68%
	from 0.15 to < 0.25	2,984	0.19%	204	28.20%	-	268	8.98%
	from 0.25 to < 0.50	2,909	0.35%	198	29.30%	-	394	13.55%
	from 0.50 to < 0.75	2,973	0.60%	240	29.26%	-	562	18.89%
	from 0.75 to < 2.50	9,591	1.46%	567	28.01%	-	2,501	26.08%
	from 2.50 to < 10.00	4,069	4.89%	260	28.13%	-	1,365	33.55%
	from 10.00 to < 100.00	2,253	22.89%	147	27.54%	-	1,092	48.45%
	100.00 (default)	684	100.00%	29	40.38%	-	131	19.10%
	Past due	31	100.00%	2	23.78%	-	6	20.05%
	UtP	633	100.00%	24	39.52%	-	117	18.51%
	Bad loans	19	100.00%	3	94.99%	-	7	36.77%
	Sub-total	**26,064**	**6.04%**	**1,703**	**28.71%**	**-**	**6,340**	**24.33%**
Total		**297,166**	**10.79%**	**4,252**	**29.53%**	**4.06**	**162,102**	**54.55%**

EU CCR5-A – Impact of netting and collateral held on exposure values

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	2,192,732	1,915,933	276,800	220,578	64,632
SFTs	0	0	0	0	0
Cross-product netting	0	0	0	0	0
Total	**2,192,732**	**1,915,933**	**276,800**	**220,578**	**64,632**

EU CCR5-B – Composition of collateral for exposures to CCR

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Derivatives	220,578	0	883,883	253,152	20,980,374	7,634,908
SFTs	0	0	0	0	0	0
Total	**220,578**	**-**	**883,883**	**253,152**	**20,980,374**	**7,634,908**

EU CCR6 – Credit derivatives exposures

	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notional			
Single-name credit default swaps			44,000
Index credit default swaps			0
Total return swaps			0
Credit options			
Other credit derivatives			0
Total notionals			44,000
Fair values			1,753
Positive fair value (asset)			1,244
Negative fair value (liability)			509

EU CCR8 – Exposures to CCPs

	EAD post CRM	RWAs
Exposures to QCCPs (total)		**41,994**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	836,272	18,195
i) OTC derivatives	164,890	4,767
ii) exchange-traded derivatives	15,997	320
iii) SFTs	655,385	13,108
iv) netting sets where cross-product netting has been approved	0	0
Segregated initial margin	526,368	
Non-segregated initial margin	369,922	14,797
Prefunded default fund contributions	290,198	9,003
Alternative calculation of own funds requirements for exposures		0
Exposures to non-QCCPs (total)	**-**	**-**
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	0	0
i) OTC derivatives	0	0
ii) exchange-traded derivatives	0	0
iii) SFTs	0	0
iv) netting sets where cross-product netting has been approved	0	0
Segregated initial margin	0	
Non-segregated initial margin	0	0
Prefunded default fund contributions	0	0
Unfunded default fund contributions	0	0

Market risk - IMA approach

Characteristics of the internal models and description of the stress tests applied

Internal model Banco BPM, Banca Akros

At the beginning of 2012, the Banco BPM Group obtained validation of the internal model for market risks, with effect from 30 June 2012. The internal model is used in association with management risk measures that differ from regulatory measures by virtue of the risk factors considered and some technical elements.

The main characteristics of the VaR internal model used to value market risk from a regulatory and management perspective are set forth below:

- Method: historical simulation
- Time horizon: 1 day (re-parameterised to 10 days for regulatory purposes)
- Depth of historical series: 1 year
- Confidence level: 99%
- Decay factor: 0.99 for management purposes and 1 for regulatory purposes (or equal weighting of the historical scenarios of reference)
- Non-linearity of pay-outs: managed through an assessment of the portfolio in full evaluation

The risk factors considered by the VaR model for regulatory purposes are:

- share prices;
- volatility of share prices;
- interest rates;
- volatility of interest rates;
- exchange rates;
- volatility of exchange rates.

For management purposes, the internal model also estimates the specific risk factor.

The regulations provide for a prudential requirement additional to the VaR, calculated using market inputs related to periods of financial stress ("Stressed VaR"). The scope of application of the Stressed VaR includes all the risk factors in the VaR model for regulatory use.

All positions in the Banca Akros and Banco BPM Trading Book are subjected to measurement of market risk. The Trading Book is identified as all positions present in the portfolios to which was assigned the attribute of portfolio containing transactions for trading purposes. This attribute is assigned when a new portfolio is entered into the Front Office applications by the applicant operator. To this end, there is a specific process rule "Opening new portfolios in position-keeping system" which defines the players involved and the activities that each of them must perform for the portfolio to be entered. At the same time, this process guarantees a precise distinction between the Trading Book portfolios and those of the Banking Book.

In order to estimate the capital requirement using the internal model, the capital requirement is therefore calculated using the following formula:

$$C_t = \max[VaR_{t-1}; \beta_c \overline{VaR}] + \max[sVaR_\tau; \beta_s \overline{sVaR}] + [ST\ par.ill.]$$

- C_t : is the capital requirement at day t;
- VaR_{t-1} : is the value at risk calculated according to the internal model for the book held at day t-1, while $\overline{VaR}$ represents the average of the VaR measures calculated in the last 60 business days;
- $sVaR_\tau$: is the last available value for the "Stressed VaR" while $\overline{sVaR}$ represents the average of the "Stressed VaR" measures calculated in the last 60 business days;
- β_c and β_s : represent the multiplication factors for the VaR and the "Stressed VaR" respectively;
- $\boldsymbol{ST\ \ par.ill}$: is the component of the capital requirement estimated for illiquid parameters and conducted with stress test methods. These parameters are represented by dividends and correlation.

The multiplication factor established by Banco BPM is 5.15 for both VaR and Stressed VaR (in the beta add-ons relative to the backtesting process are included, as in the specific section); for Banca Akros, the multiplication factor for VaR and Stressed VaR is 4.4.

Market risk stress test

Stress Tests are tests carried out on a portfolio to identify the scenarios, i.e. the changes in a series of risk factors, the occurrence of which would incur a significant loss.

These tests allow identification of the risk factors that contribute more than others to this negative result and consequently allow implementation of loss-limiting strategies when these scenarios occur.

Stress testing is mandatory for the purposes of validating internal models for quantifying minimum capital requirements for the market risk, as it provides banks with indication of the level of capital required to deal with any loss arising from long-lasting deterioration of the economic-financial conditions.

It is also a supporting tool for other risk management and measurement techniques, in that it:

- provides a prospective view of risks and their economic impact;
- exceeds the limits arising from risk management models based on historical data (HVaR with inclusion of the last 250 observations);

- integrates managerial reporting and public disclosure;
- provides input data for capital and liquidity planning processes;
- provides indication of a bank's level of risk tolerance;
- guarantees development of risk mitigation and recovery plans in certain stress situations.

For the Banco BPM Group, stress tests are carried out regularly for the entire trading book. In order to establish the value of the book in stress scenarios, the full revaluation approach has been chosen to ensure that all irregularities in pay-offs of instruments are fully noted.

Two types of scenario are applied: historical scenarios (in which the changes in each risk parameter are consistent with the worst historical observations) and hypothetical scenarios in which the changes in the risk parameters are defined through expert valuation.

In order to represent the overall risk associated with a trading book, the link between market risk and liquidity risk — specifically in terms of market liquidity risk, that is, the risk which, due to a sudden shortage in market liquidity, a bank is unable to close some positions promptly (at a price approaching the theoretical price) — is of particular importance. The time required to allow timely closing of the risk positions of a trading book is considered to be 10 business days. This horizon is consistent with supervisory recommendations, traders' opinions and historical quantitative data.

Hence, in Stress Test evaluation, when possible scenarios are identified based on 10-day ranges or, for data concerning daily fluctuations in parameters, the VaR data is reparameterised on a 10-day horizon.

Backtesting

The most important aspect of backtesting is the comparison between the values of expected losses (VaR) and the portfolio's actual or theoretical losses.

Once these two comparable figures have been obtained, it is possible to statistically analyse the frequency of exceptions, i.e. of those cases in which the VaR measure estimated by the model proves less serious than the actual loss recorded.

The prudential supervisory regulations establish that the change in value of the book (or individual position) must be as significant as possible for comparison with the VaR (not only is a direct comparison between the VaR calculated on a portfolio and its profit and loss result of little real value, but it may also lead to incorrect conclusions).

The best measure is the actual net change, that is, the measure obtained by excluding commissions and the contribution for accrued interest from the operating results.

The backtests are also conducted on the basis of the hypothetical change in the portfolio, obtained by revaluing the quantities present in the portfolio on day t-1 with the day t (test date) prices.

Each day, the VaR result is compared with the P&L result, both actual and theoretical, as described above, and a report is provided on how the ratio between the two measures has evolved on a historical basis, that is, over the last 250 observations.

The Group chose to carry out backtesting not only on the banks' entire portfolio, but also to compare at portfolio sub-aggregates level, the P&L backtesting result and the VaR result.

This decision was dictated by the intention to check and monitor the performance and reliability of the VaR model results on various levels of the company's organisational structure, where the result is less influenced by the effects of netting.

The decision is also consistent, in management terms, with the attribution of VaR limits on various levels.

From an operational point of view, this decision means that it is possible to check the extent to which the model in use is valid for the various portfolios, highlighting those areas in which modelling of the changes in P&L on the basis of historical simulation is more efficient and where it is less.

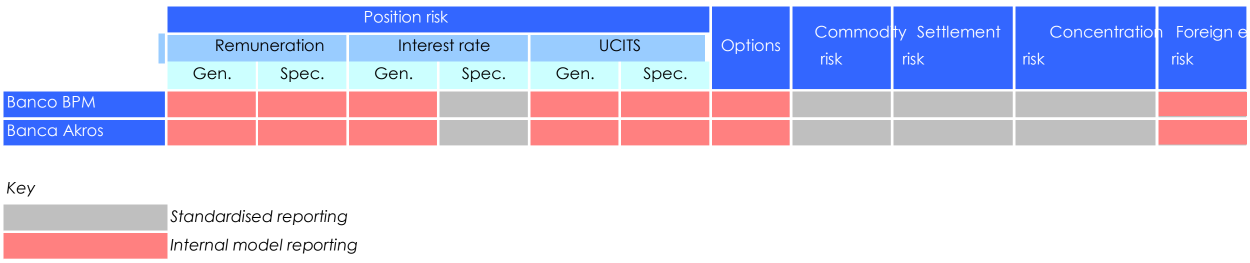
Furthermore, if exceptions should arise, it is possible to precisely identify the individual component that produced the event and therefore to take appropriate action.

Scope of authorisation issued by Bank of Italy to use the internal models

At present, the following risk profiles are included in the internal model: generic risk for debt securities, equity securities and UCITS units; specific risk for equity instruments and UCITS units and for foreign exchange risk for the trading book.

At this stage of the validation process, the internal approach is also adopted for quantifying the risk arising from change in the price of instruments with irregular pay-off (options risk).

The table below provides a graphic illustration of the risk profiles that are measured using proprietary models as at the reference date:



On 30 April 2019, an Application document was formally submitted for the extension of the internal model to the specific risk of debt securities and to the exchange rate risk of the Banking Book. On 19 July 2019, the inspection by the Supervisory Authority to carry out the validation activities was completed. The outcome of the validation was initially scheduled for October 2019. Following the 6-month postponement granted by the ECB in a communication dated 20/3/2020, the final decision on the extension of the internal model to the specific risk and to the exchange rate risk of the banking book is expected in September 2020.

Fair value policy

To ensure increasing clarity, transparency and comparability of data relating to the fair value measurement of financial instruments, for the benefit not only of shareholders but also of all the bank's stakeholders, the Banco BPM Group has set in place internal rules and an internal policy that provide transparent and comprehensive governance of the methodological approach and operating model adopted by the Bank for the fair value measurement of financial instruments, in compliance with regulations in force (accounting standards, financial statement regulations).

The fair value policy is applied to all valuations made in financial statements (balance sheet, income statement and explanatory notes) of financial instruments represented by debt securities, equity instruments and derivatives and concerns the positions of the books owned by Group Banks, excepting third party trading books.

Fair value measurement of financial instruments may occur:

- through use of market prices or values that meet certain requirements ("mark to market");
- through use of market prices or values of similar instruments or transactions that meet certain requirements ("'mark to matrix");
- through use of measurement techniques and models based on market parameters ("mark to model"), whether entirely observable or in part deriving from hypotheses and assumptions.

The best evidence of the fair value of a financial instrument is a price listed on an active market.

If the market is not active and the listed price does not provide a correct representation of the instrument's fair value, the Bank determines the fair value by adopting a valuation technique.

The valuation technique aims to establish the price at which the transaction would have occurred at the valuation date in normal business conditions.

Valuation techniques take the following into consideration:

- if available, the prices of recent transactions on similar instruments suitably corrected to reflect changes in market conditions and technical differences between the instrument to be valued and the instrument selected as similar ("comparable approach" or "mark to matrix");
- valuation models commonly used by the financial community that have proven over time to produce reliable estimates of prices with regard to current market conditions.

With regard to the latter type (valuation models), the Bank makes maximum use of observable market parameters reducing as far as possible the input from internal assumptions and/or estimates.

In conducting its assessments with a pricing model, the Bank takes into account all the relevant factors for the purpose of determining a price that may be considered representative of a hypothetical market transaction.

The Bank also periodically conducts a calibration exercise on the valuation techniques to test, on an ongoing basis, their validity with regard to actual market transactions or to any other observable value that is representative of fair value.

Fair value measurement also involves the application of valuation adjustments to take into account the risk premiums considered by operators when pricing the instruments. If not explicitly considered in the valuation model, the valuation adjustments include:

- *model adjustments*: to consider the weaknesses of the models highlighted during the calibration phases;
- *liquidity adjustments: if the model estimates a mid-price, it must be adjusted to take the bid/ask spread into account;*
- *credit risk adjustments: if the model does not take the counterparty risk or own risk into account, it must be adjusted accordingly;*
- *other risk adjustments: if the model does not take a risk premium priced on the market into account (e.g., concerning the complexity of valuation or hedging of the instrument), it must be appropriately corrected.*

These corrections are permitted only to the extent to which they help to obtain a better estimate. Accordingly, valuation adjustments are not adopted if they move the valuation farther from the fair value, for example, merely for prudential purposes.

The Fair Value Policy consists of two main documents: a first document describing the procedures and the source of valuation of the securities and a second document that applies to derivatives.

The aim of the first document concerning securities is to define and formalise the Bank's operating decisions for fair value measurement of non-derivative financial instruments.

Specifically, within the Mark-to-Market Policy, the document defines:

- the procedures for choosing the markets from which the prices are taken;
- the configurations of the price adopted;
- the information sources;
- the types of operating controls on availability and quality of prices.

With regard to the Mark-to-Model Policy, the document describes:

- the criteria for finding market parameters using the comparable approach;
- the market parameters to be used in the technical valuations;
- the operating controls on availability and quality of market data.

The aim of the second document concerning derivatives is to define and formalise the Bank's operating decisions for fair value measurement of derivative financial instruments. Specifically, within the Mark-to-Market Policy, the document defines:

- the procedures for choosing the markets from which the prices are taken;
- the configurations of the price adopted;
- the information sources.

With regard to Mark-to-Model Policy, which includes OTC derivative instruments, the document describes:

- the market parameters to be used in the technical valuations;
- the criteria for finding market parameters using the comparable approach.

Fair Value Policy - Compliance with regulations

Compliance with regulations of the Fair Value Policy — validated by the Internal Validation function at the time of application for the validation of the internal model for market risk — is constantly guaranteed by organisational safeguards in place for its process of maintenance and change.

More specifically, proposals to change the technical annexes of this document are submitted for the approval of the Parent Company Risk Committee on the proposal of/following an investigation by the Risk Unit, which also considers aspects of prudence and reliability (established by the regulatory legislation) of the assessment approaches proposed.

Pricing models

OTC derivative instruments are managed on a specific position-keeping application (namely the Risque application of the company Finastra) which allows calculation of the fair value, management of positions and risk (calculation of Greek values of risk, calculation of VaR, management of cash flows, management and accounting profit and loss account) and preparation of all input to the summary systems (accounting, reporting and credit line used).

The fair value is calculated by associating each product with a pricing model which considers the characteristics of the product and specifically the dynamics of the underlying market variables.

For particularly complex products or if the default valuation model of the *Risque* system is considered insufficient or not appropriate, the pricing models may be integrated with valuation models drawn up by the Financial Engineering Unit of Banca Akros.

In both cases, the models are validated and regularly reviewed by the Market Risks Unit, which is responsible for certifying the correctness of the pricing models for the positions managed within the Risque position-keeping system.

Validation of Models

The activity of validation arises from the need to use a new pricing model dictated by two different types of needs:

- make existing product pricing models more market compliant;
- value new pay-outs by Traders.

This activity consists of the following points:

- theoretical analysis of the model
- deterministic pay-out testing
- pay-out stress testing
- parameter stress testing
- *repricing*
- consistency of Greeks
- comparative testing with counterparties’ prices

- drawing up Product/Model Validation report.

If the outcome of all the tests is positive, the Validation Report is submitted to the Product Innovation Committee.

Review of the models

Models are reviewed in order to check that previously validated models still reflect the changed market conditions and the review is carried out by repeating the validation tests and adding some consistency tests:

- price replication test using Greeks;
- ongoing comparison with the market.

EU MR2-A - Market risk under the IMA

		30/06/2020	30/06/2020	31/12/2019	31/12/2019
		Banco BPM		Banco BPM	
		RWAs	Capital requirements	RWAs	Capital requirements
1	**VaR (higher of values a and b)**	**189,515**	**15,161**	**253,669**	**20,294**
a)	Previous day's VaR (Article 365(1) of the CRR (VaRt-1))	36,854	2,948	37,492	2,999
b)	Average of daily VaR (art. 365(1) of CRR) for the previous 60 working days (VaRavg) x multiplication factor (mc), pursuant to art. 366 of CRR	189,515	15,161	253,669	20,294
2	**SVaR (higher of values a and b)**	**536,159**	**42,893**	**650,313**	**52,025**
a)	Latest SVaR (Article 365(2) of the CRR (SVaRt-1))	103,566	8,285	87,250	6,980
b)	Average of the daily SVaR (Article 365(2) of the CRR) during the preceding 60 business days (SVaRavg) x multiplication factor (ms) (Article 366 of the CRR)	536,159	42,893	650,313	52,025
6	**TOTAL**	**725,674**	**58,054**	**903,982**	**72,319**

		30/06/2020	30/06/2020	31/12/2019	31/12/2019
		Banca Akros		Banca Akros	
		RWAs	Capital requirements	RWAs	Capital requirements
1	**VaR (higher of values a and b)**	**463,155**	**37,052**	**218,985**	**17,519**
a)	Previous day's VaR (Article 365(1) of the CRR (VaRt-1))	110,299	8,824	89,532	7,163
b)	Average of the daily VaR (Article 365(1)) of the CRR) on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 of the CRR	463,155	37,052	218,985	17,519
2	**SVaR (higher of values a and b)**	**693,595**	**55,488**	**659,283**	**52,743**
a)	Latest SVaR (Article 365(2) of the CRR (SVaRt-1))	142,287	11,383	99,558	7,965
b)	Average of the daily SVaR (Article 365(2) of the CRR) during the preceding 60 business days (SVaRavg) x multiplication factor (ms) (Article 366 of the CRR)	693,595	55,488	659,283	52,743
6	**Total**	**1,156,749**	**92,540**	**878,269**	**70,262**

		30/06/2020	30/06/2020	31/12/2019	31/12/2019
		TOTAL		TOTAL	
		RWAs	Capital requirements	RWAs	Capital requirements
1	**VaR (higher of values a and b)**	**652,670**	**52,214**	**472,655**	**37,812**
a)	Previous day's VaR (Article 365(1) of the CRR (VaRt-1))	147,154	11,772	127,024	10,162
b)	Average of the daily VaR (Article 365(1) of the CRR) on each of the preceding 60 business days (VaRavg) x multiplication factor (mc) in accordance with Article 366 of the CRR	652,670	52,214	472,655	37,812
2	**SVaR (higher of values a and b)**	**1,229,753**	**98,380**	**1,309,596**	**104,768**
a)	Latest SVaR (Article 365(2) of the CRR (SVaRt-1))	245,852	19,668	186,808	14,945
b)	Average of the daily SVaR (Article 365(2) of the CRR) during the preceding 60 business days (SVaRavg) x multiplication factor (ms) (Article 366 of the CRR)	1,229,753	98,380	1,309,596	104,768
6	**Total**	**1,882,424**	**150,594**	**1,782,251**	**142,580**

EU MR3 - – IMA values for trading portfolios

	30/06/2020	31/12/2019	30/06/2020	31/12/2019
amounts in millions of euro	**Banco BPM**	**Banco BPM**	**Banca Akros**	**Banca Akros**
VaR (10 day, 99%)				
Maximum value	12,627	9,230	25,717	10,098
Average value	3,857	3,370	10,750	4,857
Minimum value	1,375	572	4,961	1,948
Period end	2,152	2,996	8,872	6,912
SVaR (10 day, 99%)				
Maximum value	23,158	45,131	24,906	28,487
Average value	11,049	13,021	11,822	11,160
Minimum value	3,722	4,164	6,446	5,935
Period end	6,799	6,995	11,352	7,994

EU MR4 - Comparison of VaR estimates with gains/losses

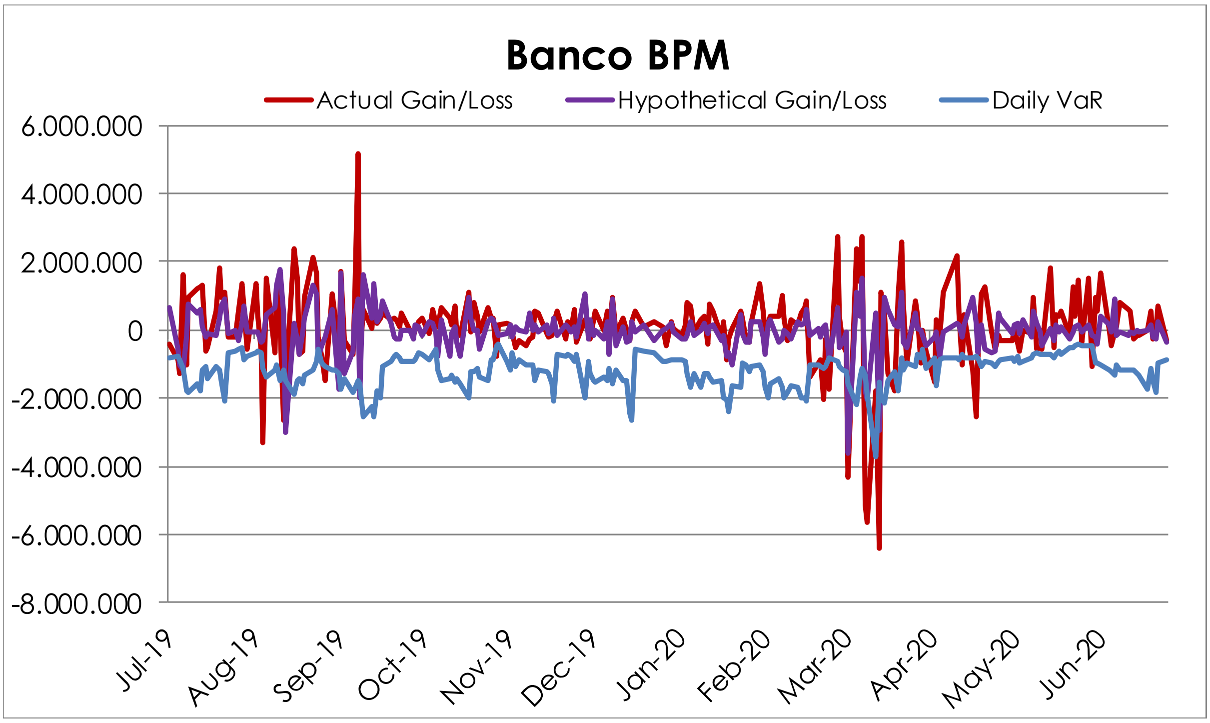
The outcome of backtesting of the VaR estimates, that is, comparison of the expected loss estimated ex-ante through VaR with the corresponding actual profit and loss figures regarding performance of the regulatory trading book of Banco BPM, and of Banca Akros in the period July 2019 - June 2020.

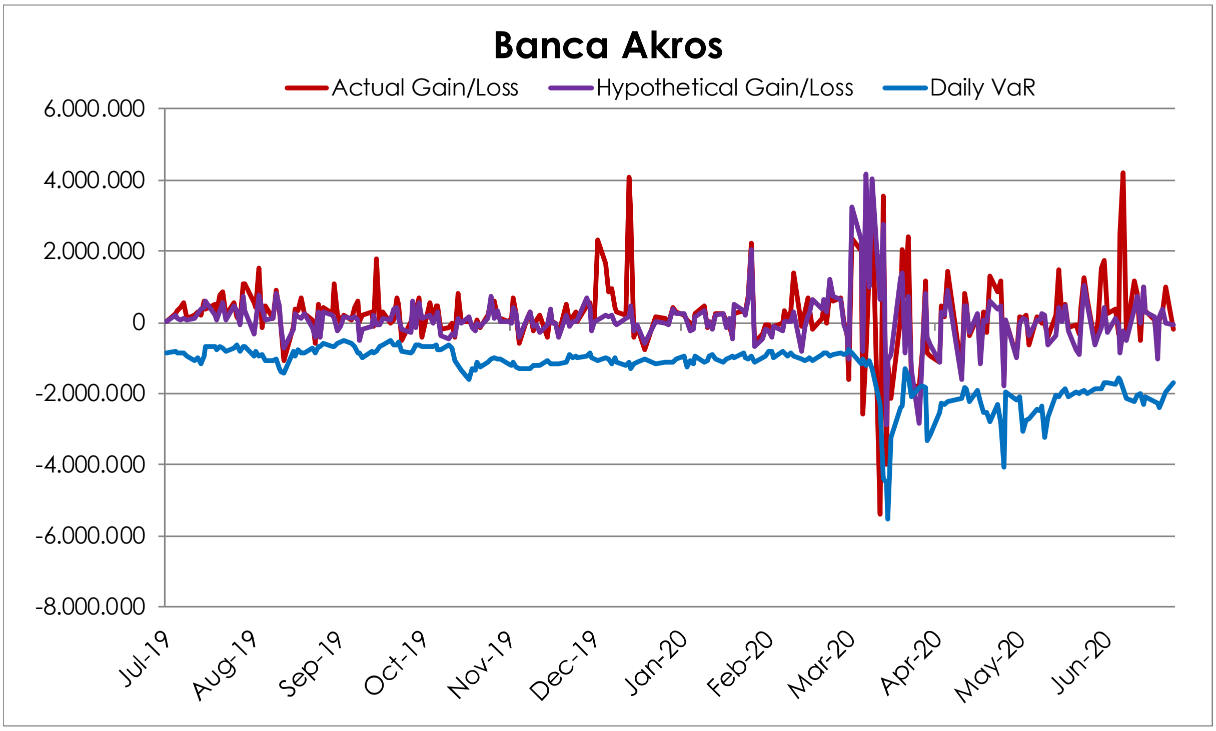
The components that are not pertinent to the backtest, such as commissions and intraday activity, have not been included in the daily profit and loss readings.

Effective backtesting P&L includes the specific risk component as of 20 November 2018, in accordance with ECB indications.

In the period examined, with regards to Banca Akros, the number of exceptions (higher losses than the VaR estimate) is consistent with the level of confidence used (an estimate with 99% confidence level means that an exception occurs in 1% of the residual cases: in 250 business days this result is therefore expected in 2-3 business days).

For Banco BPM, the inclusion of specific risk in effective P&L is the main determinant of the excesses detailed below.





As of 30/06/2020, the following limits were exceeded:

Banco BPM:

- Effective Backtesting: no. 23
- Hypothetical Backtesting: no. 11

Banca Akros:

- Effective Backtesting: no. 3
- Hypothetical Backtesting: no. 2

As the number of variances is greater between those obtained using backtesting based on effective portfolio variations and those based on hypothetical portfolio variations, 23 overruns were recorded for Banco BPM and 3 for Banca Akros.

Note that, in response to the extraordinary volatility of the markets recorded in 2020 due to the Covid-19 pandemic, on 16 April 2020, the European Central Bank announced that the overruns recorded in the reference period between 1 January 2020 and 30 September 2020 will not lead to an increase of the multiplication factors for VaR and StressedVaR, in the calculation of capital requirements for the internal model for market risk.

The exceptions on the P&L of Effective Backtesting on Banco BPM's trading book are mainly attributable to the widening of the credit spread on government issues against a short sensitivity position.

The exceptions on the P&L of Hypothetical Backtesting on Banco BPM's trading book are mainly due to the increase in interest rates on the medium- and long-term EUR curve against a short sensitivity position.

The exceptions on the P&L of Effective Backtesting of the trading book of Banca Akros are mainly due to the widening of the credit spread on government, financial and corporate issues, against a short sensitivity position, as well as the fall in share indices, against long delta positions, and the rise in the volatility of share indices, against short vega positions.

The exceptions on the P&L of Hypothetical Backtesting on the trading book of Banca Akros are mainly due to the increase in the volatility of share indices, against short vega positions, and the decrease in the volatility of Eni, against long vega positions.

Operational Risk

Approach used to calculate capital requirements

For the purposes of determining capital relative to operational risk, the Banco BPM Group has been authorised by the ECB to use the following regulatory approaches:

a) advanced approach (AMA) for the former Banco Popolare segments already validated for the use of these approaches (former Banco Popolare segments of the Parent Company and Banca Aletti)
b) standardised approach (TSA) for the former BPM segments already validated for the use of these approaches (former BPM Scarl and SpA segments transferred to the new parent company, Banca Akros, ProFamily)
c) basic indicator approach (BIA) for the Group's other minor companies

The AMA model has been developed in such a way as to use all four types of input envisaged by supervisory regulations.

The previous losses recognised internally are gathered by means of a rigorous Loss Data Collection process.

External loss data is provided by the DIPO consortium.

Scenario analyses are gathered during the Risk Self-Assessment (RSA) process, during which various business experts are asked to give their opinions on the exposure of all company processes to operational risk, also with a view to the future. Aspects of the operating context and of the system of internal control are continually monitored in order to promptly recognise changes in the internal and external scenario.

Lastly, note that, from a prudential perspective, the Group does not use mechanisms to reduce Pillar 1 capital, as envisaged in the Regulations, in relation to risk outsourcing/transfer mechanisms such as, for example, insurance coverage or other similar techniques.

The Group's total Capital at Risk (CaR) is calculated by combining the measurement of risk obtained from the model based on previous operating losses, both internal and external, with that obtained on the basis of the model that uses evidence from scenario analyses.

Both models adopt the modelling approach known as the Loss Distribution Approach, which is based on modelling annual aggregated loss, defined as the sum of the loss amounts (severity) associated with each of the loss events that occur in one year (frequency).

The risk estimate is conducted by means of a Value at Risk measurement, with a confidence interval of 99.9% and over a time horizon of one year on risk classes that demonstrate similar operating losses.

The total capital requirement is obtained by aggregating the risk estimates measured for the various classes of risk, considering any benefits of diversifying exposure to the different types of operational risk, and envisages the deduction of the provisions transferred to the income statement, to the extent of the expected loss calculated by the internal model.

Under the Traditional Standardised Approach (TSA) capital requirements are calculated by applying ratios differentiated by business line (which varies between 12% and 18%) to the average of the relevant indicator defined by the CRR 2013/575 for the last three years, broken down by business line.

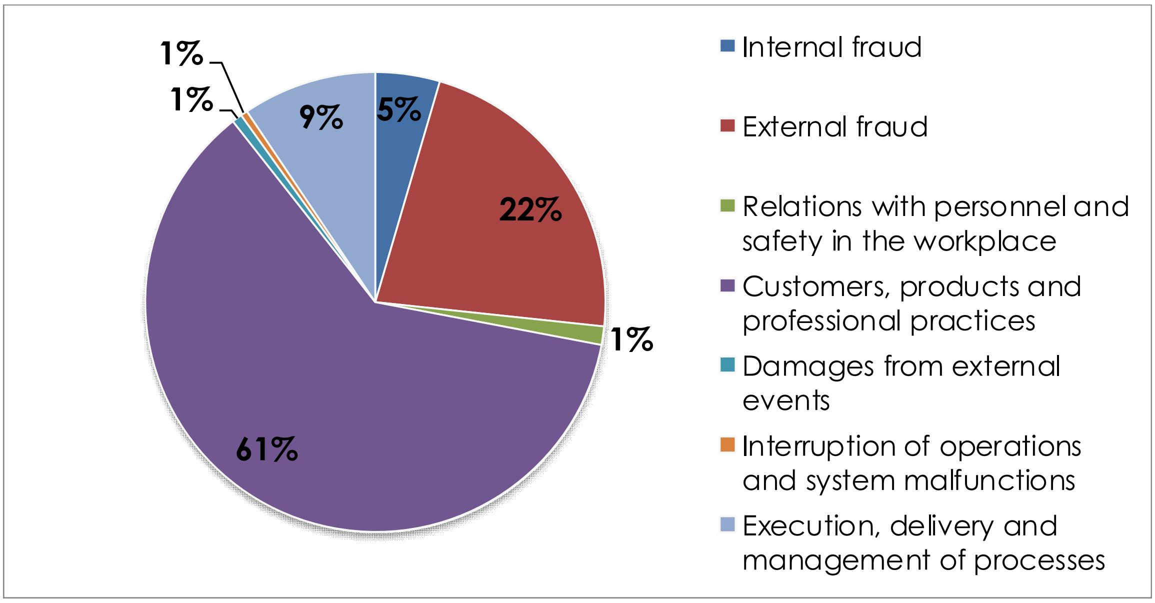
Under the Basic Indicator Approach (BIA), capital requirements are calculated by applying an alpha coefficient (15%) to the average of the relevant indicator defined by the CRR 2013/575 for the last three years.

The portion of regulatory capital requirements determined using the AMA approach represents 51.6% (equal to around € 240.6 mln out of a total of around € 466.1 mln) of total requirements for operational risk.

Below is a detailed analysis of the AMA, TSA and BIA capital requirement as at 30 June 2020.

No.	Event type	VaR AMA	
		30/06/2020	31/12/2019
		(mln €)	*(mln €)*
1	Internal fraud	12,3	12,3
2	External fraud	54,7	54,7
3	Relations with personnel and safety in the workplace	4,8	4,8
4	Customers, products and professional practices	216,4	216,4
5	Damages from external events	1,7	1,7
6	Interruption of operations and system malfunctions	1,1	1,1
7	Execution, delivery and management of processes	36,8	36,8
Total requirement of risk categories (A1)		**327,9**	**327,9**
Expected loss deduction (A2)		**87,4**	**87,4**
AMA capital requirement (A = A1 - A2)		**240,6**	**240,6**
TSA requirement (B)		**216,6**	**216,6**
BIA requirement (C)		**9,0**	**9,0**
Total capital requirement (A+B+C)		**466,1**	**466,1**

Breakdown of the capital requirement relating to the AMA approach by event type



Financial Leverage

Definition and regulatory framework

Part Two, chapter 12, of Circular no. 285 of 17 December 2013 "Regulations for the supervision of banks" requires banks to calculate the leverage ratio as established in Part Seven of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and investment firms.

This indicator must be measured and monitored over time in order to:

- limit the accumulation of financial leverage and therefore attenuate the brusque deleveraging processes that took place during the crisis;
- limit possible measurement errors associated with the current system for calculating weighted assets.

In fact, the definition of excessive financial leverage risk set forth in the aforementioned Circular (derived from the definitions of art. 4(93) and 4(94) of the CRR Regulation) reads:

> *"this is the risk that a particularly high level of debt with respect to own funds could make the bank vulnerable, requiring it to take corrective measures in its business plan, including selling assets at a loss, which could require recognising value adjustments on other assets as well."*

The leverage ratio is calculated as the intermediary's capital (numerator) divided by the amount of the bank's overall exposure (denominator) and is expressed as a percentage.

$$\text{Leverage ratio} = \frac{\text{Tier 1 Capital}}{\text{Amount of overall exposure}}$$

The Supervisory Reporting function is responsible for calculating the leverage ratio at the quarterly reporting date on a consolidated and individual basis. The ratio is calculated also on forward-looking basis in order to make short- or medium/long-term projections. The consolidated ratio is also subjected to stress tests, by applying stress scenarios through specific IT procedures used for management purposes, which impact the bank's values, both in terms of numerator and denominator of the ratio.

The financial leverage ratio values are sent to the Risk function for the purpose of verifying the current, forecast and stressed levels of the indicator. This is done to verify the consistency of the leverage ratio with the respective thresholds of the risk appetite framework[13].

[13] The leverage ratio is included among the Strategic indicators in the Group's Risk Appetite Framework, hence its compliance with all of the defined thresholds is verified.

It should also be noted that the Group has adopted a specific internal regulation aimed at defining appropriate safeguards to ensure adequate monitoring of financial leverage and to formalise any appropriate mitigation actions aimed at containing it.

The Group currently calculates the leverage ratio based on procedures set forth in Annex XI of Execution Regulation (EU) 680/2014 of 16 April 2014 which, starting from the reporting date 30 September 2016, implements the following regulatory changes:

1) Commission Delegated Regulation (EU) 2015/62 of 10 October 2014, amending elements for the calculation of financial leverage by supplementing Art. 429 of Regulation (EU) no. 575/2013.

2) Commission Implementing Regulation (EU) 2016/428 of 23 March 2016 amending Implementing Regulation (EU) no. 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions as regards the reporting of the Leverage Ratio.

The leverage ratio was 5.13% as at June 2020, with reference to Tier 1 capital, calculated taking transitional arrangement into account. The ratio calculated using Tier 1 capital as reference, established by applying the provision in force was 4.65%.

The quantitative disclosure as at 30 June 2020 is presented below in accordance with the templates provided for in Implementing Regulation (EU) 2016/200 of 15 February 2016.

Table LRSum: Reconciliation of accounting assets and exposure for calculating the Leverage Ratio

	Reference date	30/06/2020	31/12/2019
	Entity name	Banco BPM	
	Level of application	consolidated	
LRSum Template - Summary reconciliation of accounting assets and leverage ratio exposures			
		Applicable amount	
1	Total assets as per published financial statements	179,415,362	167,038,201
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-72,981	-64,040
4	Adjustment for derivative financial instruments	844,620	847,597
5	Adjustment for securities financing transactions (SFT)	2,431,350	2,321,896
6	Adjustment for off-balance sheet items	21,606,531	18,504,100
7	Other adjustments	-3,966,280	-5,020,793
8	**Leverage ratio total exposure**	**200,258,602**	**183,626,961**

Table LRCom: Leverage ratio disclosure

Reference date		30/06/2020	31/12/2019
LRCom Template: Harmonised disclosure on leverage ratio			
		CRR leverage ratio exposure	
On-balance sheet exposures (excluding derivatives and SFTs)			
1,	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	171,118,997	156,831,050
2	(Asset amounts deducted in determining Tier 1 capital)	-1,913,131	-1,831,701
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**169,205,866**	**154,999,349**
Derivative exposures			
4	Replacement cost associated with all derivative transactions (i,e, net of eligible cash variation margin)	379,370	328,496
5	Add-on amount for potential future exposures associated with all derivative transactions (mark-to-market method)	844,620	847,597
EU-5a	Exposure determined with Original Exposure Method	0	0
6	Gross-up for derivative collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
7	(Deductions of receivables assets for cash variation margin provided in derivative transactions)	-1,138,302	-907,632
8	(Exempted CCP leg of client-cleared trade exposures)	0	0
9	Adjusted effective notional amount of written credit derivatives	0	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**85,688**	**268,461**
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	6,929,167	7,533,155
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Counterparty credit risk exposure for SFT assets	2,431,350	2,321,896
UE-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429-ter(4) and 222 of Regulation (EU) No 575/2013	0	0
15	Agent transaction exposures	0	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
16	**Total SFT exposures (sum of lines 12 to 15a)**	**9,360,517**	**9,855,051**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	62,935,471	61,388,792
18	(Adjustments for conversion to credit equivalent amounts)	-41,328,940	-42,884,692
19	**Total other off-balance sheet exposures (sum of lines 17 and 18)**	**21,606,531**	**18,504,100**
(Exposures exempted in accordance with Article 429 (7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet))			
EU-19a	Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)	0	0
EU-19b	Exposures exempted in accordance with Article 429(14) of Regulation (EU) No 575/2013 (on and off balance sheet)	0	0
Capital and total exposure measure			
20	**Tier 1 Capital**	**10,274,264**	**9,928,557**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**200,258,602**	**183,626,961**
Leverage ratio			
22	**Leverage ratio**	**5,13%**	**5,41%**
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	"transitional arrangements"	"transitional arrangements"
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) no, 575/2013	0	0

Table LRSpl: Split-up of the exposure

Reference date		30/06/2020	31/12/2019
LRSpl Table: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)			
		CRR leverage ratio exposure	
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	169,980,695	155,923,420
EU-2	- trading book exposures	4,159,692	2,974,350
EU-3	- banking book exposures, of which:	165,821,003	152,949,070
EU-4	- covered bonds	298,245	189,248
EU-5	- exposures treated as sovereigns	46,526,122	38,312,967
EU-6	- exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	699,112	768,588
EU-7	- institutions	10,854,699	9,098,215
EU-8	- secured by mortgages of immovable properties	36,767,154	36,729,549
EU-9	- retail exposures	15,160,594	15,085,254
EU-10	- corporate	36,727,031	33,092,286
EU-11	- exposures in default	5,449,352	5,630,622
EU-12	- other exposures (e,g, equity, securitisations, and other non-credit obligations assets)	13,338,695	14,042,342

First half 2020 - Comment on the exposures considered in the leverage calculation

As at 30 June 2020, the Group's transactions recorded an increase in exposures considered in the calculation of the leverage ratio of roughly 9,1% compared to the situation at the end of the previous year, This increase is due to the trend of the assets recorded in the balance sheet (+6%) and to the increase of off-balance sheet assets detailed below,

SFT assets show exposures down by 8,0% (credit risk) and up by 4,6% (counterparty risk), the latter especially influenced by securities lending transactions, These assets are mostly represented by contracts entered into with qualified central counterparties and/or leading Italian/foreign banking counterparties, Financial derivative contracts did not record any material changes in terms of replacement cost, nor did future credit exposure, which was practically unchanged, They are, for the most part, represented by contracts settled in the context of netting agreements stipulated with large national corporate counterparties and/or leading national or foreign banking counterparties or interest rate swap contracts with medium and large corporate customers,

At the end of June 2020, deductions for change margins in cash received in relation to derivative transactions fell by 18,3%,

Deductions for receivables resulting from change margins in cash provided in transactions on derivatives instead increased by 25,4% almost entirely represented by daily change margins,

Off-balance-sheet items with 10% FCC rose by 5,3% and are mainly represented by revocable lines of credit on current accounts and advance accounts and other low risk elements as described in Annex 1 to the CRR Regulation,

Off-balance-sheet items with 20% FCC fell by 25,6% and are mainly represented by endorsement loans relative to commercial lending (see medium/low risk items pursuant to Annex 1 of the CRR Regulation), However, this type of exposure remains residual with respect to the overall aggregate for calculating the ratios,

Off-balance-sheet items with 50% FCC fell by 35,8% and are mainly represented by endorsement loans of a commercial nature and margins available on credit lines with original durations exceeding 1 year (see medium risk elements pursuant to Annex 1 of the CRR Regulation),

Off-balance-sheet items with 100% FCC recorded an increase of 103,6% as a temporary consequence of the increase in commitments on repo receivables to be settled, Exposures for commitments for "put" option contracts sold to leading national/foreign banking counterparties with international government bonds as underlyings, were stable,

The other components are for the most part represented by commitments for financial sureties, whether issued directly or requested from foreign correspondent banks, in the interest of third parties,

Similarly to what was presented in the previous disclosure to the public, in the first half of 2020, no credit derivative contracts on loans were recognised among the gross exposures used in calculating financial leverage,

Other assets recorded an increase of 9,1%, including balance sheet assets deducted from own funds, in application of the operating instructions issued by the Implementing Regulation 2016/428,

As regards the differences in Tier 1 Capital, as well as for the related deducted assets, please refer to the explanations already provided in the previous section “Own Funds” of this disclosure,

Declaration of the Risk Manager

The undersigned Andrea Rovellini, in his capacity as Risk Manager of the Parent Company Banco BPM S,p,A, and Manager of the Internal Control and Risk Management System, hereby declares that the annual Public Disclosure Document (Pillar 3) as at 30 June 2020 was prepared in accordance with the reference legislation (Bank of Italy Circular no, 285/2013 and the CRR Regulation, EU no, 575/2013), taking into account the Bank's business model and organisational structure, also with reference to other national and international banking groups with comparable dimensions and complexity, He also states that the Document as a whole was drawn up in compliance with the Public Disclosure Document Model defined by the Group for 2020,

Milan, 8 September 2020

The Risk Manager
Andrea Rovellini
(signed)

Declaration of the Financial Reporting Manager

The undersigned, Gianpietro Val, in his capacity as Financial Reporting Manager of Banco BPM S,p,A, hereby declares, in compliance with the provisions of art, 154-bis, paragraph 2 of Italian Legislative Decree no, 58 of 24 February 1998, that the accounting information contained in this document is consistent with the records contained in the corporate documents, books and accounting records,

Milan, 8 September 2020

Financial Reporting Manager
Gianpietro Val
(signed)