Public Disclosure by Entities
Pillar 3

Data as at 30 June 2024

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.

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Introduction

Periodic disclosure provided to the market (Pillar 3 Disclosure)

The Basel Committee agreements ("Basel III") 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 remuneration practices and policies.

Within the EU, the contents of "Basel III" have been transposed into two pieces of legislation:

- Regulation (EU) No. 575/2013 of 26 June 2013 (CRR), which regulates Pillar 1 prudential supervisory institutions and the rules on public disclosure, so-called Pillar 3 (Part Eight "Disclosure by Institutions" CRR II);
- Directive 2013/36/EU of 26 June 2013 (CRD IV), which covers, among other things, conditions for access to banking, freedom of establishment and freedom to provide services, the supervisory review process, and additional capital buffers.

In Italy, the common regulations are implemented by the Bank of Italy through Circular no. 285 of 17 December 2013 "Supervisory Provisions for Banks", as amended.

The regulatory framework is further supplemented by the implementing measures that transpose the regulatory or implementing technical standards (RTS or ITS), issued by the European Commission based on proposals from the European Banking Authority (EBA), in accordance with the mandate set out in Article 434 bis of the CRR, titled "Reporting Models". In particular, reference is made to Implementing Regulation (EU) 2021/637, Implementing Regulation (EU) 2021/763 and subsequent amendments. It should be noted that, in line with the provisions of Implementing Regulation (EU) 2021/763, the Group is publishing for the first time its disclosure on Minimum Requirement for Own Funds and Eligible Liabilities (MREL).

In addition to the RTS and ITS, the EBA publishes the relevant Pillar 3 guidelines including EBA/GL/2014/14 on materiality, exclusivity, confidentiality and frequency of disclosure pursuant to Articles 432(1) and (2) and 433 of Regulation (EU) 575/2013.

It should be noted that on 24 January 2022, the EBA published the final draft of implementing technical standards on the disclosure of environmental, social and governance (ESG) risks, developed in accordance with Article 449 bis CRR; these were transposed in Implementing Regulation (EU) 2021/637. By virtue of these provisions, the first ESG disclosure was published in the annual document in 2022 and thereafter on a half-yearly basis, following a phased-in approach to introduce these disclosure obligations (phase-in period from December 2022 to December 2024).

Banco BPM Group publishes the information according to the frequency established by Article 433-bis CRR II and this document, entitled "Public Disclosure by Entities", drawn up on a consolidated basis, in fulfilment of the aforementioned regulatory obligations.

The preparation of the Group's Pillar 3 Disclosure is regulated by the "Template for Disclosure to the Public", approved annually by the Board of Directors of Banco BPM, which - together

with the internal reference regulations - defines the formal and comprehensive policy on the Group's disclosure to the market, to pursue full compliance with the Pillar 3 Disclosure.

The qualitative and quantitative information as at 30 June 2024 based on the contents required by the regulations referenced above is presented below.

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

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

Awarding of financial conglomerate status

After gaining full control of the insurance company Banco BPM Vita S.p.A. on 7 March 2023, the Banco BPM Group was designated as a financial conglomerate under Article 3 of Italian Legislative Decree No. 142 of 30 May 2005. As a result, it is now subject to the additional supervision outlined in Directive 2002/87/EC.

Banco BPM Vita serves as the insurance sub-holding company within the Banco BPM Group's financial conglomerate. It holds full ownership of the insurance companies Vera Vita S.p.A. and BBPM Life dac, along with a 35% stake in Banco BPM Assicurazioni S.p.A. and Vera Assicurazioni S.p.A.

Note that on 3 November 2023, Banco BPM Group received authorisation from the European Central Bank, pursuant to Article 49(1) of Regulation (EU) 575/2013, not to deduct the book value of the equity investment in Banco BPM Vita S.p.A. from Common Equity Tier 1 Capital (CET1). As a result of the authorisation obtained, the equity investment not deducted from own funds is considered an equity instrument exposure and is included in the risk-weighted assets for credit risk[1].

[1] In compliance with the provisions of the CRR, the weighting percentage is 100%.

References to the regulatory requirements of the Market disclosure

The table below outlines the placement of qualitative and quantitative disclosures in this half-yearly report, in accordance with the applicable regulations. It should be noted that the Banco BPM Group has decided to supplement and publish more frequently certain information contained in the various sections of the disclosure.

EBA Disclosure Code	EBA Disclosure Name	Section of the Document
EU KM1	Key metrics	Introduction
EU LIB	Other qualitative information on the scope of application	Section 2 - Scope of application
EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	
EU CCA	Main features of regulatory own funds instruments and eligible liabilities instruments	Section 3 - Own Funds
EU CC1	Composition of regulatory own funds	
EU CC2	Reconciliation of regulatory own funds to the balance sheet in the audited financial statements	
EU CCyB2	Amount of institution-specific countercyclical capital buffer	Section 4 - Capital requirements
EU CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	
EU KM2	Key metrics - MREL and, if applicable, own funds requirement and eligible liabilities for G-SIIs	
EU MR1	Market risk under the standardised approach	
EU OV1	Overview of total risk-weighted exposure amounts	
EU CR8	RWEA flow statement of credit risk exposures under the IRB approach	
EU MR2-B	RWEA flow statements of market risk exposures under the IMA	
EU OVC	ICAAP Information	
EU CCR7 (*)	RWEA statements of CCR exposures under the IMM	
EU CQ1	Credit quality of forborne exposures	Section 5 - Credit risk (general information regarding all banks)
EU CQ2 (*)	Quality of forbearance	
EU CQ3	Credit quality of performing and non-performing exposures by past due days	
EU CQ4	Quality of non-performing exposures by geographic area	
EU CQ5	Credit quality of loans and advances to non-financial corporations by industry	
EU CQ6 (*)	Collateral valuation - loans and advances	
EU CQ7	Collateral obtained by taking possession and execution processes	
EU CQ8 (*)	Collateral obtained by taking possession and execution processes - vintage breakdown	
EU CR1-A	Maturity of exposures	
EU CR1	Performing and non-performing exposures and related provisions	
EU CR2	Changes in the stock of non-performing loans and advances	
EU CR2A (*)	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	
EU CRD	Qualitative disclosure requirements on the standardised approach	Section 6 - Credit risk (standardised approach)
EU CR4	Standardised approach: credit risk exposure and CRM effects	
EU CR5	Standardised approach	
EU CRE	Qualitative disclosure requirements on the IRB approach	Section 7 - Credit risk (IRB approach)
EU CR6	IRB approach: credit risk exposures by exposure class and PD range	

EBA Disclosure Code	EBA Disclosure Name	Section of the Document
EU CR7	IRB approach: effect on the amounts of RWAs of credit derivatives used as part of CRM techniques	
EU CR7-A	IRB approach: disclosure of the extent of the use of CRM techniques	
EU CR10	Specialised lending and equity instrument exposures under the simple risk-weighted approach	
EU CR3	CRM techniques - Overview: disclosure of the use of credit risk mitigation techniques	Section 8 - Risk mitigation techniques
EU CR1	Analysis of CCR exposure by approach	Section 9 - Counterparty credit risk
EU CCR2	Transactions subject to own funds requirements for CVA risk	
EU CCR3	Standardised approach: CCR exposures by regulatory exposure class and risk weights	
EU CCR4	IRB approach: CCR exposures by exposure class and PD range	
EU CCR5	Composition of collateral for CCR exposures	
EU CCR6	Credit derivative exposures	
EU CCR8	Exposures to CCPs	
EU SEC1	Securitisation exposures in the non-trading book	Section 10 - Securitisations and covered bond transactions
EU SEC2*	Securitisation exposures in the trading book	
EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements: institution acting as originator or as sponsor	
EU SEC4	Securitisation exposures in the non-trading book and associated regulatory capital requirements: institution acting as investor	
EU SEC5	Exposures securitised by the institution: exposures in default and specific credit risk adjustments	
EU MRB	Qualitative disclosure requirements for institutions using internal models for market risk	Section 11 - Market risk
EU MR2-A	Market risk under the Internal Model Approach (IMA)	
EU MR3	IMA values for trading portfolios	
EU MR4	Comparison of VaR estimates with gains/losses	
EU IRRBBA	Qualitative information on interest rate risk of non-trading book activities	Section 14 - Interest rate risk on positions in the banking book
EU IRRBB1	Interest rate risk of non-trading book activities	
EU LIQ1	Quantitative information of LCR	Section 15 - Liquidity risk
EU LIQ2	Net Stable Funding Ratio	
EU LIQB	Qualitative information on LCR, which complements the EU LIQ1 template	
EU LRA	Disclosure of qualitative information on the leverage ratio	Section 17 - Leverage
EU LR1	LRSum: summary reconciliation of accounting assets and leverage ratio exposures	
EU LR2	LRCom: leverage ratio common disclosure	
EU LR3	LRSpl: split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	
Table 1	Qualitative information on environmental risk	Section 19 - ESG risks
Table 2	Qualitative information on social risk	
Table 3	Qualitative information on governance risk	
Template 1	Banking book – Indicators of potential climate change-related transition risk: credit quality of exposures by sector, issuance and residual maturity	
Template 2	Banking book - Indicators of potential transition risk related to climate change: loans secured by real estate – Energy efficiency of collaterals	
Template 3	Banking book - Indicators of potential transition risk related to climate change: alignment metrics	

EBA Disclosure Code	EBA Disclosure Name	Section of the Document
Template 4	Banking book - Indicators of potential transition risk related to climate change: exposures to the top 20 carbon-intensive companies	
Template 5	Banking book - Indicators of potential physical risk related to climate change: exposures subject to physical risk	
Template 6	Summary of key performance indicators, KPIs) on taxonomy-aligned exposures	
Template 7	Mitigation actions: assets for the GAR calculation	
Template 8	GAR (%)	
Template 10	Other mitigation actions related to climate change not covered by Regulation (EU) 2020/852	

(*) Templates currently not applicable to Banco BPM Group

Capital adequacy ratios as at 30 June 2024

Own funds and capital ratios as at 30 June 2024, outlined hereunder, were determined by applying the provisions of Regulation (EU) no. 575/2013 of the European Parliament and Council of 26 June 2013, relating to the prudential requirements for credit institutions and investment firms, as updated by the modification rules subsequently issued[2].

Based on the provisions of Article 26(2) of Regulation (EU) 575/2013, the inclusion of interim profit in CET1 is subject to the prior authorisation from the European Central Bank, which requires these profits to be verified by the independent auditors.

In this regard, it should be noted that the consolidated balance sheet and income statement as at 30 June 2024 of Banco BPM Group were subject to limited audit[3] with a view to obtaining the aforementioned authorisation. Also note that the European Central Bank authorised the inclusion of the profit being accrued as at 30 June 2024, net of the portion expected to be distributed as a dividend on the basis of specific applicable regulations[4].

The capital data and ratios contained in this disclosure therefore include the interim profit as at 30 June 2024, resulting from the Group's consolidated balance sheet and income statement approved by the Board of Directors on 6 August 2024, net of the portion that is expected to be distributed as a dividend.

At 30 June 2024, Own Funds totalled Euro 13,018 million against weighted assets of Euro 62,226 million, mostly arising from credit and counterparty risks and, to a lesser extent, operational and market risks.

The Total Capital Ratio stood at 20.9%; the Group Tier 1 Ratio (Tier 1 Capital to total RWEAs) stood at 17.4%. The Common Equity Tier 1 Ratio (Common Equity Tier 1 to RWAs) was 15.2%.

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[2] More specifically, the data were calculated in consideration of the current legislation as at 30 June 2024 and the interpretations issued prior to 6 August 2024, the date on which the Board of Directors approved the interim profit (loss) for the year as at 30 June 2024.

[3] The limited audit was carried out in compliance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

[4] Pursuant to the provisions of Article 5 of European Central Bank Decision (EU) 2015/656 of 4 February 2015, the dividends deducted from the amount of the half-yearly profit included in own funds are equal to 67% of the profit for the period; in the absence of a formal Board of Directors decision regarding the allocation of profit for the year 2024, the rules envisaged in Article 5.3 of the aforesaid decision have been applied.

Template EU KM1: key metrics (1 of 2)

* for each quarter, the average figures for the previous 12 months are reported.

		a	b	c	d	e
		30/06/2024	31/03/2024	31/12/2023	30/09/2023	30/06/2023
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	9,438,007	9,237,696	9,035,519	8,380,949	8,386,026
2	Tier 1 capital	10,827,677	10,627,366	10,425,189	9,770,743	9,775,819
3	Total capital	13,018,443	12,824,786	12,124,752	11,510,185	11,483,702
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	62,226,151	62,660,447	63,823,093	58,490,569	58,859,295
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	15.17%	14.74%	14.16%	14.33%	14.25%
6	Tier 1 ratio (%)	17.40%	16.96%	16.34%	16.71%	16.61%
7	Total capital ratio (%)	20.92%	20.47%	19.00%	19.68%	19.51%
Additional own fund requirements to address risks other than the risk of excessive leverage (as a % of risk-weighted exposure amount)						
EU 7a	Additional own fund requirements to address risks other than the risk of excessive leverage (%)	2.52%	2.52%	2.57%	2.57%	2.57%
EU 7b	Of which: to be made up of CET1 capital (percentage points)	1.54%	1.54%	1.45%	1.45%	1.45%
EU 7c	Of which: to be made up of Tier 1 capital (percentage points)	1.96%	1.96%	1.93%	1.93%	1.93%
EU 7d	Total SREP own funds requirements (%)	10.52%	10.52%	10.57%	10.57%	10.57%
Combined buffer and overall capital requirement (as a % of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential risk or systemic risk identified at Member State level (%)	-	-	-	-	-
9	Institution-specific countercyclical capital buffer (%)	0.041%	0.039%	0.045%	0.040%	0.029%
EU 9a	Systemic risk capital buffer (%)	-	-	-	-	-
10	Global systemically important institution buffer (%)	-	-	-	-	-
EU 10a	Other systemically important institution buffer (%)	0.50%	0.50%	0.25%	0.25%	0.25%
11	Combined buffer requirement (%)	3.04%	3.04%	2.79%	2.79%	2.78%
EU 11a	Overall capital requirements (%)	13.56%	13.56%	13.36%	13.36%	13.35%
12	CET1 available after satisfying the total SREP own fund requirements (%)	9.13%	8.71%	8.21%	8.38%	8.30%

Template EU KM1: key metrics (2 of 2)

		a	b	c	d	e
		30/06/2024	31/03/2024	31/12/2023	30/09/2023	30/06/2023
Leverage ratio						
13	Total exposure measure	199,834,985	197,952,295	199,614,281	196,590,762	201,645,484
14	Leverage ratio (%)	5.42%	5.37%	5.22%	4.97%	4.85%
Additional own funds requirements to address the risk of excessive leverage (as a % of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a % of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity coverage ratio						
15	Total high-quality liquid assets (HQLA) (weighted value - average)	31,174,131	33,356,802	33,771,491	34,231,933	35,174,111
EU 16a	Cash outflows - Total weighted value	22,536,218	22,588,786	22,671,929	22,956,552	23,424,988
EU 16b	Cash inflows - Total weighted value	4,369,909	4,331,415	4,484,466	4,822,749	5,120,564
16	Total net cash outflows (adjusted value)	18,166,309	18,257,370	18,187,463	18,133,803	18,304,424
17	Liquidity Coverage Ratio (%)	171.60%	182.71%	185.69%	189.39%	192.81%
Net Stable Funding Ratio						
18	Total available stable funding	120,619,083	120,141,638	121,738,061	121,769,976	127,777,896
19	Total required stable funding	95,526,931	95,140,178	94,708,236	95,189,006	97,084,641
20	NSFR (%)	126.27%	126.28%	128.54%	127.92%	131.61%

Scope of application

Name of the bank to which the disclosure requirements apply

Banco BPM Società per Azioni, Parent Company of the "Banco BPM Banking Group".

Change in the scope of consolidation

During the first half of 2024, changes in the scope of consolidation included the deconsolidation of the fully consolidated subsidiaries BP Mortgages S.r.l., following the early termination of the last outstanding securitisation and the placement in liquidation of the company, effective as of 1 May 2024, and Terme Ioniche Società Agricola S.r.l., following its incorporation into the company Terme Ioniche S.r.l.

These transactions did not generate any effects on the income statement of the Group as at 30 June 2024.

With reference to the binding agreement signed on 14 July 2023 for the establishment of a strategic partnership aimed at the development of a new Italian and independent company in the digital payments sector, which calls for the transfer of the e-money activities of Banco BPM and the stake in Tecmarket Servizi to the joint venture BCC Pay S.p.A. (which on 1 May changed its name to Numia S.p.A.), it should be recalled that since 30 June 2023, the associated assets and liabilities subject to the transfer are shown in the specific balance sheet items "Non-current assets and disposal groups held for sale" and "Liabilities associated with assets classified as held for sale", in keeping with the provisions of IFRS 5.

Template EU LI3: Outline of the 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:		
	line-by-line	equity	line-by-line	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

Name of the entity:	Method of accounting consolidation:		Method of regulatory consolidation:				Description of the entity:		
	line-by-line	equity	line-by-line	Proportional consolidation	Neither consolidated nor deducted	Deducted	Sector	Registered office	Country
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
Banco BPM Assicurazioni S.p.A.		X			X		Insurance companies	Milan	ITALY
Banco BPM Invest SGR S.p.A.	X					X	Fund management companies	Milan	ITALY
Banco BPM Vita S.p.A.	X				X		Insurance companies	Milan	ITALY
BBPM Life Dac	X				X		Insurance companies	Dublin	IRELAND
Bipielle Bank (Suisse) S.A. in liquidation	X		X				Banking system in non-EU countries	Lugano	SWITZERLAND
BP Covered Bond S.r.l.	X		X				Covered bond issuing companies	Milan	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
Calliope Finance S.r.l. in liquidation		X			X		Other financial intermediaries	Milan	ITALY
Gardant Liberty Servicing S.p.A.		X			X		Production companies	Rome	ITALY
Etica SGR S.p.A.		X				X	Fund management companies	Milan	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 (RE)	ITALY
Lido dei Coralli S.r.l.	X				X		Production companies	Sassari	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
Oaklins Italy S.r.l. *	X					X	Other financial companies	Milan	ITALY
Profamily SPV S.r.l.	X				X		Other financial intermediaries	Conegliano V. (TV)	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
Selma Bipiemme Leasing S.p.A.		X				X	Financial companies	Milan	ITALY
Sirio Immobiliare S.r.l.	X				X		Production companies	Lodi	ITALY

Name of the entity:	Method of accounting consolidation:		Method of regulatory consolidation:				Description of the entity:		
	line-by-line	equity	line-by-line	Proportional consolidation	Neither consolidated nor deducted	Deducted	Sector	Registered office	Country
Tecmarket Servizi S.p.A.	X				X		Production companies	Verona	ITALY
Terme Ioniche S.r.l.	X				X		Production companies	Lodi	ITALY
Vera Assicurazioni S.p.A.		X			X		Insurance companies	Verona	ITALY
Vera Vita S.p.A.	X				X		Insurance companies	Verona	ITALY
Vorvel SIM S.p.A. **		X				X	Investment companies (SIM)	Milan	ITALY

* Companies not included in the prudential consolidation pursuant to article 19(1) of Regulation (EU) no. 575/2013.

** By means of a press release dated 14.12.2022, HI-MTF SIM S.p.A. changed its name to Vorvel SIM S.p.A.

The 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 banking group

There are no restrictions that impede the prompt 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 2024, none of the subsidiaries not included in the consolidation are entities required to meet the own funds requirements set forth in Regulation (EU) no. 575/2013 or Directive 2013/36/EU.

Name of the subsidiaries not included in the prudential scope of consolidation

Please see table EU LI3 in the previous section for the list of companies included in the scope of consolidation for the purpose of drafting the financial statements, but excluded from the prudential scope of consolidation.

Reconciliation between the regulatory scope and the financial statement scope as at 30 June 2024

Reclassified asset items (in thousand euro)	Banking Group	Insurance companies	Other businesses	Consolidation adjustments	30/06/2024
Cash and cash equivalents	**10,871,013**	**62,626**	**295,411**	**(234,764)**	**10,994,286**
Loans at AC	**106,200,933**	**-**	**2,623,319**	**(3,230,680)**	**105,593,572**
- Loans to banks	3,620,928	-	2,623,319	(2,623,282)	3,620,965
- Loans to customers	102,580,005	-	-	(607,398)	101,972,607
Other financial assets and hedging derivatives	**49,922,713**	**-**	**1,988**	**233,936**	**50,158,637**
- Measured at FVTPL	8,690,031	-	-	7,853	8,697,884
- Measured at FVOCI	12,111,268	-	-	-	12,111,268
- Measured at AC	29,121,414	-	1,988	226,083	29,349,485
Financial assets pertaining to insurance companies	**-**	**16,102,722**	**-**	**(407,335)**	**15,695,387**
Interests in associates and joint ventures	**2,149,236**	**661,299**	**11,283**	**(1,392,508)**	**1,429,310**
Property, plant and equipment	**2,731,120**	**5,983**	**42,108**	**(4,020)**	**2,775,191**
Intangible assets	**1,197,702**	**340**	**-**	**50,051**	**1,248,093**
Tax assets	**3,799,172**	**117,592**	**8,236**	**1,381**	**3,926,381**
Non-current assets and disposal groups held for sale	**425,096**	**-**	**27,169**	**(6,960)**	**445,305**
Other asset items	**5,221,733**	**403,709**	**449,297**	**(558,997)**	**5,515,742**
Total assets	**182,518,718**	**17,354,271**	**3,458,811**	**(5,549,896)**	**197,781,904**

Reclassified liability items (in thousand euro)	Banking Group	Insurance companies	Other businesses	Consolidation adjustments	30/06/2024
Direct funding	**124,086,961**	**-**	**1,544,607**	**(1,482,436)**	**124,149,132**
- Due to customers	103,762,627	-	-	(79,805)	103,682,822
- Securities and financial liabilities designated at fair value	20,324,334	-	1,544,607	(1,402,631)	20,466,310
Direct funding from insurance business and technical reserves	**-**	**15,482,816**	**-**	**(94,326)**	**15,388,490**
Due to banks	**12,871,622**	**-**	**64,421**	**(540,335)**	**12,395,708**
Lease payables	**645,862**	**-**	**771**	**(771)**	**645,862**
Other financial liabilities measured at FV	**26,781,826**	**-**	**-**	**(35,576)**	**26,746,250**
Financial liabilities at amortised cost pertaining to insurance companies	**-**	**321,442**	**-**	**(250,420)**	**71,022**
Liability provisions	**781,310**	**3,637**	**5,045**	**(11,514)**	**778,478**
Tax liabilities	**287,027**	**140,497**	**3,318**	**50,212**	**481,054**
Liabilities associated with assets classified as held for sale	**207,747**	**-**	**16,945**	**(9,199)**	**215,493**
Other liability items	**3,128,622**	**144,848**	**1,817,826**	**(1,913,944)**	**3,177,352**
Total liabilities	**168,790,977**	**16,093,240**	**3,452,933**	**(4,288,309)**	**184,048,841**
Non-controlling interests	**8**	**-**	**-**	**66**	**74**
Group shareholders' equity	**13,727,733**	**1,261,031**	**5,878**	**(1,261,653)**	**13,732,989**
Consolidated shareholders' equity	**13,727,741**	**1,261,031**	**5,878**	**(1,261,587)**	**13,733,063**
Total liabilities and shareholders' equity	**182,518,718**	**17,354,271**	**3,458,811**	**(5,549,896)**	**197,781,904**

Details of the balance sheet assets of companies consolidated line-by-line for financial statements purposes that are excluded from the scope of prudential consolidation

	Company name (Insurance companies)	Total assets 30/06/2024
1	Banco BPM Vita S.p.A.	7,340,025
2	BBPM Life DAC	3,001,073
3	Vera Vita S.p.A.	7,013,173
		17,354,271

	Company name (Other businesses)	Total assets 30/06/2024
1	Agriurbe S.r.l. in liquidation	11,295
2	Banco BPM Invest SGR S.p.A.	3,208
3	BRF Property S.p.A.	13,855
4	Ge.Se.So. S.r.l.	1,625
5	Lido dei Coralli S.r.l.	13,116
6	Oaklins Italy S.r.l.	2,271
7	Partecipazioni Italiane S.p.A. in liquidation	3,541
8	P.M.G. S.r.l. in liquidation	3,131
9	Sagim S.r.l. Società Agricola	13,223
10	Sirio Immobiliare S.r.l.	14,015
11	Tecmarket Servizi S.p.A.	16,912
12	Terme Ioniche S.r.l.	8,054
13	BPL Mortgages S.r.l.	61
14	BPL Mortgages 5	2,722,205
15	BPL Mortgages 8	554,552
16	Profamily SPV S.r.l.	77,297
		3,458,361

Own Funds

Template EU CCA: main features of regulatory own funds instruments and eligible liabilities instruments

The tables on the features of equity instruments are uploaded in editable format (Excel) on the Group's institutional website. Amounts are shown in millions of euro.

The template provides a description of instruments issued by the institution and eligible for calculation in:

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

Composition of own funds

The tables of own funds (Regulatory Capital) and risk assets are presented below, calculated in accordance with the rules stated in the introduction.

The composition of own funds as at 30 June 2024 is also presented. This uses the template for the publication of information on own funds, in accordance with Annex VII of Implementing Regulation (EU) no. 637 of 15 March 2021, compiled according to the pertinent instructions in Annex VIII.

Template EU CC1: composition of regulatory own funds

		30/06/2024	
		a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Equity instruments and related share premium accounts	7,100,000	EU CC2 - SHAREHOLDERS' EQUITY 170
	Of which ordinary shares	7,100,000	EU CC2 - SHAREHOLDERS' EQUITY 170
	Of which instrument type 2		
	Of which instrument type 3		
2	Retained earnings	-	
3	Accumulated other comprehensive income (and other reserves)	4,537,321	EU CC2 - SHAREHOLDERS' EQUITY 120 + EU CC2 - SHAREHOLDERS' EQUITY 150
EU-3a	Funds for general banking risks	-	
4	Amount of qualifying items referred to in Article 484(3) CRR and the related share premium reserves subject to phase out from CET1	-	
5	Non-controlling interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	248,891	EU CC2 - SHAREHOLDERS' EQUITY 200.1
6	**CET1 capital before regulatory adjustments**	**11,886,212**	
CET1 capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(25,079)	
8	Intangible assets (net of related tax liability) (negative amount)	(953,816)	EU CC2 - ASSETS 70.2 + EU CC2 - ASSETS 100.1 and 100.3 + EU CC2 - LIABILITIES 60 b.1
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) CRR are met) (negative amount)	(866,755)	EU CC2 - ASSETS 110 b.1/1
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not measured at fair value	18,298	EU CC2 - SHAREHOLDERS' EQUITY 150.1
12	Negative amounts resulting from the calculation of expected loss amounts	(10,377)	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities measured at fair value resulting from changes in own credit standing	75,481	EU CC2 - SHAREHOLDERS' EQUITY 120.1 for 56.5 million (19 million in Income Statement)
15	Defined-benefit pension fund assets (negative amount)	-	

		30/06/2024	
		a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
16	Direct, indirect and synthetic holdings by the institution of own CET1 instruments (negative amount)	(51,733)	EU CC2 - SHAREHOLDERS' EQUITY 180
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(104,506)	EU CC2 - ASSETS 70.1/1
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(24,800)	
EU-20b	Of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	Of which: securitisation positions (negative amount)	(24,800)	
EU-20d	Of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liabilities where the conditions in Article 38(3) CRR are met) (negative amount)	-	
22	Amount exceeding the 17.65% threshold (negative amount)	(480,487)	
23	Of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	(254,081)	EU CC2 - ASSETS 70.1/2
25	Of which: deferred tax assets arising from temporary differences	(226,406)	EU CC2 - ASSETS 110 b.1/2
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	(24,430)	
28	**Total regulatory adjustments to CET1 capital**	**(2,448,205)**	
29	**CET1 capital**	**9,438,007**	
	Additional Tier 1 (AT1) capital: instruments		
30	Equity instruments and related share premium accounts	1,389,670	EU CC2 - SHAREHOLDERS' EQUITY 140
31	Of which: classified as equity under applicable accounting standards	1,389,670	EU CC2 - SHAREHOLDERS' EQUITY 140

		30/06/2024	
		a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
32	Of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494-bis(1) CRR subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including non-controlling interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries, subject to phase out	-	
36	**AT1 capital before regulatory adjustments**	**1,389,670**	
	AT1 capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	**Total regulatory adjustments to AT1 capital**	**-**	
44	**AT1 capital**	**1,389,670**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**10,827,677**	
	Tier 2 (T2) capital: instruments		
46	Equity instruments and related share premium accounts	2,390,489	EU CC2 - LIABILITIES 10.1
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494-bis(2) CRR subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including non-controlling interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries, subject to phase out	-	
50	Credit risk adjustments	-	
51	**T2 capital before regulatory adjustments**	**2,390,489**	
	T2 capital: regulatory adjustments		

		30/06/2024	
		a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(199,724)	EU CC2 - ASSETS 40.1
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
57	**Total regulatory adjustments to T2 capital**	**(199,724)**	
58	**T2 capital**	**2,190,765**	
59	**Total capital (TC = T1 + T2)**	**13,018,443**	
60	**Total risk-weighted exposure amount**	**62,226,151**	
	Capital ratios and requirements, including capital buffers		
61	Common Equity Tier 1 capital	15.17%	
62	Tier 1 capital	17.40%	
63	Total capital	20.92%	
64	Institution CET1 overall capital requirements	9.08%	
65	Of which capital conservation buffer requirement	2.50%	
66	Of which countercyclical buffer requirement	0.041%	
67	Of which systemic risk buffer requirement	-	
EU-67a	Of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) capital buffer requirement	0.50%	
EU-67b	Of which additional own funds requirements to address risks other than the risk of excessive leverage	1.54%	
68	**Common Equity Tier 1 (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**9.13%**	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	332,423	EU CC2 - ASSETS 20.1 + EU CC2 - ASSETS 30.1 + EU CC2 - ASSETS 40.2 + EU CC2 - LIABILITIES 20.1
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% threshold and net of eligible short positions)	750,662	EU CC2 - ASSETS 70.1/3

		30/06/2024	
		a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liabilities where the conditions in Article 38(3) CRR are met)	668,900	EU CC2 - ASSETS 110 b.1/3
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	173,842	
	Equity instruments subject to phase out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Template EU CC2: reconciliation of regulatory own funds to the balance sheet in the audited financial statements

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets			
10. Cash and cash equivalents	10,994,286	10,871,013	
20. Financial assets at fair value through profit and loss	14,484,127	7,713,488	
20.1 of which: direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		220,684	EU CC1 72
30. Financial assets measured at fair value through other comprehensive income	21,043,144	12,111,268	
30.1 of which: direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		65,251	EU CC1 72
40. Financial assets at amortised cost	134,943,717	135,322,347	
40.1 of which: direct, indirect and synthetic holdings of T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities		199,724	EU CC1 55
40.2 of which: direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		48,300	EU CC1 72
50. Hedging derivatives	976,608	976,543	
60. Fair value change of financial assets in macro fair value hedge portfolios (+/-)	(279,672)	(279,672)	
70. Interests in associates and joint ventures	1,429,310	2,149,236	
70.1 Interests in associates and joint ventures - significant influence - measured at equity	1,394,548	2,093,484	
70.1/1 of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)		104,506	EU CC1 19
70.1/2 of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount exceeding the 17.65% threshold)		254,081	EU CC1 23
70.1/3 of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below the 17.65% threshold and net of eligible short positions)		750,662	EU CC1 73
70.2 Interests in associates and joint ventures measured at equity, positive differences in shareholders' equity	34,762	55,752	EU CC1 8
80. Technical reserves of reinsurers	8,244	-	
90. Property, plant and equipment	2,775,191	2,731,120	
100. Intangible assets	1,248,093	1,197,702	

100.1 Goodwill	56,709	42,968	EU CC1 8
100.2 Other intangible assets	1,191,384	1,154,734	
100.3 of which: intangible assets deducted from own funds		972,935	EU CC1 8
110. Tax assets	3,926,381	3,799,172	
110.a current	333,269	244,290	
110.b deferred	3,593,112	3,554,882	
110.b.1 deferred - Other than It. Law 214/2011	1,983,221	1,944,991	
110.b.1/1 of which: deferred tax assets that rely on future profitability, excluding those arising from temporary differences		866,755	EU CC1 10
110.b.1/2 of which: deferred tax assets arising from temporary differences (amount exceeding the 17.65% threshold)		226,406	EU CC1 25
110.b.1/3 of which: deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38(3) CRR are met)		668,900	EU CC1 75
110.b.2 deferred - Pursuant to It. Law 214/2011	1,609,891	1,609,891	
120. Non-current assets and disposal groups held for sale	445,305	425,096	
130. Other assets	5,787,170	5,501,405	
Total assets	**197,781,904**	**182,518,718**	
Liabilities			
10. Financial liabilities measured at amortised cost	137,243,429	137,586,150	
10.1 of which: Tier 2 equity instruments and related share premium accounts		2,390,489	EU CC1 46
20. Financial liabilities held for trading	21,571,436	21,607,012	
20.1 of which: direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		1,812	EU CC1 72
30. Financial liabilities designated at fair value	7,519,445	4,443,150	
40. Hedging derivatives	749,959	749,959	
50. Fair value change of financial liabilities in macro fair value hedge portfolios (+/-)	(810,756)	(810,756)	
60. Tax liabilities	481,054	287,027	
60.a current	44,783	9,651	
60.b deferred	436,271	277,376	
60.b.1. of which: deferred tax liabilities on goodwill and other intangible assets already offset as lower deductions of regulatory capital		117,839	EU CC1 8
70. Liabilities associated with disposal groups held for sale	215,493	207,747	
80. Other liabilities	3,988,108	3,939,378	
90. Provisions for employee severance pay	238,143	235,854	
100. Provisions for risks and charges	540,335	545,456	
110. Insurance liabilities	12,312,195	-	

Total liabilities	184,048,841	168,790,977	
Shareholders' equity			
120. Valuation reserves	(314,879)	(314,879)	EU CC1 3
120.1 of which: gains or losses on liabilities measured at fair value resulting from changes in own credit standing	-	(56,508)	EU CC1 14
140. Equity instruments	1,389,670	1,389,670	EU CC1 31
150. Reserves	4,859,806	4,852,200	EU CC1 3
150.1 of which: fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not measured at fair value		18,298	EU CC1 11
170. Tier 1	7,100,000	7,100,000	EU CC1 1
180. Own shares (-)	(51,733)	(51,733)	EU CC1 16
190. Minority interests (+/-)	74	8	
200. Profit (loss) for the year	750,125	752,475	
200.1 of which: calculable profit		248,891	EU CC1 EU-5a
Total shareholders' equity	**13,733,063**	**13,727,741**	
Total liabilities	**197,781,904**	**182,518,718**	

Analysis of changes in the aggregate amount of Own Funds in the period

(in thousands of euro)	30/06/2024
CET1 capital	
Opening balance	**9,035,519**
CET1 instruments	**122,338**
Increase/decrease in reserves from measurement at fair value through other comprehensive income	(38,501)
Profit (loss) for the period	752,475
Profit (loss) non-calculable	(503,584)
Increase/decrease in shareholders' equity	-
Changes in other CET1 transitional items	-
Increase/decrease in other reserves	(88,052)
Increase/decrease in non-controlling interests calculable in CET1	-
Prudential filters	**19,286**
Increase/decrease in regulatory value adjustments (prudent valuation)	2,249
Increase/decrease in gains or losses on liabilities measured at fair value resulting from changes in own credit standing	14,838
Increase/decrease in cash flow reserve	2,200
Deductions	**260,864**
Increase/decrease in intangible assets (net of related tax liabilities)	12,095
Increase/decrease in significant investments in CET1 instruments of financial sector entities and tax assets from temporary differences exceeding the threshold	97,566
Increase/decrease in tax assets from tax losses carried forward	(51,482)
Increase/decrease in non-significant investments in CET1 instruments	-
Increase/decrease in excess of expected losses with respect to value adjustments (shortfall)	(10,377)
Increase/decrease in exposures deducted instead of risk-weighted at 1250%	2,208
Insufficient coverage of non-performing exposures	12
Other CET1 deductions due to article 3 CRR	210,842
Closing balance	**9,438,007**
AT1 capital	
Opening balance	**1,389,670**
AT1 instruments	**-**
Increase/decrease in AT1 instruments	-
Increase/decrease in minority interests calculable in AT1	-
Deductions	-
Increase/decrease in items to be deducted from AT1	-
Closing balance	**1,389,670**
T2 capital	
Opening balance	**1,699,564**
T2 instruments	**425,315**
Increase/decrease in T2 instruments and subordinated liabilities	495,985
Decrease in T2 instruments calculable under grandfathering arrangements	
Increase/decrease in minority interests calculable in T2	-
Increase/decrease in excess of value adjustments with respect to expected losses	(70,670)
Deductions	**65,887**
Increase/decrease in items to be deducted from T2	(4,783)
Other T2 deductions due to Article 3 CRR	70,670
Closing balance	**2,190,765**
Total own funds	**13,018,443**

CET1 posted an increase of 402.5 million euro during the first half of the year 2024. The most significant components underlying the above net performance are as follows:

- the inclusion of 248.9 million euro, equal to the interim result in the first six months (752.5 million euro) net of the dividend pay-out (503.6 million euro)[5];
- the decrease in deductions totalling 260.9 million euro. This reduction is mainly due to the removal of the voluntary deduction[6] from Common Equity Tier 1 capital that the Bank had considered when calculating own funds as at 31 December 2023 to anticipate the estimated impact deriving from the new internal models for measuring credit risk authorised by the ECB and actually applied as from 31 March 2024[7]. As at 30 June 2024, the new internal models are regularly implemented as part of the ordinary processes for calculating risk-weighted assets, generating a negative impact on own funds lower than that estimated and included in the data referring to 31 December 2023;
- the negative change in reserves, including valuation reserves, of 126.6 million.

AT1 capital remains unchanged compared to 31 December 2023.

T2 capital recorded a net increase of 491.2 million during the period, mainly due to the issue, during the quarter, of a new T2 instrument, calculable for 496 million.

[5] See previous note 4.

[6] Article 3 of Regulation (EU) 575/2013 states that "this Regulation shall not prevent institutions from holding excess own funds and components thereof or from applying stricter measures than those laid down in this Regulation". As part of a formal internal approval process, the bank defines the extent of any voluntary deductions from own funds and/or increases in risk-weighted assets aimed at considering risk aspects not governed by the CRR or deemed appropriate in order to guarantee a correct report on the asset-based position and minimum requirements for supervisory purposes.

[7] On 15 December 2023, following the validation request submitted in 2022, the ECB authorised the bank to use the new internal credit risk measurement model. The new model is effectively used from 1 January 2024.

Capital requirements

Disclosure relating to Pillar 1 capital adequacy

The minimum requirements established by regulations

On the basis of current prudential supervisory provisions ("Supervisory Provisions for 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%).

In December 2023, Banco BPM informed the market that it had received a notification from the European Central Bank of the prudential SREP decision containing the outcomes of the annual Supervisory Review and Evaluation Process (SREP). Considering the analyses and evaluations performed by the Supervisory Authority, the consolidated *CET 1 ratio* requirement for 2024 is 9.08%. This requirement includes:

- the Pillar 1 minimum requirement of 4.5%; a Pillar 2 (P2R) capital requirements of 2.52%[8], which must be respected with CET1 for 1.54% (consisting of 0.27% for the "calendar provisioning shortfall" and 56.25% for the remaining 2.25%), with T1 for 0.42% and with T2 for 0.56%;
- a capital conservation buffer of 2.50%;
- the O-SII buffer equal to 0.50% of the total risk-weighted exposures[9];
- the countercyclical capital buffer of 0.04%.

The requirements for 2024 in terms of CET1 ratio are shown below:[10]

Banco BPM Group's prudential requirements - in terms of CET1 ratio	2024
Minimum Pillar 1 regulatory capital	4.50%
Pillar 2 requirement (P2R)	1.54%
Total SREP Capital Requirement (TSCR)	**6.04%**
Capital Conservation Buffer (CCB)	2.50%
Buffer for Other Systemically Important Institutions (O-SII)	0.50%
Countercyclical capital buffer (CCyB)[11]	0.04%
Overall Capital Requirement (OCR)	**9.08%**

As at 30 June 2024, the Banco BPM Group was in full compliance with the required regulatory thresholds.

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[8] The updated requirement is lower than the 2.57% required by the Supervisory Body for 2023.

[9] On 21 November 2023, the Bank of Italy confirmed Banco BPM Group as an Other Systemically Important Institution (O-SII) also in 2024; taking into account the new methodology envisaged by the ECB for the assessment of the appropriateness of capital buffers, it raised the O-SII reserve to 0.50% of regulatory requirements.

[10] Pending the issue of more specific provisions, the requirements set out do not include the systemic risk buffer (SyRB) equal to 1.0% of domestic exposures weighted for credit and counterparty risk that, on 26 April 2024, the Bank of Italy decided to apply to all banks authorised in Italy. According to what has been declared, the target level of the buffer will have to be reached gradually: 0.5% of the relevant exposures by 31 December 2024 and the remaining 0.5% by 30 June 2025.

[11] As at the date of drafting of this disclosure, the countercyclical capital buffer was 0.04% (as described in more detail below), and consequently the OCR amounted to 9.08%.

The Pillar 1 capital requirements of the Group

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

As at 30 June 2024, the Banco BPM Group is authorised to use its own internal models to calculate regulatory capital absorption with reference to credit risk and market risk.

With specific regard to credit risk, it should be noted that, following the A-IRB model change request sent to the Regulator in the first quarter of 2022, in December 2023 the Bank obtained authorisation from the ECB to use the new A-IRB models for reporting purposes from the first quarter of 2024. With the review of the A-IRB models, the Bank completed the process to align the current credit risk models with the regulatory requirements originating from the EBA Guidelines on the development of PD and LGD models (EBA/GL/2017/16), estimation of downturn (EBA/GL/2019/03, as well as EBA/RTS/2018/04) and Credit Risk Mitigation techniques (EBA/GL/2020/05). In June 2024, the transition of specialised lending scope exposures to internal models based on the "slotting criteria approach" was completed.

For more information on the validated models, see the 2023 Annual Pillar 3 Disclosure.

Qualitative disclosure on the countercyclical 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 countercyclical capital buffer has the aim of protecting the banking sector in the stages of excessive growth of credit; in fact, its imposition, during phases of credit cycle overheating, makes it possible to accumulate CET1 capital, which will then be used to absorb losses in the downturn phases of the cycle.

Entities have an obligation to hold a countercyclical capital buffer equal to their total risk exposure multiplied by the specific countercyclical ratios established by the bank and the other authorities designated by the individual member states.

The Bank of Italy, like the other authorities designated by the individual Member States, has an obligation to determine Italy’s countercyclical ratio quarterly and to monitor its congruence with ratios applied by other countries, both EU and non-EU. Directive (EU) 2013/36 (CRD IV) specifies that the institution-specific countercyclical ratio is equal to the weighted average of the countercyclical ratios that apply in the Countries where the institution's credit exposures are located.

In a press release dated 22 March 2024, the Bank of Italy set the countercyclical ratio to be applied to exposures held with Italian counterparties at 0%. The total requirement is therefore determined by applying the counter-cyclical rates set by foreign central banks to the group's exposures in their respective countries.

The information in the following tables is published in compliance with Commission Delegated Regulation (EU) 2021/637 of 15 March 2021. It provides detailed evidence of the calculation of the requirement applicable to the Group based on the geographical distribution of credit exposures.

Template EU CCyB2: amount of institution-specific countercyclical capital buffer

		a
1	Total risk-weighted exposure amount	62,226,151
2	Institution-specific countercyclical ratio	0.041%
3	**Institution-specific countercyclical capital buffer requirement**	**25,513**

Template EU CCyB1: geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (1 of 2)

	a	b	c	d	e	f
	General credit exposures		**Relevant credit exposures - Market risk**		**Value of securitisation exposures for the non-trading book**	**Total exposure value**
	Exposure value under the standardised approach	**Exposure value under the IRB approach**	**Sum of long and short positions of trading book exposures under the standardised approach**	**Value of trading book exposures for internal models**		
Armenia	0	-	-	-	-	0
Australia	38,569	3,524	-	-	-	42,093
Belgium	79,333	67,415	-	-	-	146,748
Bulgaria	124	113	-	-	-	238
Chile	223	745	-	-	-	968
Cyprus	4	1	-	-	-	5
Czech Republic	403	3,357	-	-	-	3,760
Germany	162,056	144,885	-	-	-	306,940
Denmark	11,391	20,300	-	-	-	31,690
Estonia	-	0	-	-	-	0
France	393,680	329,604	-	-	-	723,284
United Kingdom	308,819	137,583	-	-	-	446,402
Hong Kong	1,521	239	-	-	-	1,760
Croatia	2	381	-	-	-	383
Ireland	46,771	36,609	-	-	-	83,380
Iceland	9	-	-	-	-	9
South Korea (Republic of)	1	9,456	-	-	-	9,456
Lithuania	0	0	-	-	-	0
Luxembourg	238,722	139,656	-	-	-	378,378
Netherlands	137,123	317,859	-	-	-	454,982
Norway	14,319	10,422	-	-	-	24,742
Romania	22	580	-	-	-	602
Slovakia	1	0	-	-	-	1
Slovenia	66	-	-	-	-	66
Sweden	3,908	17,710	-	-	-	21,618
Other	13,621,104	95,256,410	-	-	7,831,057	116,708,570
Total	**15,058,171**	**96,496,848**	**-**	**-**	**7,831,057**	**119,386,076**

Template EU CCyB1: geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (2 of 2)

	g	h	i	j	k	l	m
	Own funds requirements				Risk-weighted exposure amounts	Own funds requirement weights (%)	Countercyclical ratio (%)
	Relevant credit exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation exposures in the non-trading book	Total			
Armenia	0	-	-	0	0	-	1.50%
Australia	575	-	-	575	7,185	0.02%	1.00%
Belgium	4,990	-	-	4,990	62,377	0.14%	0.50%
Bulgaria	6	-	-	6	73	-	2.00%
Chile	14	-	-	14	179	-	0.50%
Cyprus	0	-	-	0	3	-	1.00%
Czech Republic	80	-	-	80	1,001	0.00%	1.75%
Germany	8,033	-	-	8,033	100,414	0.23%	0.75%
Denmark	1,441	-	-	1,441	18,013	0.04%	2.50%
Estonia	0	-	-	0	0	-	1.50%
France	34,476	-	-	34,476	430,955	0.99%	1.00%
United Kingdom	23,094	-	-	23,094	288,673	0.66%	2.00%
Hong Kong	126	-	-	126	1,570	0.00%	1.00%
Croatia	3	-	-	3	34	-	1.50%
Ireland	4,925	-	-	4,925	61,564	0.14%	1.50%
Iceland	0	-	-	0	5	-	2.50%
South Korea (Republic of)	195	-	-	195	2,436	0.01%	1.00%
Lithuania	0	-	-	0	1	-	1.00%
Luxembourg	27,884	-	-	27,884	348,556	0.80%	0.50%
Netherlands	12,996	-	-	12,996	162,455	0.37%	2.00%
Norway	661	-	-	661	8,267	0.02%	2.50%
Romania	12	-	-	12	148	-	1.00%
Slovakia	0	-	-	0	0	-	1.50%
Slovenia	3	-	-	3	33	-	0.50%
Sweden	991	-	-	991	12,388	0.03%	2%
Other	3,292,718	-	88,159	3,380,877	42,260,963	96.56%	0%
Total	**3,413,225**	**-**	**88,159**	**3,501,383**	**43,767,292**	**100%**	

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

Within the regulatory framework that Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 established for the reorganisation and resolution of credit institutions, the Banco BPM Group is subject to the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) as set out in Article 12 et seq. of Regulation (EU) 806/2014, aimed at ensuring that the bank maintains, at all times, a sufficient level of eligible instruments to make it easier to implement the resolution strategy. This requirement ensures that in the event of a bail-in[12], shareholders and creditors contribute to loss absorption and recapitalisation, preventing the bank's resolution from depending on public financial support.

Pursuant to Article 12 bis (2) (a) and (b) of Regulation (EU) 806/2014, the MREL requirement includes:

- an external requirement pursuant to Article 12 quinquies (3) of Regulation (EU) 806/2014, including two parallel ratios based on the total amount of risk-weighted assets (MREL-TREA) and the total amount of leverage ratio exposure (MREL-LRE or MREL-TEM), respectively.
- a subordination requirement pursuant to Article 12 quinquies (3) of Regulation (EU) 806/2014, including two parallel ratios also based on the total amount of risk-weighted assets (MREL-TREA) and the total amount of leverage ratio exposure (MREL-LRE or MREL-TEM), respectively. This requirement is aimed at improving the bank's solvency so that it has a sufficient level of subordinated instruments.

On 23 November 2023, the Single Resolution Board (SRB) communicated to the Group the requirements for the year 2024:

- External MREL requirement consisting of:
  - the MREL-TREA requirement, set at 23.31% of risk-weighted assets, includes both the Loss Absorption component and the Recapitalisation Amount (RCA) component. This also factors in the adjustment for "Balance Sheet Depletion" granted to the Banco BPM Group by the SRB, in line with applicable regulations. This requirement also includes the Market Confidence Charge component pursuant to Article 12 quinquies (3) of Regulation (EU) 806/2014, which is necessary to ensure that, following the implementation of the resolution strategy, the bank is able to sufficiently sustain market confidence. It should be noted that in addition to the minimum MREL-TREA requirement set forth above (equal to 23.31%), the following must be added: the combined capital reserve requirement applicable to the Banco BPM Group, which, as at 30 June 2024, is equal to 3.041%;
  - the MREL-TEM requirement, equal to 6.25% of the total leverage ratio exposure, which takes into account - consistently with the MREL-TREA requirement - the application in the Recapitalisation Amount (RCA) component of the adjustment

[12] The resolution strategy defined by the Single Resolution Board (SRB) for the Banco BPM group is Single Point of Entry (SPE). This strategy envisages as a resolution tool the "Bail-in" applicable to Banco Bpm S.p.A. (the only entity subject to resolution).

for so-called "Balance Sheet Depletion".

- Subordination requirement consisting of:
  - the MREL-TREA requirement of 17.22% of risk-weighted assets. It should be noted that in addition to the minimum MREL-TREA requirement, the following must be added: the combined capital reserve requirement applicable to the Banco BPM Group, which, as at 30 June 2024, is equal to 3.041%;
  - the MREL-TEM requirement of 6.25% of the total leverage ratio exposure.

For the purposes of compliance with the requirements described above, the amount of own funds and eligible liabilities includes the liabilities indicated in Article 12 quater of Regulation (EU) 806/2014 and, where present, liabilities subject to grandfathering[13].

The Banco BPM Group is not a Global Systemically Important Institution (G-SII) and consequently is not required to comply with any TLAC (Total Loss Absorbing Capacity) requirements.

The following table provides summary information on the amount of own funds and eligible liabilities as at 30 June 2024. The MREL ratio of the Banco BPM Group at that date was 35.80% in terms of the aggregate principal amount of risk exposure (known as MREL-TREA) and 11.15% in terms of overall exposure to leverage (known as MREL-TEM), respecting both the minimum requirements required by the Authority for the year 2024 (respectively equal to 23.31% in terms of TREA and 6.25% in terms of LRE as described above).

The subordination requirement of the Banco BPM Group is instead equal to 24.94% in terms of the aggregate principal amount of exposure to risk and 7.77% in terms of the extent of the overall exposure to leverage, meeting both the minimum requirements required by the Authority for the year 2024 (respectively equal to 17.22% in terms of TREA and 6.25% in terms of TEM as described above).

Template EU KM2 Key metrics - MREL and, if applicable, own funds requirement and eligible liabilities for G-SIIs

For the purposes of compliance with the minimum requirements described above, the applicable regulations expect the following elements to be considered:

• Own Funds calculated in accordance with the provisions of CRR and CRR2;

• Tier 2 Capital Instruments with a residual maturity of at least one year as at 30 June 2024 for the amount related to regulatory amortisation not included in Own Funds, pursuant to Article 64 of CRR2;

[13] Liabilities issued before 27 June 2019 that do not meet the conditions for eligibility set out in sub-paragraph b) point ii), and sub-paragraphs f) to m) of Article 72 ter (2) of Regulation 575/2013, in application of the grandfathering regime introduced by Article 494 ter (3) of Regulation 575/2013.

• Eligible liabilities that meet the eligibility conditions set out in Article 45b of the BRRD2 and especially Articles 72a, 72b, with the exception of point "d" of the second paragraph, and 72c of CRR2.

		a
		Minimum Requirement for Own Funds and Eligible Liabilities (MREL)
		30/06/2024
	Own funds and eligible liabilities, ratios and components	
1	Own funds and eligible liabilities	22,276,093
EU-1a	Of which own funds and subordinated liabilities	15,518,443
2	Total risk exposure amount (TREA) of the group under resolution	62,226,151
3	Own funds and eligible liabilities as a percentage of the TREA	35.80%
EU-3a	Of which own funds and subordinated liabilities	24.94%
4	Total exposure measure (TEM) of the group under resolution	199,834,985
5	Own funds and eligible liabilities as a percentage of the TEM	11.15%
EU-5a	Of which own funds or subordinated liabilities	7.77%
6a	Does the subordination waiver in Article 72 ter, paragraph 4, of Regulation (EU) No. 575/2013 (CRR) apply? (5% waiver)	
6b	Total amount of eligible non-subordinated liabilities instruments if the subordination option is applied in accordance with Article 72 ter, paragraph 3, of the CRR (maximum waiver 3.5%)	
6c	If the exemption for subordination with cap in accordance with Article 72 ter, paragraph 3, of the CRR applies, the amount of liabilities issued that ranks equal to that of the excluded liabilities and included in row 1, divided by the liabilities issued that rank equal to that of the excluded liabilities and which would be included in row 1 if no cap were applied (%)	
	Minimum Requirement for Own Funds and Eligible Liabilities (MREL)	
EU-7	MREL expressed as a percentage of the TREA	23.31%
EU-8	Of which to be met by own funds or subordinated liabilities	17.22%
EU-9	MREL expressed as a percentage of the TEM	6.25%
EU-10	Of which to be met by own funds or subordinated liabilities	6.25%

Notes to the values reported in EU KM2

(a) The values shown in table EU KM2 take into account the deduction, pursuant to Article 32 ter (3) of Regulation 241/2014, of the unused portion of the predetermined amount (the so-called authorised ceiling for conducting repayment transactions, including early repayment or buyback of eligible liability instruments, including market-making activities) for which the Resolution Authority has granted prior authorisation to the Banco BPM Group (known as "General Prior Permission").

(b) In line with the instructions for completing the EU KM2 template, the MREL-TREA requirements are shown in the table net of the combined capital buffer requirement, which the Group is required to comply with in addition to the MREL-TREA requirements pursuant to Article 10 bis of Regulation (EU) 806/2014.

Template EU MR1: market risk under the standardised approach

		30/06/2024
		a
		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Exchange rate risk	-
4	Commodity risk	3,166
	Options	
5	Simplified approach	-
6	Delta plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**3,166**

Template EU OV1: overview of total risk weighted exposure amounts

		Total risk weighted exposure amounts (TRWEA)		Total own funds requirements
		a	b	c
		30/06/2024	31/03/2024	30/06/2024
1	**Credit risk (excluding CCR)***	**49,842,148**	**50,522,560**	**3,987,372**
2	Of which standardised approach	20,951,866	24,662,328	1,676,149
3	Of which Foundation IRB approach (F-IRB)	-	-	-
4	Of which slotting approach	2,864,232	-	229,139
EU 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	26,026,050	25,860,232	2,082,084
6	**Counterparty credit risk (CCR)**	**1,213,352**	**1,396,792**	**97,068**
7	Of which standardised approach	569,771	575,552	45,582
8	Of which internal model approach (IMA)	-	-	-
EU 8a	Of which exposures to a central counterparty (CCP)	59,605	73,956	4,768
EU 8b	Of which credit valuation adjustment (CVA)	172,119	155,501	13,770
9	Of which other CCR	411,857	591,783	32,949
15	**Settlement risk**	**2,274**	**2,657**	**182**
16	**Securitisation exposures in the non-trading book (after the cap)**	**1,118,674**	**1,175,984**	**89,494**
17	Of which SEC-IRBA approach	812,295	867,967	64,984
18	Of which SEC-ERBA approach (including IAA)	13,269	5,152	1,062
19	Of which SEC-SA approach **	293,111	302,865	23,449
EU 19a	Of which 1250%	-	-	-
20	**Position, foreign exchange and commodities risks (market risk)**	**1,153,363**	**1,171,215**	**92,269**
21	Of which standardised approach	3,166	4,891	253
22	Of which IMA	1,150,197	1,166,325	92,016
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**7,946,338**	**7,946,338**	**635,707**
EU 23a	Of which basic approach	-	-	-
EU 23b	Of which standardised approach	7,946,338	7,946,338	635,707
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)***	3,548,905	3,473,965	283,912
27	Additional amount considered pursuant to the provisions of art. 3, Regulation (EU) no. 575/2013	950,000	444,900	76,000
29	**Total**	**62,226,151**	**62,660,447**	**4,978,092**

(*) The figure relates only to credit risk. The associated components referring to counterparty credit risk (CCR), default fund contributions to a central counterparty (CCP) and securitisation transactions are therefore excluded and exposed separately in the same prospect.

(**) Since there is no specific line, this line also includes amounts related to transactions that fall within the new classification category "Specific treatment for senior tranches of eligible securitisations of non-performing exposures", having an RWA calculated using the SEC-SA approach.

(***) The amounts in line 24 fulfil the disclosure obligation pursuant to paragraph 1(d)(iii) and paragraph 2 of Article 437 of Regulation (EU) 575/2013. They are already included in the amounts in line 1, calculated according to Article 92(4) of the Regulation, and are therefore not included in the grand total.

The amount in line 27 relates to the additional capital requirements, which, in compliance with the provisions of Article 3 of Regulation (EU) 575/2013, the Bank has voluntarily decided to consider in addition to the requirements calculated by applying the rules envisaged in this Regulation.

As at 30 June 2024, the additional requirements totalled Euro 76 million, corresponding to Euro 950 million in higher risk-weighted assets, which reflect the Bank's discretionary assessment also of the risk profiles implicit in the processes of preparing the disclosure on its capital situation to be provided to the European Central Bank and to the market.

Template EU CR8: RWEA flow statement of credit risk exposures under the IRB approach

		RWEA amount	Capital requirement
		a	b
1	**RWEA as at end of previous reporting period**	**25,860,232**	**2,068,819**
2	Asset size (+/-)	582,143	46,571
3	Asset quality (+/-)	(620,803)	(49,664)
4	Model updates (+/-)	3,063,775	245,102
5	Methodology and policy (+/-)	-	-
6	Acquisitions and disposals (+/-)	-	-
7	Foreign exchange movements (+/-)	-	-
8	Other (+/-)	4,935	395
9	**RWEA as at end of current reporting period**	**28,890,282**	**2,311,223**

On 17 May 2024, the ECB sent the Final Decision relating to IMI-0221248, formally authorising the Bank to adopt the Slotting Criteria Approach for the Specialised Lending Exposures originating from Structured Finance and the IRB Framework for the less complex Specialised Lending Exposures originating from the Commercial Network.

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

		a	b	c	d	e	f	g
		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWEAs	Total own funds requirements
1	**RWEAs as at end of previous period**	**118,744**	**486,566**	**561,015**	**-**		**1,166,325**	**93,306**
1a	*Regulatory adjustment*	*(89,492)*	*(304,467)*	-	-		*(393,958)*	*(31,517)*
1b	*RWEAs as at the end of previous quarter (close of business)*	*29,252*	*182,099*	*561,015*	-		*772,366*	*61,789*
2	Movement in risk levels	*-3,480*	*-78,822*	*150,748*			*68,445*	*5,476*
3	Model updates/changes							
4	Methodology and policy							
5	Acquisitions and disposals							
6	Foreign exchange movements	*10,518*	*26,532*				*37,050*	*2,964*
7	Other							
8a	*RWEAs as at end of disclosure period (close of business)*	*36,289*	*129,809*	*711,763*	-		*877,861*	*70,229*
8b	*Regulatory adjustment*	*58,413*	*213,923*	-	-		*272,336*	*21,787*
8	**RWEAs as at end of disclosure period**	**94,703**	**343,732**	**711,763**	**-**		**1,150,197**	**92,016**

Disclosure on Pillar 2 capital adequacy

The Internal Capital Adequacy Assessment Process (ICAAP) supports and supplements the consistency check conducted under Pillar 1, which requires verification of the adequacy of Own Funds in terms of the minimum prudential requirements for credit risk (including counterparty credit risk), market risk and operational risk.

Through the ICAAP, the Group has to assess the capital requirement for its business, considering, as part of the overall assessment, not only Pillar 1 risks, but also the Pillar 2 risks identified internally through the Risk Identification process. The capital requirements must be covered by capital resources that are also sufficient to ensure full achievement of the strategic and operational objectives, with a view to generating value for shareholders and for other stakeholders in the medium and long-term, in accordance with the overall risk appetite defined in the Risk Appetite Framework.

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 99.9%, 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 an annual time horizon.

The assessment of capital adequacy carried out in the ICAAP context and included in the Group's Risk Appetite framework entails, besides the estimated absorption of all the significant quantifiable risks, the definition of the measure of total capital (Available Financial Resources) used as capital amount to cover such business risks.

The capital adequacy assessment, reported formally each year for supervisory purposes, is updated every six months, in compliance with external legislation and regulations (EBA SREP guidelines, ECB ICAAP guidelines) and internal reference regulations.

Such activity guarantees the continuous performance of the autonomous assessment process required by the Supervisory Authority, enabling any vulnerable areas and/or elements relating to the Group to be identified, and at the same time defining the potential actions deemed most appropriate, with a view to maintaining adequate capital buffers to guarantee that the medium/long-term company strategies and objectives can be pursued. The main results emerging from this specific monitoring exercise are periodically reported to the Bank's Corporate Bodies.

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.

Furthermore, it conducts a periodic reallocation process of the economic capital absorbed by each separate type of risk relevant to the Group, for the main Bank business lines already used for Segment Reporting (IFRS 8).

With reference to the Available Financial Resources (AFR), the Bank adopts a more conservative approach to their definition, in line with recent provisions issued by the Regulator in this regard.

The time horizon for the assessment of capital adequacy is in line with the long-term objectives and limits defined by the Group.

The capital adequacy assessment conducted for ICAAP purposes is also included in the Group's Risk Appetite framework. In fact, the RAF includes specific indicators that make it possible to verify the Group’s Pillar 2 capital adequacy and define the monitoring thresholds.

Among the “Strategic” indicators there is the “Capital Reserve” indicator in the “Capital Adequacy” context, defined, in accordance with ICAAP requirements, as the ratio of the amount of own Available Financial Resources (AFRs) to total diversified economic capital.

In the context of Pillar 2 Adequacy, the MREL indicator is also mentioned, representing the requirement introduced by the European Bank Recovery and Resolution Directive (BRRD). Its objective is to ensure proper functioning of the bail-in mechanism by increasing the Bank's loss absorption capacity.

Credit risk - General information regarding all banks

Definition of "non-performing" loans and methods used to determine value adjustments

Definitions for accounting purposes of "non-performing" loans

Non-performing Banco BPM Group exposures are classified into the following categories, in line with the prudential supervisory regulations:

- non-performing past due and/or overdue exposures: these are exposures which at the reference date have continuously exceeded the relevance threshold for more than 90 days which, under the new definition of default, is calculated by considering the simultaneous existence of a situation in which the "absolute" threshold has been exceeded (sum at customer level of past due or overdue amounts equal to 100 euro for "Retail" customers and 500 euro for customers belonging to other segments) and where the "relative" threshold has been exceeded equal to 1% of the total overdue amount with respect to the total balance, irrespective of the customer segment, based on the rules in the Supervisory instructions which regulate the technical calculation methods in a detailed manner;
- unlikely to pay: these are exposures for which the Bank believes it is unlikely that the debtor will fully fulfil their obligations (capital and interest) without changing the repayment profile or using actions such as enforcement of guarantees;
- bad loans: these are exposures regarding loans to customers who are insolvent, even if not legally ascertained, relative to which targeted loan collection actions are carried out, total or partial (for capital and interest).

Description of methods adopted to determine value adjustments

Exposures classified as non-impaired (performing)

To calculate collective write-downs, Banco BPM Group adopts an "Expected Credit Loss" metrics (in accordance with IAS/IFRS international accounting standards), through the introduction of a forward-looking model based on expected losses at 12 months or lifetime and dependent on "Basel II" risk factors (PD, LGD and EAD).

For further information see the section "Credit risk – IRB method".

Exposures classified as "non-performing"

The methodology used by Banco BPM Group to forecast expected credit loss on non-performing loans identifies the specific recoverability of an individual position, mainly on the basis of the presence and value of the mortgage collateral, appropriately reduced by a percentage that takes into account the age of the appraisal (i.e. Haircut), thus determining the portion of secured and unsecured credit on which to apply different loss percentages deriving from management of the asset and the related settlement costs incurred by the

bank and/or by recovery curves guided by the characteristics of the individual position.

The framework described above applies across the board to:

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

Unlikely to pay or bad loan positions exceeding pre-established limits are assessed analytically by managers, based on specific decision-making trees aimed at identifying the most appropriate methodology for measuring loss forecasts. In the event the methodology defined is of the "going concern" kind, the recovery forecasts are estimated on the basis of the counterparty's future income flows. In the event the methodology defined is of the "gone concern" kind, the recovery forecasts are estimated in a similar manner as above for positions involving amounts of less than 1 million euro.

The methodologies adopted by Banco BPM to determine the value adjustments are illustrated in detail also in the Annual Financial Report for 2023 – Consolidated Notes – Part A.2 16 b) – "Methods for determining the impairment of financial instruments IFRS 9" to which reference should be made.

Template EU CQ1 - Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral 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				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	1,616,120	1,450,631	1,450,631	1,124,617	(76,595)	(545,556)	1,832,886	599,623
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	454	194	194	194	(7)	(92)	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial companies*	15,075	14,510	14,510	14,510	(1,014)	(9,917)	18,303	4,356
060	*Non-financial corporations*	1,199,046	1,190,817	1,190,817	866,159	(58,587)	(462,968)	1,276,885	427,653
070	*Households*	401,545	245,110	245,110	243,754	(16,987)	(72,579)	537,698	167,614
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	44,721	31,040	31,040	31,040	(221)	(1,407)	9,366	7,610
100	**Total as at 30/06/2024**	**1,660,841**	**1,481,671**	**1,481,671**	**1,155,657**	**(76,816)**	**(546,963)**	**1,842,252**	**607,233**

Template EU CQ3: credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
		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
005	Cash balances at central banks and other demand deposits	11,585,603	11,585,580	23	-	-	-	-	-	-	-	-	-
010	Loans and advances	102,765,360	102,585,985	179,375	3,753,444	1,193,215	247,871	540,355	521,941	917,388	163,432	169,242	3,753,444
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	1,493,721	1,492,822	899	1,643	725	-	127	704	87	-	-	1,643
040	Credit institutions	2,572,464	2,572,464	-	-	-	-	-	-	-	-	-	-
050	Other financial companies	11,905,147	11,873,862	31,285	117,053	6,846	2,211	92,342	769	13,301	133	1,451	117,053
060	Non-financial corporations	54,500,761	54,427,347	73,414	2,904,823	933,125	198,583	355,725	440,437	748,503	110,686	117,764	2,904,823
070	Of which SMEs	30,748,667	30,681,491	67,176	2,424,154	677,909	130,865	274,135	407,523	741,629	74,346	117,747	2,424,154
080	Households	32,293,267	32,219,490	73,777	729,925	252,519	47,077	92,161	80,031	155,497	52,613	50,027	729,925
090	Debt securities	42,411,468	42,411,468	-	27,249	19,490	-	-	-	7,759	-	-	27,249
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	33,522,286	33,522,286	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	3,698,110	3,698,110	-	15,294	15,294	-	-	-	-	-	-	15,294
130	Other financial companies	3,824,452	3,824,452	-	2,499	-	-	-	-	2,499	-	-	2,499
140	Non-financial corporations	1,366,620	1,366,620	-	9,456	4,196	-	-	-	5,260	-	-	9,456
150	Off-balance sheet exposures	67,641,431			599,797								599,797
160	Central banks	266,842			-								-
170	General governments	2,217,146			113								113
180	Credit institutions	2,261,434			-								-
190	Other financial companies	10,503,728			1,399								1,399
200	Non-financial corporations	47,990,008			588,631								588,631
210	Households	4,402,273			9,654								9,654
220	**Total as at 30/06/2024**	**224,403,862**	**156,583,033**	**179,398**	**4,380,490**	**1,212,705**	**247,871**	**540,355**	**521,941**	**925,147**	**163,432**	**169,242**	**4,380,490**

Template EU CQ4: quality of non-performing exposures by geography

	a	b	c	d	e	f	g
	Gross carrying amount/nominal amount				Accumulated impairment	Provisions for 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	**148,957,520**	**3,780,693**	**3,780,693**	**148,329,370**	**(2,226,593)**		**(69,567)**
Italy	119,850,739	3,750,230	3,750,230	119,279,216	(2,195,694)		(66,371)
Rest of the world	29,106,781	30,463	30,463	29,050,154	(30,899)		(3,196)
Off-balance sheet exposures	**68,241,228**	**599,797**	**599,797**			117,059	
Italy	64,111,204	599,627	599,627			116,629	
Rest of the world	4,130,024	170	170			430	
Total	**217,198,748**	**4,380,490**	**4,380,490**	**148,329,370**	**(2,226,593)**	**117,059**	**(69,567)**

Template EU CQ5: credit quality of loans and advances to non-financial corporations by industry

		a	b	c	d	e	f
		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			
010	Agriculture, forestry and fishing	1,619,903	58,019	58,019	1,619,903	(33,555)	-
020	Mining and quarrying	225,642	4,466	4,466	225,642	(3,699)	-
030	Manufacturing	20,273,114	749,629	749,629	20,253,292	(408,479)	(1,278)
040	Electricity, gas, steam and air conditioning supply	1,321,462	26,423	26,423	1,321,462	(23,715)	-
050	Water supply	867,810	12,085	12,085	867,614	(9,473)	-
060	Construction	5,149,079	394,706	394,706	5,146,400	(322,456)	-
070	Wholesale and retail trade	8,620,986	507,167	507,167	8,602,356	(283,722)	(7,527)
080	Transport and storage	2,378,861	89,477	89,477	2,378,283	(72,789)	-
090	Accommodation and food services	2,228,482	150,131	150,131	2,224,383	(96,675)	(199)
100	Information and communication	1,719,451	54,033	54,033	1,719,292	(35,001)	-
110	Financial and insurance activities	409,017	7,997	7,997	386,204	(8,357)	-
120	Real estate activities	5,165,733	665,896	665,896	4,806,863	(287,569)	(35,268)
130	Professional, scientific and technical activities	4,022,636	69,833	69,833	4,020,166	(59,358)	(798)
140	Administrative and support service activities	1,710,161	67,059	67,059	1,710,161	(43,657)	-
150	Public administration and defence, compulsory social security	16,106	-	-	16,106	(27)	-
160	Education	123,699	2,967	2,967	123,699	(1,842)	-
170	Health services and social work activities	904,171	21,746	21,746	904,171	(14,025)	-
180	Arts, entertainment and recreation	434,370	12,385	12,385	434,370	(7,675)	-
190	Other services	214,900	10,804	10,804	214,900	(6,825)	-
200	**Total as at 30/06/2024**	**57,405,583**	**2,904,823**	**2,904,823**	**56,975,267**	**(1,718,899)**	**(45,070)**

Template EU CQ7: collateral obtained by taking possession and execution processes

		30/06/2024	
		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	62,697	(44,544)
020	Other than PP&E	921,216	(500,806)
030	*Residential property*	69,125	(32,638)
040	*Non-residential property*	836,537	(461,005)
050	*Movable property (auto, shipping, etc.)*	-	-
060	*Equity and debt instruments*	15,554	(7,163)
070	*Other collaterals*	-	-
080	***Total***	**983,913**	**(545,350)**

Template EU CR1-A: maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On request	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	13,647,956	11,146,990	35,083,011	44,386,090	0	104,264,047
2	Debt securities	0	4,561,809	14,588,214	23,247,291	0	42,397,314
3	**Total as at 30/06/2024**	**13,647,956**	**15,708,799**	**49,671,225**	**67,633,381**	**0**	**146,661,361**

Template EU CR1: performing and non-performing exposures and related provisions (1 of 2)

		a	b	c	d	e	f	g	h	i
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions		
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2
005	Cash balances at central banks and other demand deposits	11,585,603	11,585,603	-	-	-	-	-	-	-
010	Loans and advances	102,765,360	91,088,979	11,324,821	3,753,444	-	3,394,838	(441,828)	(77,700)	(356,273)
020	*Central banks*	-	-	-	-	-	-	-	-	-
030	*General governments*	1,493,721	1,488,906	1,752	1,643	-	1,643	(4,113)	(4,091)	(16)
040	*Credit institutions*	2,572,464	2,456,719	115,745	-	-	-	(1,842)	(1,581)	(261)
050	*Other financial companies*	11,905,147	11,206,326	588,308	117,053	-	116,580	(36,365)	(10,988)	(25,377)
060	*Non-financial corporations*	54,500,761	45,945,959	8,359,982	2,904,823	-	2,558,107	(293,196)	(48,890)	(236,965)
070	*Of which SMEs*	30,748,667	25,299,903	5,397,021	2,424,154	-	2,192,012	(223,261)	(30,835)	(191,046)
080	*Households*	32,293,267	29,991,069	2,259,034	729,925	-	718,508	(106,312)	(12,150)	(93,654)
090	Debt securities	42,411,468	42,196,927	184,451	27,249	-	2,499	(15,154)	(13,602)	(1,552)
100	*Central banks*	-	-	-	-	-	-	-	-	-
110	*General governments*	33,522,286	33,505,161	17,125	-	-	-	(2,262)	(2,251)	(11)
120	*Credit institutions*	3,698,110	3,626,446	71,664	15,294	-	-	(2,747)	(2,446)	(301)
130	*Other financial companies*	3,824,452	3,757,676	36,686	2,499	-	2,499	(7,864)	(7,782)	(82)
140	*Non-financial corporations*	1,366,620	1,307,644	58,976	9,456	-	-	(2,281)	(1,123)	(1,158)
150	Off-balance sheet exposures	67,641,431	47,650,552	2,517,020	599,797	-	306,661	(24,954)	(7,745)	(11,934)
160	*Central banks*	266,842	-	400	-	-	-	-	-	-
170	*General governments*	2,217,146	2,169,348	22,509	113	-	106	(99)	(85)	(11)
180	*Credit institutions*	2,261,434	1,631,308	199,407	-	-	-	(345)	(14)	(61)
190	*Other financial companies*	10,503,728	3,270,818	294,949	1,399	-	523	(3,491)	(1,379)	(1,913)
200	*Non-financial corporations*	47,990,008	38,202,299	1,877,605	588,631	-	299,552	(19,341)	(5,750)	(8,869)
210	*Households*	4,402,273	2,376,779	122,150	9,654	-	6,480	(1,678)	(517)	(1,080)
220	**Total as at 30/06/2024**	**224,403,862**	**192,522,061**	**14,026,292**	**4,380,490**	**-**	**3,703,998**	**(481,936)**	**(99,047)**	**(369,759)**

Template EU CR1: Performing and non-performing exposures and related provisions (2 of 2)

		j	k	l	m	n	o
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			**Accumulated partial write-offs**	**Real and financial guarantees received**	
		Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				**On performing exposures**	**On performing exposures**
			Of which stage 2	**Of which stage 3**			
005	Cash balances at central banks and other demand deposits	-	-	-		-	-
010	Loans and advances	(1,812,929)	-	(1,747,263)	(106,716)	64,453,820	1,492,631
020	*Central banks*	-	-	-	-	-	-
030	*General governments*	(926)	-	(926)	-	138,683	-
040	*Credit institutions*	-	-	-	-	202,058	-
050	*Other financial companies*	(72,161)	-	(72,111)	-	5,407,179	43,771
060	*Non-financial corporations*	(1,470,773)	-	(1,409,732)	(106,024)	28,378,874	1,022,965
070	*Of which SMEs*	(1,264,965)	-	(1,234,333)	(106,024)	20,460,410	857,652
080	*Households*	(269,069)	-	(264,494)	(692)	30,327,026	425,895
090	Debt securities	(26,249)	-	(2,499)	-	1,177,855	-
100	*Central banks*	-	-	-	-	-	-
110	*General governments*	-	-	-	-	-	-
120	*Credit institutions*	(15,294)	-	-	-	-	-
130	*Other financial companies*	(2,499)	-	(2,499)	-	1,153,875	-
140	*Non-financial corporations*	(8,456)	-	-	-	23,980	-
150	Off-balance sheet exposures	(92,105)	-	(17,856)		7,438,290	22,846
160	*Central banks*	-	-	-		-	-
170	*General governments*	(5)	-	(4)		124	-
180	*Credit institutions*	-	-	-		19,256	-
190	*Other financial companies*	(333)	-	(7)		5,261,595	525
200	*Non-financial corporations*	(90,701)	-	(17,211)		1,522,757	21,285
210	*Households*	(1,066)	-	(634)		634,558	1,036
220	**Total as at 30/06/2024**	**(1,931,283)**	**-**	**(1,767,618)**	**(106,716)**	**73,069,965**	**1,515,477**

Template EU CR2: changes in the stock of non-performing loans and advances

		30/06/2024
		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**4,047,004**
020	Inflows to non-performing portfolios	574,225
030	Outflows from non-performing portfolios	-867,785
040	Outflows due to write-offs	-143,599
050	Outflow due to other situations	-724,186
060	**Final stock of non-performing loans and advances**	**3,753,444**

Credit risk (standardised 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.

List of ECAIs used in the standardised approach and of the portfolios in which their ratings are applied

<table>
<tr><th>Portfolios</th><th>ECA/ECAI</th><th>Rating Characteristics (Solicited/Unsolicited)</th></tr>
<tr><td rowspan="3">Exposures to Central Governments and Central Banks</td><td>Moody's</td><td rowspan="3">Solicited</td></tr>
<tr><td>Standard & Poor's</td></tr>
<tr><td>Fitch</td></tr>
<tr><td rowspan="3">Exposures to international organisations</td><td>Moody's</td><td rowspan="3">Solicited</td></tr>
<tr><td>Standard & Poor's</td></tr>
<tr><td>Fitch</td></tr>
<tr><td rowspan="3">Exposures to multilateral development banks</td><td>Moody's</td><td rowspan="3">Solicited</td></tr>
<tr><td>Standard & Poor's</td></tr>
<tr><td>Fitch</td></tr>
<tr><td rowspan="4">Exposures to corporates and others</td><td>Moody's</td><td rowspan="3">Solicited</td></tr>
<tr><td>Standard & Poor's</td></tr>
<tr><td>Fitch</td></tr>
<tr><td>Cerved</td><td>Unsolicited</td></tr>
<tr><td rowspan="3">Exposures to undertakings for collective investment in transferable securities (UCITS)</td><td>Moody's</td><td rowspan="3">Solicited</td></tr>
<tr><td>Standard & Poor's</td></tr>
<tr><td>Fitch</td></tr>
</table>

Securitisations

<table>
<tr><th>Portfolios</th><th>ECA/ECAI</th></tr>
<tr><td rowspan="6">Securitisation exposures</td><td>Moody's</td></tr>
<tr><td>Standard & Poor's</td></tr>
<tr><td>Fitch</td></tr>
<tr><td>Scope</td></tr>
<tr><td>DBRS</td></tr>
<tr><td>AM Best Rating Services</td></tr>
</table>

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 article 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 highest weighting factor 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.

Template EU CR4 – Standardised approach: credit risk exposure and CRM effects

	Exposure class	Exposures before CCF and before CRM		Exposure post-CCF and post-CRM		RWAs and RWA density	
		On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWAs	RWA density (%)
		a	b	c	d	e	f
1	Central governments or central banks	52,281,920	853,956	68,328,174	1,107,254	3,519,392	5.07%
2	Regional government or local authorities	182,895	486,610	213,332	96,058	62,698	20.27%
3	Public sector entities	642,068	1,196,495	533,252	212,885	342,344	45.88%
4	Multilateral development banks	402,856	-	447,818	1,335	-	-
5	International organisations	57,540	210,596	57,540	161	-	-
6	Institutions	9,533,853	7,345,304	9,534,068	537,388	4,011,291	39.83%
7	Corporates	3,909,314	2,937,110	3,167,726	736,428	3,427,917	87.80%
8	Retail	666,449	2,833,577	561,500	14,168	416,205	72.30%
9	Secured by mortgages on property	412,025	20,698	411,725	10,325	184,501	43.72%
10	Exposures in default	166,744	10,782	159,148	6,847	170,554	102.75%
11	Exposures associated with particularly high risk	60	-	60	-	90	150.00%
12	Covered bonds	576,247	-	576,247	-	57,625	10.00%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	2,006,827	402,314	2,006,741	294,772	2,298,725	99.88%
15	Equity instruments	1,949,319	7,585	1,949,319	3,792	3,079,105	157.65%
16	Other items	4,409,656	-	4,409,656	-	3,381,420	76.68%
17	**TOTAL AS AT 30/06/2024**	**77,197,773**	**16,305,027**	**92,356,306**	**3,021,413**	**20,951,866**	**21.97%**

Template EU CR5: standardised approach (1 of 3)

	Exposure class	Risk weight					
		0%	2%	4%	10%	20%	35%
		a	b	c	d	e	f
1	Central governments or central banks	66,576,204	-	-	-	150,916	-
2	Regional government or local authorities	-	-	-	-	306,392	-
3	Public sector entities	132,975	-	-	-	287,987	-
4	Multilateral development banks	449,153	-	-	-	-	-
5	International organisations	57,701	-	-	-	-	-
6	Institutions	169	1,314,738	-	-	3,058,261	-
7	Corporates	-	-	-	-	68,707	-
8	Retail exposures	-	-	-	-	-	-
9	Secured by mortgages of immovable properties	-	-	-	-	-	84,667
10	Exposures in default	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	-	-	-	576,247	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Units or shares in collective investments undertakings	334,922	-	-	-	50,295	-
15	Equity instrument exposures	-	-	-	-	-	-
16	Other items	1,027,101	-	-	-	1,418	-
17	**TOTAL AS AT 30/06/2024**	**68,578,225**	**1,314,738**	**-**	**576,247**	**3,923,975**	**84,667**

It should be specified that the estimate of risk-weighted assets inferable from analysis of the data shown in this 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 Article 501 CRR in the relevant cases and with the applicable limits.

Template EU CR5: standardised approach (2 of 3)

	Exposure class	Risk weight					
		50%	70%	75%	100%	150%	250%
		g	h	i	j	k	l
1	Central governments or central banks	386,094	-	-	1,614,116	-	668,900
2	Regional government or local authorities	2,997	-	-	-	-	-
3	Public sector entities	80,858	-	-	244,318	-	-
4	Multilateral development banks	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-
6	Institutions	4,647,378	-	-	1,050,910	-	-
7	Corporates	694,460	-	-	3,095,307	45,680	-
8	Retail exposures	-	-	575,668	-	-	-
9	Secured by mortgages of immovable properties	337,383	-	-	-	-	-
10	Exposures in default	-	-	-	156,877	9,118	-
11	Exposures associated with particularly high risk	-	-	-	-	60	-
12	Covered bonds	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Units or shares in collective investments undertakings	57,403	-	-	1,486,878	105,217	-
15	Equity instrument exposures	-	-	-	1,202,449	-	750,662
16	Other items	-	-	-	3,381,136	-	-
17	**TOTAL AS AT 30/06/2024**	**6,206,573**	**-**	**575,668**	**12,231,990**	**160,075**	**1,419,562**

It should be specified that the estimate of risk-weighted assets inferable from analysis of the data shown in this 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 Article 501 CRR in the relevant cases and with the applicable limits.

Template EU CR5: standardised approach (3 of 3)

	Exposure class	Risk weight			Total	Of which unrated
		370%	1,250%	Other		
		m	n	o	p	q
1	Central governments or central banks	-	-	39,199	69,435,428	19,689,882
2	Regional government or local authorities	-	-	-	309,389	301,351
3	Public sector entities	-	-	-	746,136	287,236
4	Multilateral development banks	-	-	-	449,153	449,153
5	International organisations	-	-	-	57,701	57,701
6	Institutions	-	-	-	10,071,456	3,083,189
7	Corporates	-	-	-	3,904,154	2,678,739
8	Retail exposures	-	-	-	575,668	570,353
9	Secured by mortgages of immovable properties	-	-	-	422,050	422,050
10	Exposures in default	-	-	-	165,995	165,936
11	Exposures associated with particularly high risk	-	-	-	60	60
12	Covered bonds	-	-	-	576,247	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-
14	Units or shares in collective investments undertakings	-	10,491	256,308	2,301,513	1,971,204
15	Equity instrument exposures	-	-	-	1,953,112	1,953,111
16	Other items	-	-	-	4,409,656	4,354,006
17	**TOTAL AS AT 30/06/2024**	**-**	**10,491**	**295,507**	**95,377,719**	**35,983,971**

It should be specified that the estimate of risk-weighted assets inferable from analysis of the data shown in this 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 Article 501 CRR in the relevant cases and with the applicable limits.

Credit risk (IRB approach)

Authorisation by the Supervisory Authority and scope of application

Following the merger between the former Banco Popolare Group and the former BPM Group, the European Supervisory Authority agreed to the use of internal models according to the A-IRB (Advanced Internal Rating Based model) methodology, validated at the time on the former Banco Popolare scope, on the same basis for the new Banco BPM Group to calculate the capital requirements up to 31/12/2017.

Following the ECB inspection process, on 16/02/2018, the Group received authorisation to adopt its internal risk management systems with extension to BPM S.p.A.

The validation scope consists of the assets attributable to the regulatory classes "credit exposures to corporates" and "retail credit exposures" (acceptance and monitoring models) of the Parent Company Banco BPM. As at 30 June 2024, 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 Large Corporate, Mid Corporate Plus, Mid Corporate, Small Business and Private rating models;
- three LGD models (LGD performing, ELBE and Defaulted Asset) for estimating the loss rate in the event of default of Corporate and Private counterparties, respectively;
- an EAD model in relation to the Private portfolio and a model relating to the Corporate scope.

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 are incorporated in the regulatory context of Model Change and received approval from the ECB.

In addition to resolving the IMI and TRIM findings (respectively deriving from the authorisation letters 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) address certain significant regulatory dictates regarding new EBA guidelines for estimating PD, LGD and Downturn; (ii) make it possible to calculate EAD through internal CCF for the corporate scope, also envisaged in the Group's roll-out plan.

May 2021 saw the conclusion of inspection IMI-4738, with receipt of the Final Decision from the Regulator.

The application included the update of the IT systems, internal procedures and processes and risk parameters via technical calibration to the new definition of default in view of the entry into force of the relevant EBA guidelines (EBA/GL/2016/07). At the beginning of 2022,

BBPM submitted a model change application (IMI-180439) envisaging alignment of the current models to the regulatory provisions deriving from the EBA guidelines[14].

The application was formalised with the receipt of the Final Decision on 15 December 2023, with the authorisation to use the new framework of internal models.

In addition, in May 2023, the Bank started the formal authorisation request process for the use of the Slotting Criteria on Specialised Lending exposures (as per the provision of Article 147-8 of Regulation (EU) No. 575/2013) originated and managed by structured finance.

At the same time, authorisation was requested to extend standardised A-IRB models to Specialised Lending exposures originated and managed by the commercial network.

The inspection process was concluded in the fourth quarter of 2023 and resulted in the receipt of the Final Decision on 17 May 2024. In this context, the June regulatory reporting includes among the advanced models both the specialised lending treated with Slotting Criteria (if they originate from the Structured Finance business structure) and the lines relating to less complex transactions originated by the commercial network and managed using generalist A-IRB models). Specialised Lending exposures are divided into two different segments, Income Producing Real Estate and Project Finance, respectively.

During 2023, the Bank launched a project to redevelop the A-IRB EAD model, with the aim of adapting it to the current regulations deriving from Basel III finalised and the ECB guidelines (ECB guide to internal models). A Model Change application was submitted to the Regulator in May 2024, which will be incorporated into the applications envisaged on the corporate scope expected in the first half year of 2025 and on the retail scope in the first half year of 2026.

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

Structure of 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, vice versa, of indiscriminate restriction of loans in negative cycle periods (countercyclicity).

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 default variables,

[14] EBA Guidelines on the development of PD and LGD models (EBA/GL/2017/16), estimation of downturn (EBA/GL/2019/03, but also EBA/RTS/2018/04) and Credit Risk Mitigation techniques (EBA/GL/2020/05).

integration of scores, etc.) as well as calibration of the internal ratings.

The rating models were developed internally under the responsibility of the Risk Models & Methodologies unit. The various stages of development of the models were structured to provide for the active involvement — in order to facilitate consistency of the models with management practices — of all internal stakeholders, namely the Group's Credit Function, the Organisation Function, the Retail and Corporate Commercial Function, the Administration and Financial Statements Function and the Information Technology (IT) Function.

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 Risk Function during the estimation activity (i.e. economic as well as statistical significance of the indicators) and discussions in the context of the planning Workgroup (e.g. Credit, Internal Validation, Internal Audit functions).

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 functions.

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 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 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.

As required by the EBA guidelines, an MoC (Margin of Conservatism) component was estimated to take into account additional conservatism margins.

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 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.

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 capital adequacy (Pillar 2) 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 Function defines the credit policy guidelines, taking into account 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 credit loss, of the cost of capital and of all the components which enable value generation.

Capital Adequacy: Pillar 2

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 Risk Function 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 III (Pillar 1 and Pillar 2).

Direct reporting is produced every quarter by the Risk Models & Methodologies unit, addressed to the Performance Session Credit Committee of Banco BPM Group containing a series of analyses of which an example list is provided below:

- Performance of average PDs and rating class for each internal model.
- Change in EAD and RWA by administrative status and rating model (incoming/outgoing from performing/transitions between Default/continuing performing statuses). RWA, Expected Loss and EAD data by administrative status and portfolio.
- Opening of overall portfolio by reporting treatment (IRB, Standard), with details of the Roll-Out plan and exposures subject to PPU. Calculation of triggers relating to monitoring of the PPU perimeter. Calculation of coverage for the A-IRB portfolio.
- A comparison between the PD and default rates observed over 12 months by rating class and model.
- Summary overviews of the Impacts of the CCF/K (IMI 4738) models with updated historical series and comparison with STANDARD EAD.
- Application of stress to PD and LGD, to static balance sheet, for quantification of impacts in terms of RWA, PA, shortfall and CET1 ratio at one year with baseline and adverse scenarios.

- Final and performance overviews of the risk parameters and economic capital (Second Pillar Credit Risk), distinction between Default Risk and Recovery Risk, with details between the portfolio model and regulatory residual model.
- Analysis of geo-sector and single name concentration on the A-IRB performing portfolio with a focus on the Real Estate sector.
- Quantification of the impacts deriving from regulatory add-ons in terms of LGD RWA and expected losses.
- Performance of regulatory expected losses and value adjustments -shortfall/excess - by administrative status and rating model.
- Analysis of guarantees in the reporting domain (Pillar 1) with performance overviews of EAD on ratios, portion covered, fair value of guarantees and reasons for rejection.
- Quantification of overrides present on counterparties rated with corporate and retail models.
- Quantification of the impacts in terms of RWA and PA deriving from each component of the rating model (starting from the score).
- Positioning of the risk parameters (PD and LGD) of Banco BPM with respect to Italian peers.
- Estimate of the floor in terms of RWA required by Basel III Finalised.
- Evidence of the portfolio's exposure to ESG risks (transition, physical and environmental risks) with overviews by EAD, number of counterparties and property as collateral, including trends, focus on sectors, geographical areas and main borrower companies.

Calculation of value adjustments on performing exposures

Since 1 January 2018, Banco BPM Group has used the IFRS 9 accounting standard to calculate value adjustments on performing exposures. For further details on the impairment model used, please refer to the notes contained in the Consolidated Annual Financial Report.

With regard to the inclusion of forward-looking information, proprietary sector satellite models developed in-house by the Bank are used.

Regarding the AIRB parameters, on which the performing loan measurement model for financial statements purposes is based, note that from March 2021, the Regulator authorised the Bank to use a more updated IRB framework with the introduction into the various areas of application (regulatory and operational) of new PD, LGD and EAD parameters for retail and corporate customers. The effects of these new parameters, which moreover incorporate the new regulatory definition of default (EBA/GL/2016/07) and anticipate a range of aspects regarding the EBA guidelines on the estimation of PD, LGD and downturn (respectively EBA/GL/2017/16 and EBA/GL/2019/03), are therefore also considered in the expected non-performing exposure loss calculation framework for financial statements purposes.

In addition, as of May 2024, the Bank incorporated the use of the Slotting Criteria on

specialised lending exposures originated and managed by structured finance into its systems for calculating impairment losses on non-impaired exposures.

Also note that, when preparing the financial statements as at 30 June 2024, it was deemed appropriate to apply a number of "post model adjustments/management overlays" with respect to the process for calculating value adjustments to performing exposures where it was considered that the estimation models in use were not able to adequately capture certain risk factors relevant for the expected loss calculation. These post model adjustment/management overlays, which in fact almost completely eliminate the positive economic impacts that would have otherwise been recognised, strengthen the Group's ability to absorb any negative macroeconomic effects considering the significant factors of uncertainty existing at the date of preparation of the report as at 30 June 2024.

The transitional nature of the "post-model adjustment/management overlays" remains valid, in addition to the consideration that the results deriving from the expected credit loss calculation models are influenced by macroeconomic scenarios that are largely dependent on phenomena that are not fully consolidated and in any case still subject to extreme variability and uncertainty.

For an illustration of the new macroeconomic scenarios incorporated into the calculation of value adjustments to non-performing exposures for financial statements purposes and for the sensitivity analyses produced, reference should be made to the Consolidated Interim Financial Report, paragraph "Methods for measuring IFRS 9 expected losses for financial reporting purposes" contained in "Part E – Information on risks and related hedging policies" of the Notes.

Calculation of collective value adjustments on non-performing exposures

Again, while further details on the impairment model used can be found in the notes contained in the 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 euro;
- Defaulted past due exposures irrespective of the nominal amount.

The measurement of non-performing exposures other than those mentioned above is instead analytical.

Following the application of accounting standard IFRS 9, from 1 January 2018, the calculation of value adjustments for financial statements purposes includes forward-looking elements. This is done through the introduction of specific sales scenarios in which the Group's non-performing loan management strategy sets forth that the recovery of the aforementioned exposures may also occur through disposal on the market, with the aim of pursuing a derisking strategy to decrease the NPE ratio, i.e. the percentage impact of non-performing exposures with respect to total exposures.

In line with the disposal objectives as defined from time to time by the Board of Directors, the Group's exposures classified under the non-performing loan status are measured by configuring two different estimates of expected cash flows:

- the first is determined by assuming a reference scenario in which the credit collection derives from activities developed directly by the bank and/or through the associated company Gardant Liberty Servicing (work out scenario);
- the second is determined by assuming a reference scenario involving credit collection through its disposal (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 expects to receive from the scenarios.

Process for managing and recognising credit risk mitigation

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 property or financial instruments and guarantees given by private, corporate and institutional customers, 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 functions - 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 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 functions.

Role of the functions involved in the creation, calibration, approval and subsequent changes of rating systems

The Group governs credit risk by assigning specific responsibilities to the Bodies, functions and Committees of the Parent Company and its Subsidiaries, in line with its Internal Control System and on the basis of an organisational model that provides for the centralised control within the Parent Company to convey a consistent policy and governance when managing the risks.

To measure the different aspects and components of credit risk, the Group adopts models and metrics developed in accordance with supervisory regulations, with a view to guaranteeing the sound and prudent management of the risk positions assumed and to

comply with regulatory requirements, also assessing the effect of changes in the scenario to which the credit portfolio is exposed.

The internal models adopted are based on a development and updating process consisting of a set of activities and procedures aimed at defining, initially or when later updated, the rating models applicable to credit exposures, i.e., statistical or empirical models designed to support the credit assessments made by the Banking Group Companies and to enable the capital requirements of the same against the risk of unexpected losses to be calculated. The periodic calibration of risk parameters is also part of the development process.

These models are subject to periodic backtesting and stress testing in order to guarantee that they are statistically robust and prudential. They are validated by an operational unit independent of the function responsible for their development, and are audited at least annually by the Audit function.

On an annual basis, analyses and activities are carried out with a view to calibrating the rating models in order to incorporate the most recent evidence relating to the default and loss rates observed for the credit counterparties.

The initial commissioning proposals, extensions, modifications and any disposals of the internal models used for regulatory purposes and, where substantial, the internal models used for management purposes for measuring credit risks are approved by the Board of Directors.

The Risk Function is the structure responsible for managing the rating models development and updating process. It is also responsible for keeping the models used for credit risk measurement updated over time, ensuring they are adequate and guaranteeing, through functional analyses, their consistency and compliance with the reference regulations and with the Group's business model.

The Internal Validation function is responsible, at the phase of initial commissioning and continuously, for validating the models and metrics used to measure credit risks, assessing the adequacy of the MoCs identified by the Risks function and evaluating the substantial or non-substantial modifications that exceed the materiality criteria established by Supervisory Regulations and that require express prior authorisation from the Supervisory Authority.

Rating systems control and review

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.

Banco BPM Group has an Internal Validation Function (part of the staff of the Risk Function) responsible for the validation processes of Banco BPM Group's risk measurement and management systems. These activities are carried out, at least on a yearly basis and independently, by the Functions tasked with risk measurement and management and by the Function 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 legislative requirements, corporate operating needs and those of the reference market. The results of its evaluations are presented to the Corporate Bodies in a specific report.

The Internal Audit activity provided for in the Supervisory Regulations is carried out by Banco BPM's Audit Function. 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.

At least on an annual basis, the Audit Function presents the results of its assessments in a specific report to the Corporate Bodies. The latter also includes a general risk assessment in line with the regulatory requirements, which constitutes the prerequisite for defining the periodic audit plan.

Description of the internal rating models for the regulatory Corporate and Private segments

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 ratings broken down into 7 performing rating classes for the Large Corporate segment and 11 performing rating classes for the other segments, 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).

The following table shows the main exposure classes to which each internal model is applied.

Internal Model Segment	Type of exposure classes
Large Corporate	Corporate - Other
Mid Corporate Plus	Corporate - Other
Mid Corporate	Corporate SME & Retail SME Other Exposure
Small Business	Retail SME: Mortgage & Other Exposure
Private	Retail Non-SME

Large Corporate model

The Large Corporate rating model was defined taking into account 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 the one hand, would be based on statistical principles and, on the other, would incorporate the specialised experience of the Credit Function 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 Italian 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 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 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, i.e. counterparties whose legal status 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 Corporate 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,

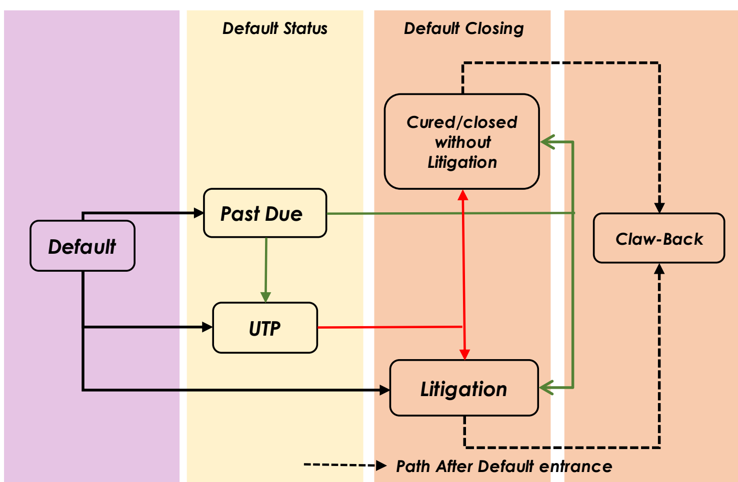
unlikely to pay and bad loans).

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. To comply with the relevant legislative requirements, the new LGD defaulted asset models also make it possible to identify unexpected values of losses (LGD DA), the difference of which from the best estimate of LGD (LGD ELBE) makes it possible to calculate (through 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 model
AAA	-	-	-	-	-
AA	1	1	-	-	-
A	2	2	1-2	1	1
BBB	3	3	3	2-3	2-4
BB	4	4-5	4-5	4-6	5-7
B	5	6-7	6-7	7-8	8
CCC	6	8-9	8-9	9	9-10
CC	7	10	10	10	11
C	-	11	11	11	-

Template EU CR6 – A-IRB approach: credit risk exposures by exposure class and PD range

A-IRB	PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD (%)	Number of debtors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Amount of the risk-weighted exposure after the application of support factors	Density of risk weighted exposure amounts	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Exposures to or guaranteed by businesses - SMEs	0.00 to < 0.15	1,851,850	1,670,099	25.77%	2,283,123	0.07%	3,404	37.54%	2	316,625	13.87%	599	(1,010)
	0.00 to < 0.10	1,382,709	1,540,010	25.65%	1,778,486	0.06%	2,204	40.53%	2	237,168	13.34%	424	(701)
	0.10 to < 0.15	469,141	130,089	27.23%	504,637	0.13%	1,200	27.01%	3	79,458	15.75%	176	(309)
	0.15 to < 0.25	1,317,773	1,283,949	18.77%	1,558,926	0.15%	1,482	40.03%	2	367,386	23.57%	956	(1,352)
	0.25 to < 0.50	2,539,151	1,420,424	16.99%	2,781,192	0.32%	4,041	34.01%	2	817,152	29.38%	3,003	(4,567)
	0.50 to < 0.75	1,681,058	917,809	13.46%	1,805,139	0.60%	1,765	38.70%	2	819,287	45.39%	4,173	(5,222)
	0.75 to < 2.50	2,650,542	1,587,967	10.17%	2,814,386	1.34%	3,658	34.13%	3	1,665,323	59.17%	12,973	(34,243)
	0.75 to < 1.75	2,374,230	1,542,512	9.83%	2,527,968	1.23%	2,991	34.79%	3	1,513,854	59.88%	11,054	(29,111)
	1.75 to < 2.50	276,313	45,455	21.93%	286,418	2.37%	667	28.28%	3	151,468	52.88%	1,920	(5,132)
	2.50 to < 10.00	1,381,866	371,057	14.82%	1,436,910	4.60%	1,488	35.89%	3	1,216,289	84.65%	23,276	(45,838)
	2.5 to < 5	972,618	274,757	15.25%	1,014,532	3.48%	941	36.37%	2	806,184	79.46%	12,744	(23,659)
	5 to < 10	409,247	96,300	13.60%	422,379	7.31%	547	34.75%	3	410,105	97.09%	10,532	(22,179)
	10.00 to < 100.00	462,374	89,284	22.43%	482,556	32.02%	921	33.16%	3	581,782	120.56%	50,719	(51,357)
	10 to < 20	218,210	49,023	20.11%	228,190	14.78%	591	33.45%	2	273,672	119.93%	10,914	(15,472)
	20 to < 30	67,306	22,135	34.85%	75,067	23.61%	86	34.18%	2	106,968	142.50%	6,057	(6,001)
	30.00 to < 100.00	176,859	18,125	13.57%	179,299	57.48%	244	32.37%	4	201,142	112.18%	33,749	(29,883)
	100.00 (default)	916,851	262,808	61.94%	1,079,428	100.00%	1,501	57.10%	2	550,740	51.02%	572,262	(536,112)
Total as at 30/06/2024		**12,801,466**	**7,603,396**	**18.88%**	**14,241,660**	**9.56%**	**18,260**	**37.76%**	**2**	**6,334,584**	**44.48%**	**667,962**	**(679,700)**
Total (all exposure classes)		**68,444,332**	**48,321,343**	**19.02%**	**77,822,972**		**691,095**		**2**	**26,040,705**	**33.46%**	**1,904,836**	**(1,808,555)**

A-IRB	PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD (%)	Number of debtors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Amount of the risk-weighted exposure after the application of support factors	Density of risk weighted exposure amounts	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Exposures to or guaranteed by businesses - Specialised loans	0.00 to < 0.15	1,651	100	72.42%	1,724	0.06%	4	30.16%	5	235	13.65%	0	0
	0.00 to < 0.10	1,501	100	72.42%	1,573	0.05%	3	30.71%	5	207	13.17%	0	0
	0.10 to < 0.15	151	-	-	151	0.13%	1	24.48%	5	28	18.74%	0	0
	0.15 to < 0.25	9,807	600	50.53%	10,110	0.15%	5	25.74%	3	1,917	18.96%	4	(3)
	0.25 to < 0.50	70,589	20,195	0.78%	70,745	0.31%	28	33.37%	4	32,019	45.26%	74	(76)
	0.50 to < 0.75	45,855	75	70.08%	45,907	0.60%	16	36.47%	5	27,584	60.09%	100	(238)
	0.75 to < 2.50	79,531	1,009	28.30%	79,816	1.40%	41	35.55%	4	53,402	66.91%	395	(985)
	0.75 to < 1.75	67,015	955	26.74%	67,271	1.22%	33	37.01%	4	46,553	69.20%	312	(742)
	1.75 to < 2.50	12,516	54	55.91%	12,546	2.37%	8	27.73%	4	6,849	54.59%	83	(243)
	2.50 to < 10.00	38,827	972	61.67%	39,427	6.27%	26	37.15%	4	40,567	102.89%	881	(3,289)
	2.5 to < 5	11,043	897	64.26%	11,619	3.69%	13	43.03%	4	11,580	99.67%	182	(714)
	5 to < 10	27,785	75	30.70%	27,808	7.35%	13	34.69%	5	28,986	104.24%	699	(2,575)
	10.00 to < 100.00	42,845	125	44.52%	42,901	31.96%	20	37.23%	4	60,284	140.52%	5,351	(7,105)
	10 to < 20	11,975	-	-	11,975	18.65%	10	32.82%	4	13,662	114.09%	733	(1,355)
	20 to < 30	18,868	112	49.66%	18,924	23.49%	3	37.06%	4	30,688	162.17%	1,648	(2,739)
	30.00 to < 100.00	12,002	13	-	12,002	58.58%	7	41.90%	5	15,934	132.76%	2,971	(3,011)
	100.00 (default)	4,074	111	100.00%	4,185	100.00%	7	49.29%	3	3,806	90.94%	1,759	(2,137)
Total as at 30/06/2024		**293,179**	**23,187**	**7.06%**	**294,816**	**7.46%**	**147**	**35.46%**	**4**	**219,813**	**74.56%**	**8,563**	**(13,833)**
Total (all exposure classes)		**68,444,332**	**48,321,343**	**19.02%**	**77,822,972**		**691,095**		**2**	**26,040,705**	**33.46%**	**1,904,836**	**(1,808,555)**

A-IRB	PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD (%)	Number of debtors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Amount of the risk-weighted exposure after the application of support factors	Density of risk weighted exposure amounts	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Exposures to or guaranteed by businesses - Other businesses	0.00 to < 0.15	2,389,331	5,926,311	16.98%	3,395,727	0.05%	1,313	35.58%	2	452,507	13.33%	606	(375)
	0.00 to < 0.10	2,373,057	5,911,203	16.97%	3,375,887	0.05%	1,290	35.61%	2	448,767	13.29%	598	(371)
	0.10 to < 0.15	16,274	15,108	23.61%	19,840	0.13%	23	30.77%	2	3,741	18.85%	8	(5)
	0.15 to < 0.25	6,243,876	11,408,529	14.23%	7,868,105	0.18%	993	33.82%	2	2,301,410	29.25%	4,669	(2,661)
	0.25 to < 0.50	1,811,859	2,230,450	17.90%	2,211,245	0.30%	804	35.34%	2	847,980	38.35%	2,365	(1,173)
	0.50 to < 0.75	2,215,892	3,448,467	20.45%	2,920,791	0.53%	199	32.30%	2	1,463,117	50.09%	4,988	(2,218)
	0.75 to < 2.50	4,571,320	4,778,774	17.85%	5,427,127	1.29%	1,307	34.65%	2	3,988,987	73.50%	23,902	(16,116)
	0.75 to < 1.75	4,570,873	4,777,119	17.85%	5,426,356	1.29%	1,300	34.65%	2	3,988,451	73.50%	23,896	(16,114)
	1.75 to < 2.50	447	1,656	19.58%	771	2.37%	7	31.67%	1	535	69.42%	6	(2)
	2.50 to < 10.00	1,121,778	823,933	19.58%	1,283,872	5.06%	415	34.68%	2	1,472,889	114.72%	22,611	(13,428)
	2.5 to < 5	598,171	381,715	18.52%	668,825	3.43%	243	34.23%	2	685,107	102.43%	7,862	(5,332)
	5 to < 10	523,607	442,218	20.50%	615,047	6.82%	172	35.17%	2	787,782	128.08%	14,750	(8,097)
	10.00 to < 100.00	437,272	177,391	36.40%	501,845	20.87%	108	30.73%	2	781,599	155.75%	34,869	(16,134)
	10 to < 20	271,573	89,162	30.43%	298,705	13.11%	60	26.77%	2	377,284	126.31%	10,483	(3,871)
	20 to < 30	90,156	7,720	24.26%	92,030	25.80%	29	37.03%	3	192,589	209.27%	8,772	(8,416)
	30.00 to < 100.00	75,543	80,509	44.18%	111,111	37.67%	19	36.18%	1	211,725	190.55%	15,614	(3,847)
	100.00 (default)	445,249	263,261	46.28%	567,073	100.00%	92	44.23%	2	291,687	51.44%	227,481	(264,400)
Total as at 30/06/2024		**19,236,577**	**29,057,115**	**16.99%**	**24,175,786**	**3.49%**	**5,231**	**34.43%**	**2**	**11,600,177**	**47.98%**	**321,492**	**(316,505)**
Total (all exposure classes)		**68,444,332**	**48,321,343**	**19.02%**	**77,822,972**		**691,095**		**2**	**26,040,705**	**33.46%**	**1,904,836**	**(1,808,555)**

A-IRB	PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD (%)	Number of debtors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Amount of the risk-weighted exposure after the application of support factors	Density of risk weighted exposure amounts	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Exposures in detail - Exposures guaranteed by property: SMEs	0.00 to < 0.15	704,421	13,153	7.36%	707,307	0.11%	5,929	24.25%	-	35,721	5.05%	194	(131)
	0.00 to < 0.10	202,506	7,552	8.24%	203,499	0.06%	1,409	25.32%	-	6,573	3.23%	31	(32)
	0.10 to < 0.15	501,915	5,601	6.18%	503,808	0.14%	4,520	23.82%	-	29,147	5.79%	163	(99)
	0.15 to < 0.25	116,357	3,416	8.08%	117,264	0.20%	1,285	25.25%	-	9,536	8.13%	59	(53)
	0.25 to < 0.50	711,946	8,342	12.66%	713,505	0.37%	5,214	23.81%	-	85,664	12.01%	628	(1,149)
	0.50 to < 0.75	131,192	6,694	6.77%	132,294	0.64%	1,209	27.18%	-	26,657	20.15%	226	(270)
	0.75 to < 2.50	873,918	7,618	8.16%	875,448	1.35%	6,861	24.03%	-	252,635	28.86%	2,837	(8,848)
	0.75 to < 1.75	670,166	5,825	8.13%	671,152	1.05%	5,039	24.13%	-	168,474	25.10%	1,705	(5,799)
	1.75 to < 2.50	203,752	1,793	8.26%	204,296	2.33%	1,822	23.72%	-	84,161	41.20%	1,132	(3,050)
	2.50 to < 10.00	250,751	1,222	7.59%	251,228	6.03%	1,988	25.02%	-	178,112	70.90%	3,706	(10,823)
	2.5 to < 5	123,518	1,101	7.84%	123,603	4.19%	913	26.38%	-	78,650	63.63%	1,343	(4,865)
	5 to < 10	127,234	121	5.34%	127,624	7.82%	1,075	23.71%	-	99,462	77.93%	2,363	(5,958)
	10.00 to < 100.00	231,127	350	3.25%	231,726	33.10%	1,882	23.46%	-	228,835	98.75%	18,033	(22,104)
	10 to < 20	109,867	307	2.54%	110,106	17.64%	871	23.51%	-	113,887	103.43%	4,570	(8,857)
	20 to < 30	30,009	0	-	30,366	26.02%	262	23.08%	-	32,969	108.57%	1,815	(2,297)
	30.00 to < 100.00	91,250	43	8.31%	91,254	54.12%	749	23.51%	-	81,979	89.84%	11,648	(10,950)
	100.00 (default)	253,804	362	2.59%	253,814	100.00%	2,036	46.84%	-	129,508	51.02%	108,534	(83,279)
Total as at 30/06/2024		**3,273,517**	**41,157**	**8.48%**	**3,282,586**	**11.03%**	**26,404**	**26.00%**	**-**	**946,668**	**28.84%**	**134,217**	**(126,657)**
Total (all exposure classes)		**68,444,332**	**48,321,343**	**19.02%**	**77,822,972**		**691,095**		**2**	**26,040,705**	**33.46%**	**1,904,836**	**(1,808,555)**

A-IRB	PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD (%)	Number of debtors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Amount of the risk-weighted exposure after the application of support factors	Density of risk weighted exposure amounts	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Exposures in detail - Exposures guaranteed by property: other	0.00 to < 0.15	12,640,351	6,526	0.21%	12,715,434	0.13%	128,653	24.85%	-	956,247	7.52%	4,049	2,293
	0.00 to < 0.10	2,637,213	1,070	0.34%	2,652,246	0.08%	22,562	24.58%	-	131,690	4.97%	490	(269)
	0.10 to < 0.15	10,003,138	5,455	0.18%	10,063,188	0.14%	106,091	24.92%	-	824,557	8.19%	3,559	(2,024)
	0.15 to < 0.25	4,272,111	746	0.34%	4,299,360	0.21%	48,321	25.04%	-	479,429	11.15%	2,290	(1,832)
	0.25 to < 0.50	2,848,787	1,851	0.65%	2,869,997	0.43%	32,931	24.38%	-	522,306	18.20%	3,030	(3,939)
	0.50 to < 0.75	2,266,986	6,545	0.05%	2,284,886	0.66%	27,036	24.05%	-	548,810	24.02%	3,606	(5,183)
	0.75 to < 2.50	1,366,390	6.236%	0.02%	1,378,639	1.48%	16,952	23.98%	-	557,660	40.45%	4,899	(7,769)
	0.75 to < 1.75	867,257	5,292	0.00%	874,852	1.09%	11,424	23.97%	-	295,155	33.74%	2,288	(3,673)
	1.75 to < 2.50	499,133	944	0.11%	503,787	2.16%	5,528	24.00%	-	262,505	52.11%	2,611	(4,096)
	2.50 to < 10.00	481,965	1,469	-	487,109	5.54%	5,664	23.75%	-	425,747	87.40%	6,413	(9,551)
	2.5 to < 5	-	-	-	-	-	-	-	-	-	-	-	-
	5 to < 10	481,965	1,469	-	487,109	5.54%	5,664	23.75%	-	425,747	87.40%	6,413	(9,551)
	10.00 to < 100.00	483,425	410	-	489,406	18.38%	5,001	23.57%	-	648,947	132.60%	21,269	(31,748)
	10 to < 20	269,385	156	-	272,553	12.14%	2,855	23.38%	-	330,152	121.13%	7,736	(13,935)
	20 to < 30	213,957	254	-	216,770	26.20%	2,144	23.81%	-	318,679	147.01%	13,521	(17,805)
	30.00 to < 100.00	84	-	-	84	53.82%	2	27.24%	-	115	137.66%	12	(8)
	100.00 (default)	466,777	334	-	466,777	100.00%	5,548	42.17%	-	129,080	27.65%	186,505	(131,938)
Total as at 30/06/2024		**24,826,792**	**24,117**	**0.13%**	**24,991,608**	**2.63%**	**270,106**	**24.98%**	**-**	**4,268,225**	**17.08%**	**232,063**	**(194,252)**
Total (all exposure classes)		**68,444,332**	**48,321,343**	**19.02%**	**77,822,972**		**691,095**		**2**	**26,040,705**	**33.46%**	**1,904,836**	**(1,808,555)**

A-IRB	PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD (%)	Number of debtors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Amount of the risk-weighted exposure after the application of support factors	Density of risk weighted exposure amounts	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Exposures in detail - Exposures retail revolving exposures	0.00 to < 0.15	33,255	244,232	43.87%	140,438	0.12%	34,438	57.25%	-	5,975	4.25%	97	(29)
	0.00 to < 0.10	7,701	87,585	41.18%	43,777	0.08%	9,558	57.18%	-	1,258	2.87%	19	(6)
	0.10 to < 0.15	25,554	156,647	45.37%	96,661	0.14%	24,880	57.28%	-	4,717	4.88%	78	(24)
	0.15 to < 0.25	11,412	52,222	50.81%	37,961	0.21%	11,151	60.59%	-	2,736	7.21%	49	(15)
	0.25 to < 0.50	19,448	89,415	55.52%	69,136	0.43%	22,988	64.87%	-	9,463	13.69%	194	(46)
	0.50 to < 0.75	27,063	84,272	54.53%	73,103	0.66%	23,413	64.37%	-	13,781	18.85%	309	(93)
	0.75 to < 2.50	63,619	103,653	46.34%	112,113	1.51%	29,734	62.23%	-	38,067	33.95%	1,052	(388)
	0.75 to < 1.75	36,049	69,844	46.08%	68,427	1.09%	18,188	62.13%	-	18,433	26.94%	464	(140)
	1.75 to < 2.5	27,570	33,809	46.86%	43,686	2.16%	11,546	62.39%	-	19,634	44.94%	589	(248)
	2.50 to < 10.00	14,876	8,311	50.39%	19,354	5.54%	5,107	60.94%	-	16,270	84.07%	654	(228)
	2.5 to < 5	-	-	-	-	-		-	-	-	-	-	-
	5 to < 10	14,876	8,311	50.39%	19,354	5.54%	5,107	60.94%	-	16,270	84.07%	654	(228)
	10.00 to < 100.00	7,774	2,425	59.90%	9,505	16.53%	2,780	62.32%	-	14,546	153.04%	971	(384)
	10 to < 20	5,247	1,844	60.01%	6,540	12.14%	1,994	63.20%	-	9,086	138.93%	502	(181)
	20 to < 30	2,527	581	59.53%	2,965	26.20%	786	60.38%	-	5,460	184.18%	469	(202)
	30.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (default)	2,313	587	57.57%	2,636	100.00%	663	68.43%	-	919	34.86%	1,731	(1,279)
Total as at 30/06/2024		**179,759**	**585,117**	**48.42%**	**464,248**	**1.72%**	**130,274**	**61.30%**	**-**	**101,758**	**21.92%**	**5,057**	**(2,461)**
Total (all exposure classes)		**68,444,332**	**48,321,343**	**19.02%**	**77,822,972**		**691,095**		**2**	**26,040,705**	**33.46%**	**1,904,836**	**(1,808,555)**

A-IRB	PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD (%)	Number of debtors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Amount of the risk-weighted exposure after the application of support factors	Density of risk weighted exposure amounts	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Exposures in detail - Other exposures in detail: SMEs	0.00 to < 0.15	1,101,099	4,089,331	23.16%	2,048,205	0.08%	31,850	38.88%	-	135,252	6.60%	654	(458)
	0.00 to < 0.10	595,802	3,134,511	21.56%	1,271,536	0.06%	14,446	39.68%	-	64,921	5.11%	278	(244)
	0.10 to < 0.15	505,297	954,820	28.41%	776,668	0.13%	17,404	37.56%	-	70,331	9.06%	376	(214)
	0.15 to < 0.25	280,319	1,256,399	18.63%	514,855	0.15%	4,180	39.27%	-	55,561	10.79%	311	(174)
	0.25 to < 0.50	1,758,974	2,606,852	22.79%	2,354,868	0.35%	42,595	37.08%	-	405,039	17.20%	3,035	(1,493)
	0.50 to < 0.75	477,683	761,958	13.29%	579,140	0.60%	4,518	37.40%	-	139,908	24.16%	1,298	(935)
	0.75 to < 2.50	1,930,768	1,542,311	29.42%	2,385,279	1.33%	59,786	37.68%	-	797,471	33.43%	12,022	(8,800)
	0.75 to < 1.75	1,560,243	1,309,815	28.02%	1,927,800	1.09%	43,878	37.54%	-	607,812	31.53%	7,875	(5,772)
	1.75 to < 2.50	370,525	232,496	37.33%	457,479	2.37%	15,908	38.28%	-	189,659	41.46%	4,147	(3,028)
	2.50 to < 10.00	607,802	340,270	27.17%	700,551	5.58%	20,314	37.57%	-	319,562	45.62%	14,638	(11,888)
	2.5 to < 5	368,976	230,338	26.26%	429,447	3.96%	10,717	37.73%	-	189,120	44.04%	6,419	(5,442)
	5 to < 10	238,825	109,932	29.07%	271,104	8.14%	9,597	37.32%	-	130,442	48.12%	8,219	(6,445)
	10.00 to < 100.00	247,134	82,458	31.03%	273,393	32.33%	18,288	36.91%	-	185,869	67.99%	32,616	(18,166)
	10 to < 20	133,025	45,164	30.59%	147,328	17.90%	10,847	37.23%	-	94,027	63.82%	9,814	(6,944)
	20 to < 30	22,374	7,858	11.06%	23,308	24.01%	590	34.64%	-	15,613	66.99%	1,946	(1,253)
	30.00 to < 100.00	91,735	29,436	37.02%	102,757	54.90%	6,851	36.97%	-	76,229	74.18%	20,855	(9,969)
	100.00 (default)	511,898	71,802	42.70%	542,516	100.00%	17,608	82.20%	-	256,591	47.30%	425,405	(397,040)
Total as at 30/06/2024		**6,915,676**	**10,751,381**	**23.05%**	**9,398,806**	**7.62%**	**199,139**	**40.40%**	**-**	**2,295,253**	**24.42%**	**489,978**	**(438,953)**
Total (all exposure classes)		**68,444,332**	**48,321,343**	**19.02%**	**77,822,972**		**691,095**		**2**	**26,040,705**	**33.46%**	**1,904,836**	**(1,808,555)**

A-IRB	PD range	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post-CCF and post-CRM	Exposure weighted average PD (%)	Number of debtors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Amount of the risk-weighted exposure after the application of support factors	Density of risk weighted exposure amounts	Expected loss amount	Value adjustments and provisions
	a	b	c	d	e	f	g	h	i	j	k	l	m
Exposures in detail - Other exposures in detail: other	0.00 to < 0.15	341,647	120,429	25.68%	373,013	0.12%	18,149	31.41%	-	34,956	9.37%	141	(55)
	0.00 to < 0.10	115,566	69,616	33.93%	139,276	0.08%	5,076	26.34%	-	7,810	5.61%	28	(8)
	0.10 to < 0.15	226,081	50,812	14.38%	233,737	0.14%	13,073	34.43%	-	27,146	11.61%	114	(46)
	0.15 to < 0.25	78,067	17,600	12.26%	80,388	0.21%	5,311	36.70%	-	13,206	16.43%	63	(42)
	0.25 to < 0.50	92,239	22,804	20.78%	97,179	0.43%	6,611	35.88%	-	24,468	25.18%	151	(94)
	0.50 to < 0.75	98,670	22,616	16.37%	102,542	0.66%	6,165	36.65%	-	33,183	32.36%	247	(105)
	0.75 to < 2.50	189,367	44,992	21.00%	199,058	1.49%	11,842	37.91%	-	92,486	46.46%	1,141	(551)
	0.75 to < 1.75	120,648	26,578	17.05%	125,321	1.09%	5,578	36.49%	-	51,137	40.81%	499	(214)
	1.75 to < 2.5	68,719	18,413	26.71%	73,737	2.16%	6,264	40.31%	-	41,349	56.08%	642	(337)
	2.50 to < 10.00	34,348	3,552	23.23%	35,311	5.54%	3,271	38.75%	-	21,629	61.25%	759	(475)
	2.5 to < 5	-	-	-	-	-	-	-	-	-	-	-	-
	5 to < 10	34,348	3,552	23.23%	35,311	5.54%	3,271	38.75%	-	21,629	61.25%	759	(475)
	10.00 to < 100.00	38,212	3,287	23.21%	40,768	18.82%	42,010	47.43%	-	42,723	104.80%	3,516	(2,089)
	10 to < 20	19,020	2,257	31.30%	21,414	12.14%	40,520	51.51%	-	21,062	98.35%	1,339	(588)
	20 to < 30	19,192	1,031	5.50%	19,353	26.20%	1,490	42.92%	-	21,661	111.92%	2,176	(1,500)
	30.00 to < 100.00	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (default)	44,816	595	65.08%	45,203	100.00%	11,980	89.41%	-	11,575	25.61%	39,489	(32,783)
Total as at 30/06/2024		**917,366**	**235,874**	**22.45%**	**973,461**	**6.11%**	**105,339**	**37.80%**	**-**	**274,227**	**28.17%**	**45,505**	**(36,193)**
Total (all exposure classes)		**68,444,332**	**48,321,343**	**19.02%**	**77,822,972**		**691,095**		**2**	**26,040,705**	**33.46%**	**1,904,836**	**(1,808,555)**

It should be noted that the balance sheet exposures are constructed by considering the substitution effects of guarantees and therefore net of the guaranteed part of the IRB exposures which has flowed out to other classes, primarily to Standard, in accordance with the Corep compilation instructions to which the EBA mapping of the EU CR6 tables refers.

Template EU CR7 – IRB approach: effect on the RWEAs of credit derivatives used as CRM techniques

		30/06/2024	
		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
		a	b
1	**Exposures under F-IRB**	**-**	**-**
2	Central governments and central banks	-	-
3	Institutions	-	-
4	Corporates	-	-
4.1	*of which corporates - SMEs*	-	-
4.2	*of which corporates - Specialised lending*	-	-
5	**Exposures under A-IRB**	**28,890,282**	**28,890,282**
6	Central governments and central banks	-	-
7	Institutions	-	-
8	Corporates	21,004,164	21,004,164
8.1	*of which corporates - SMEs*	6,334,573	6,334,573
8.2	*of which corporates - Specialised lending*	3,067,221	3,067,221
9	Retail	7,886,118	7,886,118
9.1	*of which Retail – SMEs, collateralised by property*	946,668	946,668
9.2	*of which Retail – non-SMEs, collateralised by property*	4,268,225	4,268,225
9.3	*of which retail - Qualifying revolving*	101,758	101,758
9.4	*of which Retail - SMEs, other*	2,295,240	2,295,240
9.5	*of which Retail - non-SMEs, other*	274,227	274,227
10	**TOTAL (including F-IRB exposures and A-IRB exposures)**	**28,890,282**	**28,890,282**

Exposures to counterparty credit risk (CCR), exposures to securitisations, assets other than loans and equity exposures are excluded from this model.

Template EU CR7-A – IRB approach: disclosure of the extent of the use of CRM techniques

	A-IRB	Total exposures	Credit risk mitigation techniques											Credit risk mitigation methods in the calculation of RWEAs	
			Funded credit protection (FCP)									Unfunded credit protection (UFCP)		RWEAs without substitution effects (reduction effects only)	RWEAs with substitution effects (both reduction and substitution effects)
			Part of exposures covered by financial collaterals (%)	Part of exposures covered by other eligible collaterals (%)				Part of exposures covered by other funded credit protection (%)	Part of exposures covered by other funded credit protection (%)			Part of exposures covered by personal guarantees (%)	Part of exposures covered by credit derivatives (%)		
					Part of exposures covered by property collaterals (%)	Part of exposures covered by receivables (%)	Part of exposures covered by other physical collateral (%)		Part of exposures covered by cash on deposit (%)	Part of exposures covered by life insurance policies (%)	Part of exposures covered by instruments held by a third party (%)				
		a	b	c	d	e	f	g	h	i	j	k	l	m	n
1	Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Corporates	42,013,080	1.21%	14.08%	14.08%	-	-	-	-	-	-	2.43%	-	21,004,164	21,004,164
3.1	*of which corporates - SMEs*	14,241,607	1.32%	28.28%	28.28%	-	-	-	-	-	-	4.09%	-	6,334,573	6,334,573
3.2	*of which corporates - Specialised lending*	3,590,687	0.01%	7.15%	7.15%	-	-	-	-	-	-	0.12%	-	3,067,221	3,067,221
3.3	*of which corporates - other*	24,180,786	1.32%	6.74%	6.74%	-	-	-	-	-	-	1.79%	-	11,602,370	11,602,370
4	Retail	39,110,643	0.85%	71.79%	71.79%	-	-	-	-	-	-	1.38%	-	7,886,118	7,886,118
4.1	*of which Retail – SMEs, collateralised by property*	3,282,586	0.09%	100.08%	100.08%	-	-	-	-	-	-	0.00%	-	946,668	946,668
4.2	*of which Retail – non-SMEs, collateralised by property*	24,991,608	0.02%	99.20%	99.20%	-	-	-	-	-	-	-	-	4,268,225	4,268,225
4.3	*of which retail - Qualifying revolving*	464,248	-	-	-	-	-	-	-	-	-	-	-	101,758	101,758
4.4	*of which Retail - SMEs, other*	9,398,740	2.44%	-	-	-	-	-	-	-	-	5.60%	-	2,295,240	2,295,240
4.5	*of which Retail - non-SMEs, other*	973,461	9.81%	-	-	-	-	-	-	-	-	1.49%	-	274,227	274,227
5	**Total as at 30/06/2024**	**81,123,723**	**1.04%**	**41.90%**	**41.90%**	**-**	**-**	**-**	**-**	**-**	**-**	**1.92%**	**-**	**28,890,282**	**28,890,282**

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, LGD and EAD for Business and Private customer portfolios.

The comparison between estimates and empirical data is made separately for PD, LGD and EAD, 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.

The last backtesting shows adequate results for the Corporate and Private segments, both in terms of discriminating power and calibration. The discriminating capacity, assessed at the level of individual modules and for the final integrated score, obtains comparable values to those obtained during the development phase. The calibration tests showed positive results for all rating segments.

With reference to the LGD parameter, tests were carried out based on the metrics envisaged by internal policy on both the performing and default component, adopting the LGD one step approach. Internal Validation did not reveal any relevant problems with regard to the estimates produced for performing Corporate models. The performing Private and ELBE models showed some areas for improvement, which have already been addressed in a new version of the models, produced from February 2024, following the final approval of the ECB.

Testing was conducted in accordance with internal policy also in relation to the Business and Private EAD models, without identifying any particular areas of concern. The activities conducted highlighted the prudential nature of the estimates used by the Bank.

Internal Validation validated the new models, approved by the ECB and produced from February 2024, with a view to incorporating the main regulatory changes (new EBA guidelines).

Template EU CR10: specialised lending and equity instrument exposures under the simple risk-weighted approach

Template EU CR10.1

Specialised lending: project finance (allocation method)							
Regulatory categories	**Residual duration**	**On-balance sheet exposures**	**Off-balance sheet exposures**	**Risk weight**	**Exposure value**	**RWEA amount**	**Amount of expected losses**
		a	**b**	**c**	**d**	**e**	**f**
Category 1	Less than 2.5 years	0	29,000	50%	14,193	5,946	-
	Equal to or greater than 2.5 years	208,403	127,754	70%	262,686	155,972	1,051
Category 2	Less than 2.5 years	83,840	27,373	70%	102,302	56,828	409
	Equal to or greater than 2.5 years	630,807	345,914	90%	828,889	672,235	6,631
Category 3	Less than 2.5 years	1,487	3,333	115%	1,487	1,400	42
	Equal to or greater than 2.5 years	32,532	15,333	115%	33,823	34,512	947
Category 4	Less than 2.5 years	1,745	2,071	250%	1,745	4,110	140
	Equal to or greater than 2.5 years	8,259	-	250%	8,259	17,153	661
Category 5	Less than 2.5 years	2	-	-	2	-	1
	Equal to or greater than 2.5 years	4,939	-	-	4,939	-	2,470
Total as at 30/06/2024	**Less than 2.5 years**	**87,074**	**61,777**		**119,729**	**68,283**	**591**
	Equal to or greater than 2.5 years	**884,939**	**489,000**		**1,138,596**	**879,872**	**11,759**

Template EU CR10.2

Specialised lending: income-generating real estate and highly volatility non-residential real estate (allocation method)							
Regulatory categories	Residual duration	On-balance sheet exposures	Off-balance sheet exposures	Risk weight	Exposure value	RWEA amount	Amount of expected losses
		a	b	c	d	e	f
Category 1	Less than 2.5 years	45,863	2,025	50%	45,863	22,335	-
	Equal to or greater than 2.5 years	26,855	42,271	70%	41,755	27,757	167
Category 2	Less than 2.5 years	583,527	131,418	70%	624,858	412,858	2,499
	Equal to or greater than 2.5 years	547,871	381,805	90%	680,859	558,068	5,447
Category 3	Less than 2.5 years	118,388	34,463	115%	123,644	139,150	3,462
	Equal to or greater than 2.5 years	239,690	41,467	115%	240,916	275,981	6,746
Category 4	Less than 2.5 years	4,303	20,870	250%	19,956	49,889	1,596
	Equal to or greater than 2.5 years	154,391	23,500	250%	172,016	430,039	13,761
Category 5	Less than 2.5 years	108,202	492	-	108,572	-	54,286
	Equal to or greater than 2.5 years	-	-	-	-	-	-
Total as at 30/06/2024	**Less than 2.5 years**	**860,283**	**189,268**		**922,892**	**624,232**	**61,844**
	Equal to or greater than 2.5 years	**968,807**	**489,043**		**1,135,547**	**1,291,844**	**26,121**

The exposures relating to the portfolio of specialised loans generated by Structured Finance include two types of transactions represented by Project Finance and Real Estate, respectively 38% and 62% of the exposure treated under Slotting Criteria.

As can be seen from the tables, for both types, the exposure is concentrated in Category 2 (74% Project and 63% IPRE, respectively).

With regard to Project Finance, the rest of the exposures are concentrated in the best category (22%) with negligible exposures in both the higher-weighted and non-performing classes.

Specialised Real Estate loans show a higher level of risk with 18% in Category 3 and 9% in Category 4. Non-performing loans amounted to 5%.

Overall, the transition of this portfolio from a standardised approach to an internal method resulted in a release in terms of RWA of approximately 550 million euro and the generation of an excess (provisioning - expected losses) of 87 million euro (of which 73 million euro on the performing scope).

Risk mitigation techniques

Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		Unsecured carrying amount	Secured carrying amount			
				of which secured by collaterals	of which secured by financial guarantees	
						of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	49,903,198	65,946,451	47,485,871	18,460,580	13,525
2	Debt securities	41,219,459	1,177,855	-	1,177,855	
3	**Total as at 30/06/2024**	**91,122,657**	**67,124,306**	**47,485,871**	**19,638,435**	**13,525**
4	of which non-performing exposures	448,884	1,492,631	856,937	635,694	259
EU-5	of which defaulted	448,884	1,492,631			

"Loans and advances" also includes "Cash balances at central banks and other demand deposits", in line with the provisions of the EBA mapping of 23/05/2022.

Counterparty Risk

Template EU CCR1: analysis of CCR exposure by approach

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	**Potential future exposure (PFE)**	**Effective EPE**	**Alpha used for computing regulatory exposure value**	**Exposure value pre-CRM**	**Exposure value post-CRM**	**Exposure value**	**RWEAs**
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	201,019	581,615		1.4	1,519,722	1,095,688	1,093,625	569,771
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*of which netting assets containing securities financing transactions*			-		-	-	-	-
2b	*of which netting assets containing derivatives and transactions with long-term settlement*			-		-	-	-	-
2c	*of which from netting assets subject to contractual cross-product netting*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					11,838,300	1,260,622	1,260,569	425,731
5	VaR for SFTs					-	-	-	-
6	**Total as at 30/06/2024**					**13,358,022**	**2,356,310**	**2,354,193**	**995,502**

Excluded from this model are the own funds requirements for CVA risk and exposures to a central counterparty, as defined for the purpose of template EU CCR8.

Template EU CCR2: transactions subject to own funds requirements for CVA risk

		30/06/2024	
		a	b
		Exposure value	**RWEAs**
1	Total transactions subject to the advanced approach	-	-
2	i) VaR component (including the 3× multiplier)		-
3	ii) Stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised Approach	718,178	172,119
EU-4	Transactions subject to alternative approach (based on the original exposure approach)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**718,178**	**172,119**

Template EU CCR3 – Standardised approach: CCR exposures by regulatory exposure class and risk weights

	Exposure class	Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total exposure value
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	746	-	-	-	-	-	-	746
3	Public sector entities	-	-	-	-	-	-	-	-	498	-	-	498
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	1,321,090	-	-	1,220,304	446,786	-	-	4,829	-	-	2,993,010
7	Corporates	-	-	-	-	641	64,043	-	-	13,892	-	-	78,577
8	Retail	-	-	-	-	-	-	-	15	-	-	-	15
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	385,572	5,068	-	390,640
11	**Value of overall exposure as at 30/06/2024**	**-**	**1,321,090**	**-**	**-**	**1,221,692**	**510,829**	**-**	**15**	**404,792**	**5,068**	**-**	**3,463,486**

This table includes the exposures to CCPs.

Template EU CCR4 - IRB approach: CCR exposures by exposure class and PD range

			a	b	c	d	e	f	g
		PD range	Exposure value	Exposure weighted average PD (%)	Number of debtors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEAs	Density of risk weighted exposure amounts
1	Exposures to or guaranteed by businesses – SMEs	0.00 to < 0.15	14,561	0.08%	714	25.27%	4	1,931	13.26%
2		0.15 to < 0.25	8,649	0.15%	412	24.22%	4	1,891	21.86%
3		0.25 to < 0.50	15,995	0.34%	952	24.11%	4	4,639	29.00%
4		0.50 to < 0.75	8,966	0.60%	482	25.11%	4	3,719	41.48%
5		0.75 to < 2.50	12,128	1.35%	643	24.09%	4	5,877	48.46%
6		2.50 to < 10.00	6,344	4.21%	277	23.59%	4	3,806	59.99%
7		10.00 to < 100.00	620	25.70%	102	26.23%	4	588	94.82%
8		100.00 (default)	151	100.00%	54	12.19%	4	38	25.03%
Sub-total			**67,415**	**1.30%**	**3,636**	**24.45%**	**4**	**22,489**	**33.36%**

			a	b	c	d	e	f	g
		PD range	Exposure value	Exposure weighted average PD (%)	Number of debtors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEAs	Density of risk weighted exposure amounts
1	Exposures to or guaranteed by corporates – Specialised lending	0.00 to < 0.15	-	-	-	-	-	-	-
2		0.15 to < 0.25	33	0.15%	1	18.99%	5	6	18.39%
3		0.25 to < 0.50	11	0.29%	4	28.05%	3	4	33.49%
4		0.50 to < 0.75	53	0.60%	2	19.23%	5	17	32.20%
5		0.75 to < 2.50	78	1.37%	6	28.60%	4	39	49.49%
6		2.50 to < 10.00	56	4.46%	2	29.76%	5	39	69.92%
7		10.00 to < 100.00	12	23.49%	2	20.55%	5	12	95.16%
8		100.00 (default)	-	-	-	-	-	-	-
Sub-total			**243**	**2.82%**	**17**	**25.08%**	**5**	**116**	**47.79%**

		PD range	a Exposure value	b Exposure weighted average PD (%)	c Number of debtors	d Exposure weighted average LGD (%)	e Exposure weighted average maturity (years)	f RWEAs	g Density of risk weighted exposure amounts
1	Exposures to or guaranteed by businesses - Other businesses	0.00 to < 0.15	11,664	0.05%	202	22.85%	2	1,096	9.40%
2		0.15 to < 0.25	30,294	0.17%	188	21.49%	3	6,762	22.32%
3		0.25 to < 0.50	12,136	0.30%	167	21.22%	3	3,833	31.58%
4		0.50 to < 0.75	9,259	0.53%	36	20.62%	2	3,404	36.76%
5		0.75 to < 2.50	38,613	1.22%	351	22.32%	3	21,710	56.22%
6		2.50 to < 10.00	4,621	5.14%	110	23.52%	3	4,083	88.36%
7		10.00 to < 100.00	433	21.40%	18	21.13%	3	500	115.33%
8		100.00 (default)	313	100.00%	12	10.10%	3	73	23.33%
Sub-total			**107,334**	**1.17%**	**1,084**	**21.89%**	**3**	**41,460**	**38.63%**

		PD range	a Exposure value	b Exposure weighted average PD (%)	c Number of debtors	d Exposure weighted average LGD (%)	e Exposure weighted average maturity (years)	f RWEAs	g Density of risk weighted exposure amounts
1	Retail exposures - Other retail exposures: SMEs	0.00 to < 0.15	3,823	0.08%	1,461	28.47%	-	185	4.83%
2		0.15 to < 0.25	1,111	0.15%	290	27.74%	-	86	7.71%
3		0.25 to < 0.50	4,265	0.34%	1,640	27.48%	-	535	12.53%
4		0.50 to < 0.75	1,183	0.60%	297	27.56%	-	209	17.68%
5		0.75 to < 2.50	4,127	1.36%	1,345	26.74%	-	985	23.87%
6		2.50 to < 10.00	813	5.08%	409	28.15%	-	274	33.65%
7		10.00 to < 100.00	326	29.87%	214	29.13%	-	175	53.64%
8		100.00 (default)	116	100.00%	154	22.65%	-	50	42.78%
Sub-total			**15,765**	**2.14%**	**5,810**	**27.59%**	**-**	**2,497**	**15.84%**

			a	b	c	d	e	f	g
		PD range	Exposure value	Exposure weighted average PD (%)	Number of debtors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEAs	Density of risk weighted exposure amounts
1	Retail exposures - Other retail exposures: other	0.00 to < 0.15	-	-	-	-	-	-	-
2		0.15 to < 0.25	-	-	-	-	-	-	-
3		0.25 to < 0.50	-	-	-	-	-	-	-
4		0.50 to < 0.75	-	-	-	-	-	-	-
5		0.75 to < 2.50	-	-	-	-	-	-	-
6		2.50 to < 10.00	-	-	-	-	-	-	-
7		10.00 to < 100.00	127	12.14%	5	3.25%	-	8	6.21%
8		100.00 (default)	22	100.00%	2	20.24%	-	3	11.68%
Sub-total			**149**	**25.08%**	**7**	**5.75%**	**-**	**10**	**7.02%**
Total (all exposure classes relevant to the CCR) as at 30/06/2024			**190,905**	**1.32%**	**10,554**	**23.25%**	**3**	**66,573**	**34.87%**

Template EU CCR5: composition of collateral for CCR exposures

		a	b	c	d	e	f	g	h
		Collaterals used in derivative transactions				Collaterals used in SFTs			
	Type of collaterals	Fair value of collaterals received		Fair value of collaterals posted		Fair value of collaterals received		Fair value of collaterals posted	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash - domestic currency	612,702	344,480	362,862	203,072	-	5,289	-	-
2	Cash - other currencies	95,575	-	101,888	48,533	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	19,577,637
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	2,341,719
7	Equity instruments	-	-	-	-	-	158,563	-	575,521
8	Other collaterals	213	-	-	-	-	4,110,915	-	31,104,644
9	**Total as at 30/06/2024**	**708,489**	**344,480**	**464,750**	**251,605**	**-**	**4,274,767**	**-**	**53,599,521**

Template EU CCR6: credit derivatives exposures

		30/06/2024	
		a	b
		Protection purchased	Protection sold
Notional values			
1	Single-name credit default swaps	30,000	-
2	Index credit default swaps	43,000	-
3	Total return swaps	-	-
4	Credit options	-	-
5	Other credit derivatives	-	-
6	**Total notional values**	**73,000**	**-**
Fair values			
7	Positive fair value (assets)	105	-
8	Negative fair value (liabilities)	(1,778)	-

Template EU CCR8: exposures to CCPs

		30/06/2024	
		a	b
		Exposure value	RWEAs
1	**Exposures to QCCPs (total)**		**59,605**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,321,090	26,422
3	i) OTC derivatives	168,790	3,376
4	ii) exchange-traded derivatives	47,531	951
5	iii) SFTs	1,104,770	22,095
6	iv) netting assets where cross-product netting has been approved	-	-
7	Segregated initial margin	461,961	
8	Unsegregated initial margin	693,714	13,874
9	Prefunded default fund contributions	296,302	19,309
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at QCCPs (excluding initial margin and default fund contributions), of which:	-	-
13	i) OTC derivatives	-	-
14	ii) exchange-traded derivatives	-	-
15	iii) SFTs	-	-
16	iv) netting assets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Unsegregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Securitisations and covered bond transactions

Template EU SEC1: securitisation exposures in the non-trading book

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		The entity acts as transferor							The entity acts as sponsor				The entity acts as investor			
		Traditional				Synthetic	Synthetic	Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS					STS	Non-STS			STS	Non-STS		
			of which SRT		of which SRT		of which SRT									
1	**Total exposures**	**-**	**-**	**44,601**	**44,601**	**5,861,966**	**5,861,966**	**5,906,566**	**34,232**	**15,213**	**-**	**49,444**	**256,530**	**418,841**	**-**	**675,371**
2	Retail (total)	-	-	8,855	8,855	-	-	8,855	-	-	-	-	153,281	197,039	-	350,320
3	Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	153,281	-	-	153,281
4	Credit cards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Other retail exposures	-	-	8,855	8,855	-	-	8,855	-	-	-	-	-	197,039	-	197,039
6	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	35,746	35,746	5,861,966	5,861,966	5,897,712	34,232	15,213	-	49,444	103,249	221,802	-	325,051
8	Loans to corporates	-	-	35,668	35,668	5,861,966	5,861,966	5,897,634	-	-	-	-	-	145,041	-	145,041
9	Commercial mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Leases and receivables	-	-	78	78	-	-	78	34,232	15,213	-	49,444	103,249	76,761	-	180,010
11	Other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Template EU SEC2: securitisation exposures in the trading book

Template SEC2 was not compiled as no trading securitisations are present.

Template EU SEC3 – Securitisation exposures in the non-trading book and associated regulatory capital requirements: entity acting as originator or as sponsor

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEAs (by regulatory approach)				Capital charge after cap			
		≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1,250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	**Total exposures**	**5,847,520**	**-**	**49,289**	**34,402**	**24,800**	**5,228,498**	**-**	**702,712**	**24,800**	**812,295**	**-**	**357,827**	**-**	**64,984**	**-**	**14,423**	**-**
2	Traditional transactions	-	-	49,289	34,402	10,354	-	-	83,691	10,354	-	-	252,526	-	-	-	5,999	-
3	Securitisations	-	-	49,289	34,402	10,354	-	-	83,691	10,354	-	-	252,526	-	-	-	5,999	-
4	Retail	-	-	-	529	8,326	-	-	529	8,326	-	-	5,380	-	-	-	430	-
5	of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Wholesale	-	-	49,289	33,873	2,028	-	-	83,162	2,028	-	-	247,146	-	-	-	5,568	-
7	of which STS	-	-	-	33,873	358	-	-	33,873	358	-	-	209,906	-	-	-	2,589	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic transactions	5,847,520	-	-	-	14,446	5,228,498	-	619,022	14,446	812,295	-	105,301	-	64,984	-	8,424	-
10	Securitisations	5,847,520	-	-	-	14,446	5,228,498	-	619,022	14,446	812,295	-	105,301	-	64,984	-	8,424	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	5,847,520	-	-	-	14,446	5,228,498	-	619,022	14,446	812,295	-	105,301	-	64,984	-	8,424	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Template EU SEC4 – Securitisation exposures in the non-trading book and associated regulatory capital requirements: institution acting as investor

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEAs (by regulatory approach)				Capital charge after cap			
		≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1,250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW
1	**Total exposures**	**595,445**	**40,488**	**72**	**39,366**	**-**	**-**	**82,443**	**592,929**	**-**	**-**	**13,269**	**165,878**	**-**	**-**	**1,062**	**9,026**	**-**
2	Traditional securitisation	595,445	40,488	72	39,366	-	-	82,443	592,929	-	-	13,269	165,878	-	-	1,062	9,026	-
3	Securitisations	595,445	40,488	72	39,366	-	-	82,443	592,929	-	-	13,269	165,878	-	-	1,062	9,026	-
4	Retail underlying	349,913	-	72	336	-	-	-	350,320	-	-	-	45,673	-	-	-	3,592	-
5	of which STS	153,281	-	-	-	-	-	-	153,281	-	-	-	15,328	-	-	-	1,226	-
6	Wholesale	245,533	40,488	-	39,030	-	-	82,443	242,609	-	-	13,269	120,205	-	-	1,062	5,434	-
7	of which STS	103,249	-	-	-		-	82,443	20,807	-	-	13,269	2,081	-	-	1,062	166	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Securitisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Template EU SEC5 – Exposures securitised by the institution: exposures in default and specific credit risk adjustments

		a	b	c
		Exposures securitised by the entity - The entity acts as originator or as sponsor		
		Total nominal amount outstanding		Total amount of specific credit risk adjustments made during the period
			of which exposures in default	
1	**Total exposures**	**21,472,428**	**10,468,714**	**111,607**
2	Retail (total)	14,098,068	9,470,156	47,944
3	Residential mortgages	3,338,657	401	12,853
4	Credit cards	-	-	-
5	Other retail exposures	10,759,412	9,469,756	35,090
6	Re-securitisation	-	-	-
7	Wholesale (total)	7,374,360	998,558	63,664
8	Loans to corporates	7,197,173	850,110	63,664
9	Commercial mortgages	-	-	-
10	Leases and receivables	177,186	148,448	-
11	Other wholesale	-	-	-
12	Re-securitisation	-	-	-

Market risk

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

Banco BPM internal model

At the beginning of 2012, 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.

Following the request submitted in 2019 by the Banco BPM Group, in the Internal Model Decision document dated 16 November 2020, the Supervisory Authority granted the authorisation to extend the Internal Model for Market Risk to the specific risk of debt securities in the trading book and on 14/04/2023, the extension of the internal model was granted to the foreign exchange risk component of the banking book, following the completion and closure of the Obligations.

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;
- specific risk.

The regulations provide for an additional prudential requirement 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.

Following extension of the internal model to the specific risk of debt securities, the regulation also envisages calculation of the Incremental Risk Charge, which measures the default and migration risk component of the portfolio with respect to the current value of the bonds. More specifically, the risk in question is measured by means of a model that simulates, using a Monte Carlo simulation, the value of the issuers and, if these surpass specific thresholds, this would result in a migration or a default. For regulatory purposes, the IRC perimeter includes positions in debt securities present in the Trading Book and is calculated considering a liquidity horizon of 1 year and a confidence level of 99.9%.

All positions in the Trading Book and foreign exchange positions in the Banking Book are subject to market risk measurement. 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 the position-keeping system" which defines the players involved and the activities that each of them must perform for the portfolio to be recorded. 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, it is therefore calculated using the following formula:

$$C_t = m_c(\max[VaR_{t-1}; \overline{VaR}] + addon_{RNIME_{VaR}}) + m_s(\max[sVaR_{\tau-1}; \overline{sVaR}] + addon_{RNIME_{SVaR}}) + (\max[IRC_{t-1}; \overline{IRC}] + addon_{RNIME_{IRC}})$$

- 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;
- mc and ms: represent the multiplication factors for the VaR and Stressed VaR, respectively;
- $IRCt-1$: represents the most recent IRC and $\overline{IRC}$ represents the average value of the IRC calculated in the previous 12 weeks;
- $addonRNIME$: measurement representing the impact of risks not in the model engines (RNIME) with respect to single risk measurements (VaR, SVaR and IRC).

The multiplication factor envisaged for Banco BPM is 3 for both VaR and Stressed VaR (add-ons relative to the backtesting process are included in the beta, as in the specific section).

Market risk stress testing

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 potentially 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 forward-looking view of risks and their economic impact;
- exceeds the limits arising from risk management models based on historical data (Historical VaR with inclusion of the last 250 observations);
- integrates managerial reporting and public disclosure;
- provides input data for capital and liquidity planning processes;
- provides indications on a bank's level of risk tolerance;
- guarantees development of risk mitigation and recovery plans in certain stress situations.

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

Two types of scenarios 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, i.e. the risk that a bank - due to a sudden shortage in market liquidity - 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, scenarios are identified - when possible - based on 10-day ranges or, for data concerning daily fluctuations in parameters, the VaR data is reparametrized on a 10-day horizon.

Backtesting

The backtesting process entails a comparison between the values of expected losses (VaR) and the values of 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 (minor) 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).

To this end, 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.

In addition, backtesting is 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 Bank's 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 and specific risk for debt securities, equity securities and UCITS units; exchange rate risk for the trading book and banking 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:

	Position risk						Options	Commodity risk	Settlement risk	Concentration risk	Exchange rate risk
	Equity		Interest rate		UCITS						
	Gen.	Spec.	Gen.	Spec.	Gen.	Spec.					
Banco BPM											

Key

Standard reporting

Internal model reporting

Following the request submitted in 2019 by Banco BPM Group, in the Internal Model Decision document dated 16 November 2020, the Supervisory Authority granted the authorisation to extend the Internal Model for Market Risk to the specific risk of debt securities in the trading book; on 17/04/2023, the extension of the internal model was also granted to the foreign exchange risk component of the banking book, following the completion and closure of the outstanding Obligations.

Therefore, from the reporting date of 30/06/2023, Banco BPM Group has used the extended model for the calculation of the capital requirement against Market Risk. This measurement is calculated on the basis of VaR and Stressed VaR metrics – including specific risk on debt securities and foreign exchange risk in the banking book – of the IRC (Incremental Risk Charge) and of the RNIME framework.

On 22 September 2023, the ECB authorised the demerger of Banca Akros Global Markets into Banco BPM. As of 1 January 2024, the new business model centralised capital market activities involving market risk-taking in the parent company.

FRTB (Fundamental Review of the Trading Book)

In 2020, Banco BPM Group launched a project on the Fundamental Review of the Trading Book ("FRTB"), with the assistance of an external consulting company. Activities continued in 2021 and 2022 with the aim, first and foremost, of estimating the impact of the new methodologies, as well as on capital absorption measures, also on the organisational and risk management structures of the group. The project subsequently saw the implementation of the calculations of the new measures following the directives that have emerged over time from the regulations and from the Regulatory Technical Standards and Implementing Technical Standards (RTS and ITS).

On 18 June 2024, the European Commission announced that the date of application of the new methodologies will be postponed by one year, starting on 1 January 2026.

From September 2021, the preliminary figure of the requirement calculated according to the new Standard method is sent to the Regulator in a specific report.

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, 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 notes) of financial instruments represented by debt securities, equity securities 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 price configurations 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 price configurations 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 Function, 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 function of Banco BPM.

In both cases, the models are validated and regularly reviewed by the Market Risk Function, 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.

Template EU MR2-A: market risk under the Internal Model Approach (IMA)

BANCO BPM		30/06/2024	
		a	b
		RWEAs	Own funds requirements
1	VaR (higher of values a and b)	94,703	7,576
a)	Previous day's VaR (VaRt-1)		2,903
b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		7,576
2	sVaR (higher of values a and b)	343,732	27,499
a)	Latest available SVaR (SVaRt-1)		10,385
b)	Multiplication factor (ms) x average of previous 60 working days (SVaRavg)		27,499
3	IRC (higher of values a and b)	711,763	56,941
a)	Most recent IRC measure		56,941
b)	12 weeks average IRC measure		48,479
4	Comprehensive risk measure (higher of values a, b and c)	-	-
a)	Most recent measurement of comprehensive risk		-
b)	12 weeks average of comprehensive risk measure		-
c)	Comprehensive risk measure - Floor		-
5	Other		
6	**Total**	**1,150,197**	**92,016**

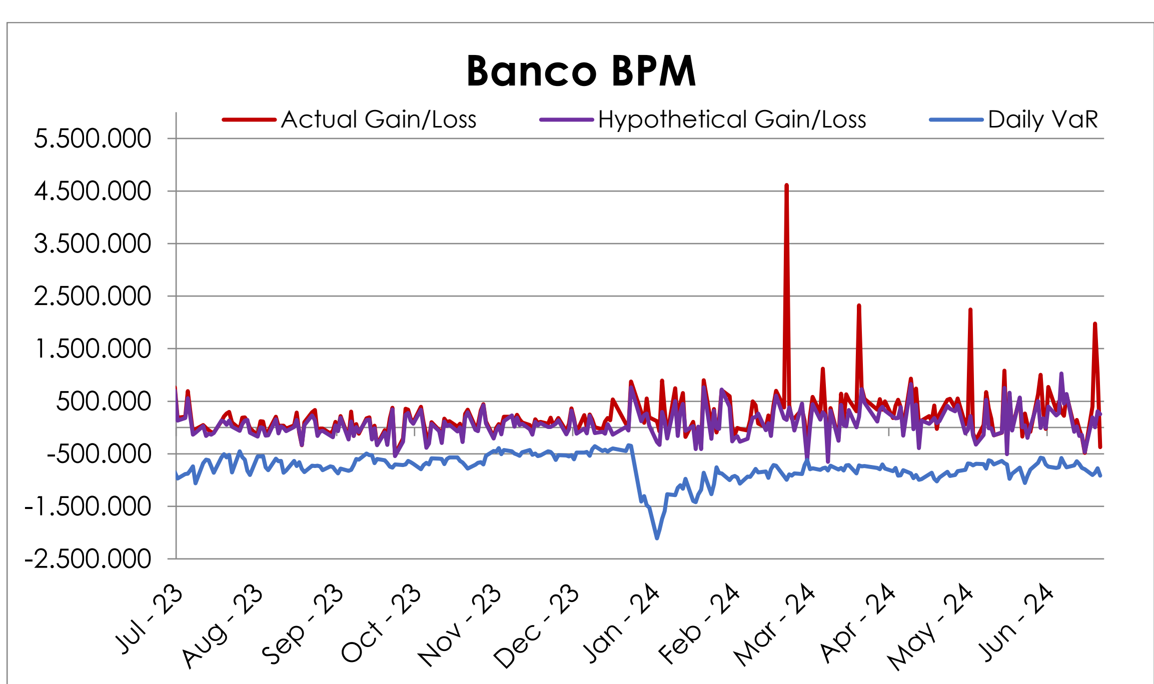
Template EU MR3: IMA values for trading portfolios

BANCO BPM		30/06/2024
		a
VaR (10 days, 99%)		
1	Maximum value	6,674
2	Average value	2,859
3	Minimum value	1,812
4	Period end	2,903
sVaR (10 days, 99%)		
5	Maximum value	18,106
6	Average value	11,231
7	Minimum value	3,967
8	Period end	10,385
IRC (99.9%)		
9	Maximum value	57,800
10	Average value	44,539
11	Minimum value	978
12	Period end	56,941
Global risk measurement (99.9%)		
13	Maximum value	
14	Average value	
15	Minimum value	
16	Period end	-

The outcome of the backtesting of VaR estimates, i.e. comparison of the expected credit loss estimated ex-ante through VaR with the corresponding actual profit and loss figures regarding the regulatory trading book performance of Banco BPM in the period July 2023-June 2024, is reported below. The components that are not pertinent to the backtesting, such as commissions and interests accrued, have not been included in the daily profit and loss readings.

In the period examined, with regards to Banco BPM, 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).

Template EU MR4: comparison of VaR estimates with gains/losses



The situation as at 30/06/2024 is as follows:

Banco BPM:

- Effective Backtesting: no limit exceeded
- Hypothetical Backtesting: no limit exceeded

Interest rate risk on positions in the banking book

Methods of definition, measurement, mitigation and control of the interest rate risk of assets outside the trading book

The interest rate risk relating to the Group's banking book mainly derives from the process of transforming maturities (see the "Interest rate risk on positions in the banking book" section, which should be referenced for more details on the nature of the risk, the management strategies and the measurement methods used by the Group). In particular, the granting of fixed-rate commercial and mortgage loans, the portfolio of investments in securities, funding from demand current accounts and the issue of fixed-rate bonds are the main sources of interest rate risk in terms of the economic outlook, while floating-rate financial assets and liabilities are the main sources of interest rate risk in terms of income prospects. For both prospects, the risk is also managed using hedging derivative strategies.

For interest rate risk on the banking book, in terms of both economic and income prospects, the Group has set up a system of prudential, RAF and operational limits, approved by the relevant Corporate Bodies, to contain the impact of any sudden rise or drop in market interest rates and, for equity market volatility, on the interest margin and on the value of equity.

The Parent Company Risk Models and Methodologies function measures and controls this risk, also on behalf of the banks and the main financial subsidiaries.

Risk measurements applied to evaluate the changes in the economic value of equity and income from net interest and the assessment frequency

The Group applies Asset & Liability Management (ALM) processes in order to identify and therefore measure, on a monthly basis, the impacts ("sensitivity") of changes in the interest rate structure on the expected financial margin and on the economic value of capital related to the banking book.

As regards net interest income ("NII sensitivity"), the change over a twelve-month (annual) time horizon is estimated under the assumption of an instantaneous interest rate curve shock. Estimates are based - from a static analysis viewpoint - on the assumption therefore that the capital structure remains unchanged in terms of aggregate assets and liabilities, as well as in terms of financial characteristics (rates, spreads, duration). The static analyses are supplemented by dynamic analyses, they too subject to risk limits, carried out on a quarterly basis and over a time horizon of up to three years.

With regard to the economic value ("EV sensitivity"), the assumption of change in the interest rate curve following instantaneous shocks is applied. In addition, sensitivity analyses are carried out relating to the Credit Spread Risk of the Banking Book (CSRBB), with two stress scenarios that envisage both the widening and the narrowing of the credit spread curves.

In addition to the EV sensitivity metric, the Group also monitors the variance/covariance type VaR (Value at Risk) metric over a 12-month reference period, with a confidence interval of 99.9%. In VaR, the items in the banking book are mapped to a series of risk factors represented

by individual buckets of the forward interest rate structure. Based on the volatility matrix and correlation between the individual buckets, the maximum probable loss of value in the banking book is estimated.

Shock scenarios relating to the interest rates used

As far as NII sensitivity is concerned, the deterministic interest rate curve shock is +/-100 basis points applied to all interest rate curves as an instantaneous and parallel change. As regards EV sensitivity, the shock subject to the risk limit is +/-200 basis points[15].

The Group's monitoring framework includes additional non-parallel shocks, with and without the application of the floor, envisaged by the EBA Guidelines ("short up/down" and "steepening/flattening") and other internally calibrated shocks. In addition, with reference to the CSRBB, two shocks were introduced, calibrated on historical data, which envisage both the widening and the narrowing of the credit spread curves. Lastly, two specific stress scenarios are also considered for the assessment of basis risk from the perspective of current earnings.

Main modelling and parameter assumptions

The banking book also includes items that are subject to statistical behavioural modelling, the most significant of which are on-demand and revocable items. In particular, the model makes it possible to capture the typical characteristics of the temporary persistence of volumes and the partial or non-immediate reactivity of the rates of these items to changes in market conditions.

A further behavioural statistical model makes it possible to measure the risk of early termination on the loan portfolio ("prepayment") by identifying a behavioural amortisation profile, adjusted for the mortgage repayment probability.

Average and maximum due date for the review of conditions assigned to demand deposits

The average repricing due date of the demand deposits modelled is roughly 2.1 years (the average due date of the inelastic core component alone is roughly 4.6 years), while the maximum due date is equal to around 25 years for the deposit settlement segments for historically more stable natural persons.

Other main modelling and parameter assumptions used in internal measurement systems

For the purpose of calculating both management and regulatory metrics, the measurements are calculated in accordance with the EBA Guidelines in force on the scope of items sensitive to interest rates. In particular, capital is excluded from the evaluation of the change in economic value. The modelling assumptions relating to cash flows aligned between management and regulatory metrics are generally applied, except in the case of specific

[15] As part of the quantification activities carried out for the purpose of the Financial Report (Notes - Part E) and based on the related reference regulation (Circular 262), these shocks are set at +/- 100 basis points for both the NII sensitivity and the EV sensitivity.

assumptions of the latter as regards the perimeter and the rules of aggregation of the impacts solely on material currencies.

Risk management and mitigation strategies

The structure in charge of managing the interest rate risk of the Group's banking portfolio is the ALM of the Parent Company Finance Function, which also performs this activity on behalf of the banks and financial subsidiaries; it operates with a view to maximising the economic contribution from commercial activities and minimising the volatility of results, in compliance with the interest rate risk exposure limits assigned.

Interest rate risk is managed predominantly through a natural hedge strategy; furthermore, in order to reduce the exposure to interest rate risk on given expiries, the Group also enters into fair value hedges, mainly classified under hedge accounting, banking book securities, portfolios of homogeneous loans, bond loans and demand items.

Recognition of interest rate risk hedging effects

With regard to the accounting treatment of hedging relationships, it should be noted that fixed-rate loans, bonds and demand items are hedged through fair value hedges. The certificates placed by the Parent Company with ordinary customers are hedged through the fair value option, while the securities portfolio is usually hedged through fair value hedges (or, only in some specific cases, cash flow hedges).

Derivatives are designated as hedges according to IAS 39 opt-out rules through relevant formal documentation. The hedge effectiveness depends on the extent to which the changes in the fair value of the hedged item and in the expected cash flows are actually offset by those of the hedging instrument.

Explanation of the relevance of the risk measurements disclosed and any significant changes to these risk measurements since the previous disclosure date.

The Group's banking book is exposed to the risk of falling interest rates from a current earnings perspective and rising interest rates from an economic value perspective.

Template EU IRRBB1 - Interest rate risks of non-trading book activities

Shock scenarios		a	b	c	d
		Effect on economic value		Effect on net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	(1,376,480)	(754,774)	257,262	348,014
2	Parallel down	62,081	(429,991)	(367,436)	(439,362)
3	Steepener	233,502	818,567		
4	Flattener	303,792	162,396		
5	Short rates up	(149,978)	23,559		
6	Short rates down	870,878	1,130,595		

The NII and EV sensitivities reported are calculated in accordance with management metrics (in which, as described above, all currencies with full aggregation are considered).

Liquidity

In Banco BPM Group, liquidity and funding risk is governed by the "Liquidity, funding risk and ILAAP regulation", which establishes: roles and responsibilities of the corporate bodies and the corporate functions, metrics used for risk measurement, guidelines for conducting stress tests, Liquidity Contingency Plan and overall reporting framework related to the Group's liquidity and funding risk.

Liquidity risk is managed and monitored as part of the Internal Liquidity Adequacy Assessment Process (ILAAP), which is the process the Group uses to identify, measure, monitor, mitigate and report the Liquidity risk profile of the Group. As part of this process, the Group conducts an annual self-assessment on the adequacy of the overall liquidity risk management and measurement framework, which also covers governance, methodologies, information systems, measurement tools and reporting. The results of the risk profile adequacy assessment and the overall self-assessment are reported to the Corporate Bodies and submitted for the attention of the Supervisory Authority.

Banco BPM Group monitors and assesses the adequacy of the exposure to liquidity and funding risk on a yearly basis, and under the assumption of stress scenarios, using both regulatory metrics (Pillar 1 regulatory perspective) and internal metrics (internal perspective), the latter defined on the basis of specific characteristics of Banco BPM Group and complementary to regulatory metrics. These internal metrics include, for example, the survival period, the structural gap ratios and other ratios that seek to capture other aspects of liquidity risk, such as the funding concentration level, for which specific risk limits are set:

The adequacy of the risk profile is assessed and monitored continuously with respect to the liquidity risk appetite stated by the Group in the objectives and risk limits of the Risk Appetite Framework.

Within Banco BPM Group, liquidity management is centralised with the Parent Company, which also performs the role of last resort lender for the subsidiaries. In this regard, note that Banco BPM Group received a special exemption from the Supervisory Authority (ECB) from application of the liquidity and funding requirements on an individual basis (LCR, ALMM, NSFR). With regard to this exemption, the Group is, for the moment, not required to meet liquidity and funding requirements on an individual basis.

The liquidity risk identification and measurement framework include additional safeguards, complementary to regulatory requirements. These include:

- periodic monitoring to verify the significance of exposures in currencies other than the euro. As at 30 June 2024 there were no significant exposures[16] in currencies other than the euro;
- monthly monitoring of the risk of excessive concentration of funding sources: specific risk thresholds are set on the amount of unsecured on-demand funding per individual

[16] Significance is verified when liabilities in one such currency exceeds 5% of total liabilities.

fund provider, the total of the top ten counterparties and the funding position on the short-term interbank market;

- periodic stress tests on the intraday liquidity profile, short-term liquidity profile and medium-/long-term funding profile. In this area, stress scenarios and sensitivity analyses are defined on the basis of the results of the internal process used to identify risk factors. Analyses performed include, for example, risks deriving from derivative transactions, from potential collateral calls and from potential unexpected requirements deriving from the operations of Group customers. These analyses leverage historical evidence as well as models developed internally and periodically updated.

In the second quarter of 2024, the liquidity and funding profile of the Banco BPM Group was considered adequate both in the short and long-term, respecting the risk limits envisaged both internally and, where present, at regulatory level (LCR, NSFR). In particular, as regards the LCR and NSFR regulatory metrics, both ratios maintained levels that were comfortably higher than the regulatory minimums.

Liquidity Coverage Ratio (LCR)

The Liquidity Coverage ratio (LCR) seeks to promote the short-term resilience of the bank's liquidity risk profile, by ensuring that it has sufficient high-quality liquid reserves to cover cash outflows for one month in the event of a severe stress scenario.

The ratio is monitored internally on a daily basis and is also reported on a monthly basis to the Supervisory Authority though supervisory reporting.

In compliance with the regulatory provisions, for each of the four quarters the table below shows the average data in the previous 12 months relating to the main aggregates underlying the LCR calculation.

Template EU LIQ1: quantitative information of LCR (1 of 2)

		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on 30/06/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	**Total high-quality liquid assets (HQLA)**				
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	70,753	71,901	73,239	74,803
3	*Stable deposits*	53,064	53,836	54,450	55,135
4	*Less stable deposits*	17,648	18,024	18,744	19,622
5	Unsecured wholesale funding	28,974	28,601	27,989	27,933
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	7,716	7,787	7,713	7,680
7	*Non-operational deposits (all counterparties)*	21,177	20,775	20,199	20,180
8	*Unsecured debt*	81	38	78	73
9	*Secured wholesale funding*				
10	Additional requirements	13,331	13,506	12,994	12,392
11	*Outflows related to derivative exposures and other collateral requirements*	1,098	1,105	1,112	1,112
12	*Outflows related to loss of funding on debt products*	48	112	115	119
13	*Credit and liquidity facilities*	12,185	12,289	11,766	11,162
14	Other contractual funding obligations	247	204	218	227
15	Other contingent funding obligations	41,108	40,971	40,687	40,521
16	**TOTAL CASH OUTFLOWS**				
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	2,897	1,912	1,862	1,873
18	Inflows from fully performing exposures	1,987	2,046	1,994	1,925
19	Other cash inflows	12,948	13,232	13,550	14,018
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	**TOTAL CASH INFLOWS**	**17,832**	**17,190**	**17,406**	**17,816**
EU-20a	*Fully exempt inflows*	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	16,864	17,190	17,406	17,761
TOTAL ADJUSTED VALUE					
EU-21	**LIQUIDITY BUFFER**				
22	**TOTAL NET CASH OUTFLOWS**				
23	**LIQUIDITY COVERAGE RATIO**				

Template EU LIQ1: quantitative information on LCR (2 of 2)

		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on 30/06/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	**Total high-quality liquid assets (HQLA)**	**31,174**	**33,357**	**33,771**	**34,232**
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	4,890	4,957	5,071	5,207
3	*Stable deposits*	2,653	2,692	2,723	2,757
4	*Less stable deposits*	2,198	2,224	2,304	2,406
5	Unsecured wholesale funding	11,659	11,535	11,373	11,494
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	1,814	1,833	1,817	1,809
7	*Non-operational deposits (all counterparties)*	9,763	9,663	9,479	9,612
8	*Unsecured debt*	81	38	78	73
9	*Secured wholesale funding*	790	842	984	1,166
10	Additional requirements	3,049	3,070	2,993	2,933
11	*Outflows related to derivative exposures and other collateral requirements*	1,098	1,105	1,112	1,112
12	*Outflows related to loss of funding on debt products*	48	112	115	119
13	*Credit and liquidity facilities*	1,903	1,853	1,765	1,703
14	Other contractual funding obligations	120	116	149	128
15	Other contingent funding obligations	2,027	2,069	2,103	2,028
16	**TOTAL CASH OUTFLOWS**	**22,536**	**22,589**	**22,672**	**22,957**
					CASH INFLOWS
17	Secured lending (e.g. reverse repos)	177	48	248	479
18	Inflows from fully performing exposures	1,444	1,502	1,443	1,368
19	Other cash inflows	2,750	2,782	2,793	2,976
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	-	-	-	-
20	**TOTAL CASH INFLOWS**	**4,370**	**4,331**	**4,484**	**4,823**
EU-20a	*Fully exempt inflows*	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	4,370	4,331	4,484	4,823
TOTAL ADJUSTED VALUE					
EU-21	**LIQUIDITY BUFFER**	**31,174**	**33,357**	**33,771**	**34,232**
22	**TOTAL NET CASH OUTFLOWS**	**18,166**	**18,257**	**18,187**	**18,134**
23	**LIQUIDITY COVERAGE RATIO**	**171.60%**	**182.71%**	**185.69%**	**188.77%**

The figures reported show how the average LCR level continued to remain permanently above the 100% minimum regulatory requirement in the last 12 months. In particular, the LCR reflects the Group's robust liquidity position, which incorporates the increase in commercial deposits and benefits of ECB funding.

The average level of available high quality liquid assets stands at roughly 31.2 billion euro (weighted), 99% of which composed of the most liquid type (Level 1) of assets eligible for the LCR numerator according to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014.

More specifically, the rules for calculating the LCR divide high-quality liquid assets (LCR numerator) into three categories, considered in the regulations in decreasing order of their liquidity: “level 1”, “level 2A” and “level 2B”.

Increasing haircuts are applied to these categories, as well as limits in terms of composition. In addition to these high-quality liquid assets (HQLA), the Group has other freely marketable assets to which specific haircuts are applied to take liquidability into account.

Net cash outflows (LCR denominator) are calculated by applying regulatory outflow and inflow factors to demand assets and liabilities or those maturing within 30 days so as to serve as a standardised stress test involving both system and idiosyncratic elements.

For more information, please see the regulations in effect with regards to calculating the LCR, Delegated Regulation (EU) 2015/61 of the Commission dated 10 October 2014 and subsequent updates.

Net Stable Funding ratio (NSFR)

The Net Stable Funding Ratio - NSFR is the structural liquidity regulatory indicator aimed at measuring the ratio between stable sources of funding and stable funding requirements.

The NSFR indicator constitutes a regulatory requirement with a minimum of 100% pursuant to CRR-2 (Regulation (EU) 2019/876) which also establishes its detailed calculation rules.

In 2019, CRR-II (Regulation (EU) 2019/876) acknowledged the NSFR into European regulations (NSFR-CRR2) according to the following terms:

- detailed calculation rules and consistent with the LCR ratio;
- minimum regulatory requirement of 100% from June 2021;

The ratio is monitored internally on a monthly basis and is also reported on a quarterly basis to the Supervisory Authority though COREP reporting.

The table below shows the main components of the NSFR of the Banco BPM Group as at 30 June 2024, in the format required by the regulations on public disclosure.

Template EU LIQ2: net stable funding ratio (1 of 2) 30/06/2024

		30/06/2024				
		a	b	c	d	e
(Amount in currency)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) items						
1	Equity items and instruments	13,276	-	-	2,040	15,316
2	*Own funds*	13,276	-	-	2,040	15,316
3	*Other equity instruments*		-	-	-	-
4	Retail deposits		70,432	483	4,267	70,698
5	*Stable deposits*		52,136	-	-	49,529
6	*Less stable deposits*		18,297	483	4,267	21,170
7	Wholesale funding:		61,477	3,374	17,167	33,464
8	*Operational deposits*		8,521	-	-	4,260
9	*Other wholesale funding*		52,956	3,374	17,167	29,203
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	412	7,121	67	1,107	1,140
12	*NSFR derivative liabilities*	412				
13	*All other liabilities and equity instruments not included in the above categories*		7,121	67	1,107	1,140
14	**Total available stable funding (ASF) as at30/06/2024**					**120,619**

Template EU LIQ2: net stable funding ratio (2 of 2) - 30/06/2024

		30/06/2024				
		a	b	c	d	e
(Amount in currency)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Required stable funding (RSF) items						
15	Total high-quality liquid assets (HQLA)					1,451
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	10,678	9,077
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		26,243	7,426	67,499	65,148
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		3,905	-	150	267
19	*Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions*		3,679	392	5,344	5,900
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns and PSEs, of which:*		10,786	5,700	36,048	37,317
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		1,793	1,952	9,524	8,072
22	*Performing residential mortgages, of which:*		660	808	16,251	12,011
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		601	723	14,079	9,988
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equity instruments and trade finance on-balance sheet products31/12/2023*		7,213	526	9,705	9,652
25	Interdependent assets		-	-	-	-
26	Other assets:		4,709	208	17,506	18,509
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		830	-	5	710
29	*NSFR derivative assets*		-			-
30	*NSFR derivative liabilities before deduction of variation margin posted*		805			40
31	*All other assets not included in the above categories*		3,074	208	17,501	17,760
32	Off-balance sheet items		4,050	1,367	10,266	1,342
33	**Total RSF as at 30/06/2024**					**95,527**
34	**Net Stable Funding Ratio (%) as at30/06/2024**					**126.27%**

As can be observed from the table, the NSFR as at 30 June 2024 was well above the minimum regulatory requirement of 100% and the internal threshold set out in the Group's Risk Appetite Framework. Like the LCR, the NSFR benefits from significant customer deposits as well as the liquidability of balance sheet assets.

More specifically, in the short-term, the sources of funding are composed primarily of customer deposits, mostly retail, stable and diversified. In the medium to long-term, a significant contribution is made by own funds and debt securities in issue. The stable funding requirements are composed predominantly of loans disbursed to customers and the less liquid components of the balance sheet (e.g. non-HQLA securities and other balance sheet components, e.g. fixed assets). On the other hand, consistent with the significant availability of liquid assets highlighted by the LCR, short-term funding in repurchase agreements, deposits at central banks and HQLA securities do not determine equally material funding requirements based on the fact that they are highly liquid assets.

Leverage

Definition and regulatory framework

From 1 January 2015, the prudential regulations have required supervised intermediaries to introduce and monitor the Leverage Ratio in their capital adequacy assessments.

Starting in June 2021, the entity is required to comply with the minimum requirement established by Article 92 of the CRR, or, if applicable, with the requirement set forth in Article 429bis (7) of the CRR.

As the conditions envisaged in Article 429-bis(7) do not apply, the minimum requirement that must always be met is 3%.

This indicator must be measured and monitored over time to achieve the following objectives:

- avoid an excessive increase in exposures with respect to the level of own funds;
- limit possible measurement errors associated with the current system for calculating weighted assets.

The definition of excessive leverage risk in Bank of Italy Circular no. 285 of 17 December 2013 "Supervisory provisions for banks", derived from the definitions of Articles 4(93) and 4(94) of Regulation (EU) 575/2013, is incorporated from this perspective:

> *"this is the risk that a particularly high level of debt with respect to own funds could make the bank vulnerable, requiring it to adopt corrective measures with regard to its business plan, including selling assets with recognition of losses that could require value adjustments to its remaining assets."*

The leverage ratio is calculated as the intermediary's Tier 1 capital (numerator) divided by the amount of the bank's total exposure measure (denominator) and is expressed as a percentage.

$$\text{Leverage ratio} = \frac{\text{TIER 1 Capital}}{\text{Total exposure measure}}$$

The ratio is also calculated on a forward-looking basis to make short- or medium-/long-term projections. The consolidated ratio is also stress tested, by applying adverse scenarios, which impact the bank's values, both in terms of numerator and denominator of the ratio.

The Supervisory Reporting function is responsible for quarterly calculation of the leverage ratio on a consolidated and individual basis.

The leverage ratio values are sent to the Risk Function for the purpose of verifying the current, forward-looking and stressed levels of the indicator. The forward-looking estimate of the leverage ratio at consolidated level is calculated at least annually for the purpose of verifying consistency of the leverage ratio with the respective thresholds of the risk appetite

framework[17], while it is updated on an interim basis as part of the periodic monitoring of the Group's capital adequacy (ICAAP).

Also note 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 for its containment.

Calculation of the leverage ratio based on the methods defined in Annex XI to Implementing Regulation (EU) 2021/451 of 17 December 2020.

As at 30 June 2024, the leverage ratio was 5.42%, while it stood at 5.22% as at 31 December 2023.

The quantitative disclosure as at 30 June 2024 is shown below according to the layouts set forth by Implementing Regulation (EU) 2021/637 of the Commission, which render the standard layouts set forth by the European Banking Authority applicable.

[17] The leverage ratio is among the strategic indicators in the Group's Risk Appetite Framework, therefore its compliance with all the defined thresholds is verified.

Template EU LR1: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		30/06/2024
		a
		Applicable amount
1	Total assets as per published financial statements	197,781,904
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(15,263,186)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with Article 429-bis(1)(i) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	(2,024,524)
9	Adjustment for securities financing transactions (SFTs)	893,262
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	20,032,447
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with Article 429-bis(1)(c) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with Article 429-bis(1)(j) CRR)	-
12	Other adjustments	(1,584,919)
13	**Total exposure measure**	**199,834,985**

Template EU LR2 - LRCom: leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		30/06/2024	31/12/2023
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	175,746,194	178,586,047
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(152,475)	(394,382)
4	Adjustment for securities received under securities financing transactions that are recognised as an asset	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(2,499,255)	(2,524,916)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**173,094,464**	**175,666,749**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	300,448	333,830
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1,241,204	1,294,629
EU-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**1,541,651**	**1,628,459**
			Securities financing transaction (SFT) exposures
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	4,279,869	5,701,785
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	893,262	910,675
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposures)	-	-

		CRR leverage ratio exposures	
		a	b
		30/06/2024	31/12/2023
18	**Total securities financing transaction exposures**	**5,173,131**	**6,612,460**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	67,050,790	62,411,623
20	(Adjustments for conversion to credit equivalent amounts)	(47,019,231)	(46,700,370)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**20,031,559**	**15,711,254**
	Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of article 429a(1) CRR (on- and off-balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	(5,821)	(4,641)
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
(*)	(Central bank exposures exempted in accordance with point n) of article 429a(1) CRR)	-	-
EU-22k	**(Total exempted exposures)**	**(5,821)**	**(4,641)**
	Capital and total exposure measure		
23	**Tier 1 Capital**	**10,827,677**	**10,425,189**
24	**Total exposure measure**	**199,834,985**	**199,614,281**
	Leverage ratio		
25	Leverage ratio (%)	5.42%	5.22%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.42%	5.22%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.42%	5.22%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%

		CRR leverage ratio exposures	
		a	b
		30/06/2024	31/12/2023
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully phased	Fully phased
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	3,934,043	1,801,125
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	4,279,869	5,701,785
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	199,489,159	195,713,621
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	199,489,159	195,713,621
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.43%	5.33%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.43%	5.33%

Template EU LR3 - LRSpl: split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		30/06/2024
		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**175,587,899**
EU-2	Trading book exposures	3,256,630
EU-3	Banking book exposures, of which	172,331,269
EU-4	Covered bonds	576,247
EU-5	Exposures treated as sovereigns	54,011,396
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	824,963
EU-7	Institutions	9,858,284
EU-8	Secured by mortgages of immovable properties	34,366,674
EU-9	Retail exposures	13,320,673
EU-10	Corporates	39,308,313
EU-11	Exposures in default	2,049,325
EU-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	18,015,393

Changes during the current quarter in the aggregate of exposures considered for the leverage ratio calculation

As at 30 June 2024, the exposures taken into account in the calculation of the leverage ratio denominator remained largely unchanged compared to 31 December 2023 (+221 million or +0.11%). More specifically, the decrease in on-balance sheet exposures (-2.6 billion euro) and securities financing transactions (-1.4 billion euro) was offset by an increase in off-balance sheet exposures (+4.3 billion euro).

ESG risks

Qualitative part

Qualitative information on environmental, social and governance risks

Banco BPM Group, as a leading banking institution, is aware of the impact that environmental, social and governance factors have on its business model, on market competitiveness and on corporate objectives and strategies.

The Group also believes that the Bank has a fundamental role in guiding companies and individuals in the process of transition to a sustainable economy, where traditional economic considerations are complemented by environmental, social and governance ones.

The Group has integrated said considerations into its Strategic Plan, corporate operational processes and financial planning in the following areas:

- **Business model**, through the definition and offer of solutions, products and consulting services that support customers in the transition to a sustainable economy;
- **Credit policies,** through the integration of ESG factors into the Credit Policies framework;
- **Risk management,** through the inclusion of new specific indicators used to govern and monitor key ESG risk factors;
- **IT Architecture & Data Governance,** through suitable developments of the IT infrastructure and related management of ESG data.

Specific expertise of the Corporate Bodies

Banco BPM Group has adopted an integrated governance model with the aim of addressing issues related to the environment, social responsibility and governance (ESG) in an increasingly effective way.

In particular, with regard to the roles and responsibilities of the corporate bodies involved in the supervision and management of ESG risks:

- The **Board of Directors** defines the Group's socio-environmental policies.

  The Board of Directors is responsible for the strategic supervision and management of the company, to be conducted also with a view to "sustainable success", understood as the creation of long-term value to the benefit of shareholders, at the same time considering the interests relevant to the Bank.
  At its meeting of 26 April 2023, following the renewal of the corporate bodies by the Shareholders' Meeting, the Board of Directors set up a specific Sustainability Committee in order to further develop what had been ensured up to then by the Internal Control, Risk and Sustainability Committee (renamed the Internal Control and Risk Committee - ICRC). The Sustainability Committee offers support in the assessment

and in-depth analysis of ESG issues related to the Bank's operations and in the approval of strategic guidelines and policies on sustainability, including the social and cultural responsibility model and the fight against climate change, helping to ensure the best control of risks and taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders.
The Board of Directors is responsible for approving the Regulations, including in the area of sustainability, and the Code of Ethics. On the other hand, the Chief Executive Officer is responsible for approving the Bank's Guidelines, including those relating to sustainability issues (such the: "Guidelines regarding the management of environmental and energy issues and the fight against climate change"; "Guidelines on the respect and protection of human rights"; "Guidelines on the integration of sustainability risks in the provision of investment services"; "Guidelines on operations in the sector of materials and weapons system", the latter also approved by the Board of Directors and last updated in November 2023).
With specific reference to the Code of Ethics - updated by the Bank (December 2022) in order to ensure a better formalisation of ESG issues - it is worth pointing out that the Group's statement of values contained therein makes explicit reference to the areas of sustainability, equity, protection of human rights and combating climate change.

Specific references to international sustainability standards were also included.
The Board of Directors also defines the management and coordination policies regarding non-financial disclosure; it approved the Consolidated Non-Financial Statement (CNFS) and the related materiality analysis, as well as this Pillar 3 periodic disclosure, on an annual basis until the financial year 2023.

To further strengthen the implementation of the sustainability strategy, the Board of Directors created a new "Transition and Sustainability" function in May 2024. This function, operational from July 2024, reports directly to the Co-General Manager - CFO.

The Parent Company's Board of Directors also has the key role of managing and controlling risks, including those related to ESG aspects, arising from the Group's activities.

The same Body establishes strategic guidelines, approves risk management policies, assesses the degree of efficiency and adequacy of the internal control system and guarantees a suitable level of internal communication and discussion.

In this context, the Board of Directors approves, in particular, the Risk Appetite Framework including the related ESG indicators developed on different risk areas and on three distinct hierarchical levels (strategic, management, Early Warning).

These indicators are monitored not only on a quarterly basis by the Board of Directors, but also on a monthly basis by the ICRC as part of its periodic Risk Appetite Framework Monitoring, the contents of which are shared quarterly with the Sustainability Committee through its Chairperson.

Again, in the pursuit of sustainable success, the Board of Directors:

- in line with the 2021-2024 Strategic Plan, in March 2023 it resolved to join the Net Zero Banking Alliance (NZBA). It made a commitment to align the credit and investment portfolio with the achievement of the net zero emissions by 2050 and identified 5 priority areas, undertaking to communicate their targets within 18 months of joining;
- approved the 2023-2026 Strategic Plan on 12 December 2023, which aims to fully integrate the strategic sustainability goals and ESG initiatives and targets;
- with the 2023-2026 Strategic Plan, it confirmed the definition of targets in priority sectors by the third quarter of 2024, with roll-out to all identified sectors by 2026;
- in line with its commitment, on 16 July 2024, as part of its NZBA membership, it approved the decarbonisation targets for the five priority sectors to be achieved by 2030, and communicated these targets to the market on 9 August 2024;
- as part of the annual approval of credit policies to guide commercial activities, it approved the adoption of guidelines and new metrics aimed at achieving the progressive integration of ESG sustainability factors into the Group's business model; in this context, the policies approved in December 2023, applicable for 2024, place even greater emphasis than before on the EU Taxonomy and sustainability factors as key elements of the credit granting process. For this purpose, the Board examines the periodic reports prepared by the competent units, including updates on customer engagement initiatives to acquire information also relating to the ESG profile of the same;
- is the recipient of specific reports regarding transition and physical risks, as well as financed emissions, in compliance with the European Union Taxonomy Regulation;
- it also draws up remuneration and incentive policies, including ESG performance targets, to submit to the Shareholders' Meeting for approval, reviews them at least once a year, and handles their proper implementation. In this regard, the Board is assisted by the **Remuneration Committee**, comprised by Board members who collectively possess adequate knowledge, skills and professional experience in terms of remuneration policies and practices and risk management and control activities, as well as by the Sustainability Committee, through its Chairperson, for profiles with expertise.

In addition to the above, the Board of Directors also: (i) achieved the increasing integration of sustainability with the 2023-2026 Strategic Plan, defining a series of strategic sustainability goals; (ii) again within the 2023-2026 Strategic Plan, approved the governance of Banco BPM's ESG Plan of Action, broken down into specific thematic projects, with a view to ensuring an increasingly cross-functional approach with respect to the dimensions of sustainability, as well as being integrated into the Bank's activities[18]; (iii) updated the operational plans defined by the Bank in view of the areas for improvement emerging from the "Thematic Review on Climate-related

[18] For further information on the ESG thematic projects, please refer to the Group's 2023 Consolidated Non-Financial Statement.

and Environmental Risks" and the "Supervisory assessment of the climate-related and environmental risk disclosures" carried out by the ECB; (iv) approved new issues of social and green bonds, the proceeds of which are earmarked for financing and/or refinancing eligible loans, as defined in the Green, Social and Sustainability Bonds Framework adopted and periodically updated by the Bank (the latest in November 2023); (v) as part of its spending and social responsibility policy guidelines and subject to a resolution by the Shareholders' Meeting, earmarked a portion of the profit for the year to the Group's Territorial Offices and Foundations for charitable initiatives to support the needs of the Group's communities.

In addition, it should be noted that Banco BPM's Articles of Association (updated to April 2022) set out clear rules to ensure that the gender quota in the composition of the board is respected, as provided for by the relevant legislation in force and the Corporate Governance Code.

During the first half of 2024, the Board of Directors examined different ESG issues at 7 meetings out of a total of 9 meetings [19].

- The **Sustainability Committee** is assigned support functions for the Board of Directors and the other Board Committees of the Parent Company in matters of sustainability, with responsibility for the entire Group.

The tasks and functions of this new Committee have been laid down in the relevant "Sustainability Committee Regulation".
The Committee is entrusted with overseeing the development of ESG dimensions also in the light of legislation, practice and academia, indications emerging from the materiality analysis, as well as market developments in the area of competence.
The Committee is composed of three Directors, all of whom are non-executive and the majority of whom (including the person elected to the office of Chairperson) meet the independence requirements set forth in the Articles of Association. The members of the Committee must have sufficient knowledge, skills and experience to be able to fully understand and monitor the pursuit of the Group's strategies and guidelines in the area of sustainability and its ESG dimensions. At least one member of the Committee must have adequate experience in the field of sustainability, to be ascertained by the Board of Directors at the time of appointment.
All members of the Committee, in its current composition, are non-executive and independent and meet the requirements indicated above. Specifically, the Chairperson has adequate experience in the field of sustainability, as ascertained by the Board of Directors at the time of appointment, having also acted as Director in charge of ESG issues during the previous mandate.
Pursuant to its Rules of Procedure, the Committee supports the Board of Directors in defining and approving strategic guidelines on sustainability, also examining proposals

[19] As part of these sessions, 17 ESG topics were discussed, of which 10 with reference to climate and environmental risks.

and making recommendations. In addition, the Committee supports the Board of Directors in assessing proposed project initiatives (i) in order to integrate sustainability into business processes, consistent with regulatory developments and the guidelines defined in the Strategic Plan with reference to ESG dimensions; and (ii) for the development and promotion of the Group's historically important areas and communities.
In the area of non-financial reporting, the Committee supervised the activities for the preparation of the Consolidated Non-Financial Statement for the financial year 2023 (an activity carried out for previous years by the former Internal Control, Risks and Sustainability Committee), examining its content, including for the purposes of the internal control and risk management system, and expressing its opinion to the Board of Directors. With reference to the next Sustainability Report for the financial year 2024, which will be drafted in accordance with the CSRD provisions, during the first half of 2024 the Committee supervised the project activities aimed at implementing the provisions of the aforementioned regulation within an adequate governance structure and those preparatory to the drafting of the same report (such as the materiality analysis process).

The Committee also examines, within the scope of the Disclosure to the Public (“Pillar 3”), the contribution relating to ESG dimensions, expressing its observations to the ICRC.

The Sustainability Committee has defined a structured system of information flows with regard to which, with the support of the qualified corporate functions, it examines:

- periodic reports on the status of implementation of the projects defined as part of the ESG Action Plan, periodically analysing the activities in progress for each Workstream;
- interactions with the Supervisory Authorities on integrating the ESG dimensions in corporate processes, liaising with the ICRC;
- the Risk Appetite Framework, the related Guidelines and the Risk Appetite Statement, expressing its observations to the ICRC in relation to the indicators relating to the ESG dimensions;
- the Guidelines on credit policies, their implementation and monitoring, forwarding its observations to the ICRC on the sustainability objectives, in line with the commitments undertaken by the Bank;
- the aspects of Data Quality and Data Governance in the ESG area, also in terms of suitable data control systems (first and second level), to support their adequate cross-functional use in the various business processes;
- the ESG ratings assigned to the Bank, supervising the related process.

Lastly, the Sustainability Committee promotes the adoption of remuneration policies that envisage the integration of ESG objectives into incentive plans in order to underline the importance of these aspects by enhancing management's contribution to achieving sustainability objectives. It coordinates and discusses these aspects with the Remuneration Committee.

The Committee acquires additional information flows on issues of interest through the participation of the Chairperson in the meetings of the other internal board committees, in particular the ICRC and Remuneration Committee when discussing topics with sustainability implications, coordinating with the latter in support of the Board of Directors.

In the period between its establishment and the time of this Report, the Sustainability Committee has also investigated:

- the initiatives undertaken in connection with NZBA membership;
- the implementation of the ESG objectives defined in the Business Plan (for example the Carbon Neutrality project);
- the framework and public disclosure relating to the Green, Social & Sustainability Bonds issued by the Bank.

In the area of ESG, the Internal Control and Risk Committee has retained specific competences in, among other things, assisting the Board of Directors in (i) establishing the guidelines of the internal control and risk management system (including climate and environmental risks), so that the main risks pertaining to the Parent Company and its subsidiaries are correctly identified and adequately measured, managed and monitored; and (ii) determining the degree of compatibility of the risks pertaining to the Group with a sound and prudent management, consistent with the strategic objectives identified and the pursuit of sustainable success.
The ICRC, in particular, acquires the observations and makes use of the support of the Sustainability Committee, taking into account the responsibilities reserved to the latter in matters of sustainability.

To this end, the Chairperson of the Sustainability Committee is invited to attend the ICRC meetings when topics with sustainability implications are discussed, including, but not limited to, credit policy monitoring reporting and risk appetite monitoring.

- Chaired by the Chief Executive Officer, the members of the **ESG Committee** include the two Co-General Managers as well as almost all the Bank's first line managers. Its main tasks include examining the Group's positioning and overseeing all corporate activities and initiatives in the social, environmental and governance fields, in line with what is defined in the Group Strategic Plan. The ESG Committee is also tasked with promoting the dissemination of the culture and practices of social responsibility and sustainable development within and outside Banco BPM Group.

- The newly established **Transition and Sustainability** function – reporting to the Co-General Manager CFO – is responsible for integrating sustainability into the Banco BPM Group's strategies, business models and governance processes.
  This function is divided into two areas:
  - ESG Strategy, which (i) supports the definition of medium and long-term strategic guidelines on sustainability, (ii) oversees ESG project initiatives, (iii)

coordinates activities aimed at implementing the provisions of the Corporate Sustainability Reporting Directive (CSRD) in view of the next Sustainability Report for the year 2024.

- ESG Business Advisory, which has specialised expertise to assist the business functions or the Group companies in correctly implementing the strategies and consequent methodologies at the level of production processes.

Below is a summary representation of the other main company areas/functions that are involved in the ESG field:

- **Chief Lending Officer Area (Loans)**, in the definition of environmental credit policies and the inclusion of physical and transition risks and in the optimisation of the range of products offered with a focus on "green" and "ESG" issues;

- **Chief Risk Officer Area (Risk Management),** in ensuring that all ESG-related risks are identified, assessed, measured, monitored, managed and adequately communicated. In this regard, it provides information, analyses and independent opinions on exposure to risks, including climate, environmental and sustainability-related risks, which materialise through the types of risk already monitored;

- **Co-General Manager/Chief Business Officer and CIB Area (for Investments and Wealth Management),** in integrating sustainability aspects in the investment services provided, through evaluations of products, financial instruments, services and policies to integrate sustainability risks of product companies, in the creation and development of ESG Insurance Products;

- **Co-General Manager/Chief Business Officer Area and Corporate and Investment Banking CIB Area (Commercial, Marketing and Omnichannel, Private Banking, Corporate and Investment Banking),** in analysing the needs and requirements of customers for the definition of an overall offer, in line with the segments served, of ESG and climate change products and services, as well as in promoting customer engagement on ESG issues, also through specific initiatives aimed at increasing customer awareness;

- **Co-General Manager/Chief Financial Officer Area** for:
  - **Finance**, in funding operations within the Green, Social and Sustainability Bonds Framework, financing assets with sustainability characteristics and increasing the share of portfolio invested in ESG securities;
  - **Value Planning and Management,** in overseeing the process of drafting and monitoring the Group's Strategic Plan, including ESG targets;

- **Integrated Procurement Management,** in ensuring procurement from suppliers whose activities and products minimise environmental impacts and consider the safeguarding of human rights also by its supply chain;

- **Chief Innovation Officer Area** for:
  - **Operations and Property**, in measuring and managing the Group's direct and indirect environmental impacts and implementing energy reduction and efficiency initiatives to achieve carbon neutrality;
  - **Information Technology and Security**, in ensuring the proper functioning, availability and continuous evolution of an information system capable of collecting, storing and processing information needed for the ESG risk assessment, for reporting and monitoring to Regulators, and for calculating the various KPIs in the analyses and frameworks of each of the Bank's Business Units;
  - **Data governance**, in defining and implementing IT security and Business Continuity (BC) policies and standards, as well as architecture guideline and data governance priorities;
  - **Personnel Health and Safety,** in overseeing ESG activities for Workers' Health and Safety components;

- **Communication and Social Responsibility**, in monitoring the cultural and social dimensions of Corporate Social Responsibility;

- **Organisation (reporting directly to the Chief Executive Officer),** in promoting evolutionary and transformational initiatives that support the sustainable development of the Group in line with the current organisational and operational model;

- **Human Resources (reporting directly to the Chief Executive Officer)**, in fostering the dissemination of an ESG culture within the Group, in promoting specific training activities on sustainability issues, in defining wellbeing and sustainable mobility policies for staff, in steering initiatives aimed at respecting people and diversity, in promoting equality of gender, age, ethnicity, disability, religious orientation, emotional orientation, nationality and language, social inclusion and equality;

- **Compliance (reporting directly to the Chief Executive Officer)**, in overseeing the management of compliance risk with regard to all company activities, according to a risk-based approach, carrying out controls, audits and assessments on the adequacy and effectiveness of the organisational and control measures in place to mitigate compliance risks.

- The compliance officer, who also holds the position of Data Protection Officer (DPO), is also responsible for the protection of personal data and receives reports of data breaches and other actions that impact on the protection of personal data.

- **Audit (reporting directly to the Board of Directors)**, in examining the internal control and risk management system taking into account, inter alia, external developments and changes in the risk profile, also considering, in this regard, the adequacy of the controls set in place for the management of climate and environmental risks. It prepares the annual IT security report and carries out periodic checks on the Group's information system.

1. Qualitative information on environmental risks

1.1. Business strategy and processes

The Strategic Plan

The Group's ESG vision is defined in the 2023-2026 Strategic Plan, approved by the Board of Directors of Banco BPM and presented to the Market in December 2023.

This document completes and expands the Bank's strategic goals in all areas of sustainability.

In fact, the Plan is based on solid pillars to support customers and the community, aiming for sustainable growth in governance and business models, as well as the creation of value for all stakeholders.

The Strategic Plan reflects the outcome of a path towards growth and innovation that Banco BPM has undertaken in recent years, also through the increasing integration of sustainability.

In particular, with reference to the main strategic goals of the Plan relating to the **Environmental and Business component**, Banco BPM reiterates its intention to:

1. **Support Group customers in their transition process**, through an offer of advisory and commercial products and services, paving the way for the achievement of the targets set as a result of joining the Net Zero Banking Alliance;
2. **Strengthen the management and monitoring of climate and environmental risk;**
3. Consolidate the **Bank's leadership role as issuer of ESG bonds and the integration of ESG logic in the investment** of its own financial resources;
4. **Continue to reduce the environmental impact of Scope 1 and 2 greenhouse gas emissions.**

In relation to the first objective – and with the aim of becoming a key player in the "Green Lending to businesses" market – Banco BPM has developed a comprehensive plan to support its corporate clients in their sustainable transition process through:

- ESG consulting: identification of ESG development priorities, creation of an ecosystem of partnerships with the main providers of ESG solutions, and full implementation of the "ESG diagnostic tool" (ESG questionnaire) to integrate with credit policies;
- ESG Offer: complete suite of sustainable products, including solutions aligned with the EU Taxonomy, in order to finance specific initiatives to support a tangible sustainable transition;
- ESG training: workshops and training initiatives for both current and potential customers and increase in the number of managers with ESG skills, in order to provide customers with ESG self-assessment support.

With regard to **ESG training initiatives**, **to support business customers in the ecological transition**, the Banco BPM Group has for some time now been working on raising awareness of sustainability issues and the importance of ESG factors in its business strategy.

With the 2023-2026 Plan, the Bank intends to further strengthen this commitment by providing ESG training to companies, both through the expertise available internally from Banco BPM Academy, and through professionals able to meet the different needs of customers (for example in: i) strategy setting; ii) preparation of specific ESG reports; iii) definition of adequate internal policies, etc.).

In doing so, the Group aims to consolidate its role as a guide and partner in the overall process of sustainable transition of Business and Corporate customers.

Confirming this strategic vision, the Bank aims to provide **more than 3,000 hours of ESG Training to companies in the three-year period 2024-2026.**

With regard to the **Net Zero Banking Alliance (NZBA)**, the 2023-2026 Strategic Plan, in continuity with the previous 2021-2024 Plan, **confirms and extends the commitments undertaken when it joined the initiative promoted by the United Nations** to accelerate the sustainable transition of the banking system through the commitment of participating banks to align their loan and investment portfolios to achieving net zero emissions by 2050, in line with the targets set by the Paris Climate Agreement.

The Bank joined the NZBA in March 2023, simultaneously identifying the first **five priority sectors (automotive, cement, coal, oil & gas, and power generation). In August 2024, Banco BPM published its targets on the five priority sectors,** which are illustrated in the following section "Target Net Zero Banking Alliance (NZBA)". In this context, Banco BPM is on the one hand continuing its efforts to support companies in their transition paths within the priority sectors, and on the other hand to evaluate the setting of further decarbonisation targets for high-emission sectors identified by the NZBA.[20]

In addition to the above, during the presentation of its first-half results, Banco BPM set a new goal for 2024, aiming to provide 5 billion euro in new medium to long-term low-carbon financing[21].

With reference to the second strategic goal, the Bank's willingness to pursue the activities aimed at the full implementation of the "ESG diagnostic tool" (ESG questionnaire) to integrate the credit policies defined by the Group, is reiterated.

In particular, it should be noted that the Strategic Plan expressly provides that, **by 2026, all resolutions relating to Businesses and Corporate customers operating in high-emission sectors and Large Corporate customers, will be carried out after analysis of the findings of the ESG diagnostic tool.**

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[20] As highlighted in the Group's 2023 Non-Financial Statement, to continue advancing a broader and more structured process for setting its climate change mitigation targets in line with the Science Based Targets Initiative (SBTi), Banco BPM recognises the need to adjust its timeline. With revisions to criteria and standards for the Financial Institutions sector still pending as of early 2024, the bank believes it is essential to await the completion of this process before assessing the opportunity to commit to the SBTi.

[21] New loans to households, companies and businesses with a maturity of more than 18 months. Included in the scope are green lending products (special purpose loans) and ordinary loans granted to specific sectors classified as "green" or with low exposure to climate-related risk factors.

With regard to the third goal, the Strategic Plan confirms Banco BPM's objective of consolidating its **leadership role in the “ESG emissions” market**, in compliance with the criteria defined by the new “Green, Social and Sustainability Bonds Framework” approved by the Group, which provides for alignment with the EU Taxonomy for some eligible assets[22].

The specific target, reported in the Business Plan, envisages the issue of **at least 5 billion euro of green, social and sustainable bonds in the three-year period 2024-2026.**

The rationales underlying the definition of this objective are:

- the update of the target with respect to the previous 2021-2024 Strategic Plan, which envisaged issues of Green and/or Social Bonds totalling 2.5 billion euro (in the three-year period 2021-23, Banco BPM Group placed Green & Social bonds totalling 4.5 billion euro, well above the expected value);
- the reconciliation with Banco BPM's Funding Plan, defined for the period 2024-2026 and approved by the Board of Directors, envisages a total amount of over 12 billion euro in bonds to be issued as senior/senior non-preferred/covered bonds. In order to pursue the new target of the Plan, approximately 40% of future issues will be comprised by Green and/or Social bonds.
- The coherence of the 5 billion euro target with the stock of eligible assets, as well as with the expected evolution of “green” and “social” loans disbursed by the Bank.

The Group also integrates ESG logic by consciously investing its own financial resources. With regard to this area, the 2023-2026 Strategic Plan sets the objective of **at least 40% of ESG bonds in the non-government portfolio owned at the end of 2026.**

With reference to the last goal indicated - relating to the **direct and indirect environmental impact of the Bank's activities** - the Group has been engaged for some time in monitoring/managing consumption and reducing GHG emissions in order to obtain a **gradual improvement of its environmental footprint (Carbon Footprint).**

The Strategic Plan includes, in particular, the confirmation **of the 100% utilisation of electricity from renewable sources** and the target of **carbon neutrality, already achieved at the end of 2023,** with specific regard to **Scope 1 and 2 market-based net emissions**, which is also achieved thanks to offsetting through carbon credits.

The pursuit of the Group's objectives defined in the 2023-2026 Strategic Plan is subject to adequate monitoring, carried out continuously on a quarterly basis for the Management Committee and the Board of Directors, accompanied - where necessary - by the formulation and proposal of suitable “mitigation actions” (e.g. initiatives and processes aimed at recovering any gaps/delays that may arise).

For a complete representation of the 2023-2026 Strategic Plan defined by the Group, please refer to the link below (*https://gruppo.bancobpm.it/media/dlm_uploads/BBPM-Capital-Markets-Day_ITA.pdf*).

[22] The alignment of the European taxonomy concerns real estate assets, renewable energy and the production of basic organic chemicals.

The following table summarises the main business and environmental ESG indicators of the **2023-2026 Strategic Plan**, with an indication of the respective level of results achieved at the end of June 2024.

		Target PS 23-26	Status 30.06.2024
BUSINESS	Issue of Green, Social & Sustainable Bonds	€5bn (2024-2026)	€0.75bn
	Share of ESG bonds in the Non-Government bond proprietary portfolio	40% YE 2026	32.3%
	ESG training to enterprises (hours)	>3K (2024-2026)	~1.5K
	Net Scope 1 & 2 emissions (tCO2eq)	Carbon Neutrality	Carbon Neutrality
	Energy consumption 1 & 2 (Gigajoule)	<480K in 2026 (-20% vs 2022)	247K GJ

Net-Zero Banking Alliance (NZBA) Targets

With regard to the **Net Zero Banking Alliance (NZBA)**, the 2023-2026 Strategic Plan, in continuity with the 2021-2024 Strategic Plan, **confirms and extends the commitments undertaken when it joined the initiative promoted by the United Nations** to accelerate the sustainable transition of the banking system through the commitment of participating banks to align their loan and investment portfolios to achieving net zero emissions by 2050, in line with the targets set by the Paris Climate Agreement.

As previously mentioned, **the decision to join the NZBA was made in March 2023** following a thorough internal assessment aimed at ensuring a fully informed commitment.

As part of the project activities undertaken for this purpose, the main methodological choices were defined, and the baseline of financed emissions related to the client portfolio was measured. This enabled the **identification of the first five priority sectors (automotive, cement, coal, oil & gas, and power generation)** for the communication of the targets.

In the first half of the year, the Bank continued its efforts to define the targets, refining the logic for establishing intermediate decarbonisation objectives for the identified priority sectors. This was done with consideration of regulatory developments and by evaluating methodological alternatives regarding the metrics and scenarios to be used.

In August 2024, Banco BPM set decarbonisation targets for 2030 for each of the five priority sectors within the 18-month period. To this end, the "net zero" 2050 scenarios proposed by the best market standards (International Energy Agency) were applied to the Bank's portfolios, based on the situation recorded as at 31 December 2022 as the NZBA baseline.

Below are the 2030 targets for each of the five priority sectors (expressed as a percentage reduction from the end of 2022 of the weighted average emission intensity based on exposure to corporate counterparties[23]).

[23] Counterparties with turnover exceeding 75 million euro.

- **Automotive:** 48% reduction in emission intensity recorded at the end of 2022 (0.45 million tonnes of CO2e per billion passenger-kilometres travelled by vehicles sold). The target takes into account the Scope 1, 2 and 3 emissions of the counterparties in the portfolio, which include HGV manufacturers.
- **Cement:** reduction of 23% in the emission intensity recorded at the end of 2022 (0.50 tonnes of CO2e per tonne of cement product). The target takes into account the Scope 1 and 2 emissions of the counterparties in the portfolio.
- **Coal**: run-off of exposures by 2026.
- **Oil & Gas**: 14% reduction in emission intensity recorded at the end of 2022 (60.7 grammes of CO2e per megajoule of oil/natural gas produced or distributed). The target takes into account the Scope 1, 2 and 3 emissions of the counterparties in the portfolio.
- **Power Generation**: 56% reduction in emission intensity recorded at the end of 2022 (0.17 tonnes of CO2e per megawatt-hour of energy produced). The target takes into account the Scope 1 and 2 emissions of the counterparties in the portfolio.

Considering that the scope 3 emissions of the counterparties are only relevant for the NZBA Automotive and Oil & Gas sectors, the 5 priority sectors selected by Banco BPM are representative of approximately 75% of the total emissions financed to companies operating in the emission-intensive sectors identified by NZBA.

The table below summarises the 2030 targets:

Sector	Emission Intensity		% change by 2030
	Metric	Starting point 31/12/2022	
AUTOMOTIVE (Scope 1, 2 & 3)	Million tons of CO_2e per billion passenger-kilometers traveled by vehicles sold	0.45	**-48%**
CEMENT (Scope 1 & 2)	Tons of CO_2e per ton of cement products	0.50	**-23%**
COAL	Run off of the exposure by 2026		**-100%**
OIL & GAS (Scope 1, 2 & 3)	Grams of CO_2e per megajoule of petroleum product/natural gas produced or distributed	60.7	**-14%**
POWER GENERATION (Scope 1 & 2)	Tons of CO_2e per megawatt-hour of energy produced	0.17	**-56%**

Banco BPM is therefore continuing its alignment with the Net Zero objective by defining and implementing the necessary actions within its strategies to support companies in their transition processes.

Credit policies

The assessment of ESG factors and the impacts of potential climate change-related risks on the economic and capital prospects of the companies to which Banco BPM Group is exposed, have been integrated into the Credit Policy framework since 2022.

Over the years, the assessment of ESG factors has become increasingly important in the credit granting and monitoring process; the credit policy framework, in particular, has been enriched with specific components, such as:

- **Transition Risk** - a transition risk is associated with each counterparty on the basis of the economic sector of activity (NACE) in which it operates, expressed on a five-class scale: Very High, High, Medium, Negligible, Green.
- **Physical Risk** - the assessment of the assets of counterparties requesting loans includes the physical risk component, which has two meanings: a) counterparty risk, which measures the degree of impact of climatic/physical phenomena on the operations (production assets) of business customers, and consequently on their solvency, for which the presence of mitigating elements is required, mainly represented by adequate insurance cover; b) the risk associated with collateral, therefore the impact that climatic/physical phenomena may have on the value of the assets used as collateral for the loans granted and, consequently, on the probability that the Bank would be able to recover its losses in the event of default.
- **ESG questionnaire** - the objective of which is to understand how the counterparty manages ESG risks, and what strategic actions it has taken in the medium/long-term. This objective is achieved by obtaining both qualitative data (strategies/policies/plans aimed at mitigating ESG risks) and quantitative data in order to objectively measure ESG risk (e.g. GHG emissions) and assess the reduction plans over time. The questions are differentiated by sector.

  In 2023, the mandatory completion of the ESG questionnaire was extended to all counterparties that are large and/or that operate in sectors with high/very high transition risk, or in sectors considered priority, as well as for all customers who prepare a non-financial statement.

  During the same year, the questionnaire was further enhanced with: a) the introduction of questions related to the clients' green transition process (questions on emissions baseline, targets, etc.); b) a request to disclose any mitigating factors regarding physical risk (adoption of specific business continuity plans and/or, starting from the end of 2024, the purchase of insurance policies and/or structural interventions or specific guarantees from the parent company); c) the introduction of specific questions aimed at integrating assessments by considering social and governance aspects, where two "fatal" questions were identified, one for each section ("S" and "G").

  The objective for 2024 is to ensure the accuracy of information and the consistency of the ESG Questionnaire with what is defined prospectively in the client's Business Plan through a "Forward Looking" assessment.

Specific evaluation criteria have been introduced for the five **priority sectors** selected by the Bank as part of its commitment to the NZBA. These sectors are subject to more stringent credit strategies, in particular with regard to those counterparties that do not draw up a sustainability report and which, in general, have not begun a transition process. In particular, as part of the transition risk assessment, the score is calculated on the basis of point data on the counterparty's carbon emission intensities and their distance to sectoral decarbonisation trajectories.

The application of a **run-off strategy** towards coal-related sectors, which are strongly impacted by the climate transition, is confirmed, consistent with the objective of progressively reducing their exposure, as indicated in the 2021-2024 Strategic Plan and confirmed by the 2023-2026 Strategic Plan.

With respect to counterparties operating in the **Construction and Real Estate** sectors, the assessment of transition risk is made based on the energy class of the property purchased or the property development being financed.
Throughout 2023, in addition to strengthening the analysis of the financial sustainability of real estate initiatives through the adoption of specific Key Risk Indicators (KRIs), work began on aligning the requirements for the classification of Green real estate investments with the technical requirements of the European Union Taxonomy and incorporating physical risk assessments on the collateral asset.
In the first half year of 2024, the Bank undertook a project aimed at identifying the transition risk levels relating to the Real Estate sector, expressing them in the standard scale (Very High, High, Medium, Negligible, Green).

All the analyses seek to accompany the transition process of companies by differentiating the commercial offer through the placement of loan products with ESG KPIs and products aimed at hedging ESG investments.
These analyses integrate ESG factors and are conducted by collecting information on emission reduction plans (decarbonisation curve) and impacts in terms of transition investments, revenues and costs (carbon tax) in order to enable greater consistency between company projections and ESG issues.
In 2024, the compulsory forward-looking assessment of counterparties operating in priority sectors or with High and Very High transition risk (with exposure exceeding 2.5 million euro) was extended.

The above-mentioned activities are monitored by the Credit Policies structure, in terms of assessing the ESG risk dynamics of the Bank's loan portfolio and focusing on assessing the correct use of the framework (completion of the ESG questionnaire and use of targeted loans).

Commercial offer of the Group

Loans to business customers

During the first half of 2024, Banco BPM reiterated its commitment to the "ESG transition" of its customers as an integral part of the commercial offer proposed by the Group.

This commitment has materialised, in particular, through the continuous evolution of the range of dedicated financial products and services, also with a view to increasing the awareness of Business customers of the importance of ESG issues.

A summary of the main catalogue solutions aimed at supporting the green transition of corporate customers is provided below:

- ***Unsecured Loans for Companies Green Taxonomy***

  Unsecured Loans for Companies Green Taxonomy is the catalogue solution intended primarily for companies whose economic sectors are eligible for the EU Taxonomy and specifically for counterparties subject to the obligation to prepare a "sustainability report".[24]

  The aim of the financing product is to support companies in realising investments designed to increase the alignment of their economic activities to the technical screening criteria of the EU Taxonomy. Certification by an independent third party attesting to the alignment of the investment is always required, both prior to contracting and upon project completion.

- ***Approach to Green Transition***

  A financing solution suitable for supporting corporate investments aimed at and traceable to one of the six environmental objectives defined by the EU taxonomy regulations.

  When applying for financing, the client is required to complete a self-certification form in which they briefly describe the investment and provide a detailed declaration of the types/situations of investments that can be linked to these Environmental Objectives. For each of them, the necessary documentation that must be collected is specified.

  The implementation of the project and the achievement of the relative objective is continuously monitored over time until its implementation.

  In fact, the customer undertakes to provide documentation certifying the correct use of the funds for the implementation of the project every six months until the end of the project. Third-party certification is required for loan amounts exceeding 5 million euro for retail customers and 10 million euro for corporate customers.
  This business proposal is mainly aimed at companies that are not subject to the obligation to prepare a "sustainability report"[25].

- ***Unsecured loans with sustainability objectives*:**

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[24] Reference is made to companies subject to the NFRD 2014/95/EU or companies subject to the CSRD 2022/2464/EU.
[25] Reference is made to companies subject to the NFRD 2014/95/EU or companies subject to the CSRD 2022/2464/EU.

Unsecured Business Loans with Sustainability Objectives is the financing solution developed to support companies that intend to enhance the virtuous path they have undertaken in the field of ESG sustainability. This solution takes the form of a Sustainable Linked Loan whose added value stems from the possibility of linking an "ESG covenant" and linking the cost of the loan to the achievement and/or maintenance of ESG targets agreed at the time the loan is concluded.

In view of i) the significant evolution of the European and Italian regulatory framework on sustainable finance, ii) the updating of reference standards and practices adopted by credit institutions and supervisory authorities on "sustainability-linked" products, iii) the growing interest of companies in accessing this type of product, the Banco BPM Group has deemed it appropriate to launch an activity to update this financing solution and ensure the product's continuous alignment with market best practices and its compliance with the latest industry guidelines.

- ***Renewable Energy Sources (RES) Approach:***

Banco BPM Group has developed an approach for its commercial network to support the investment plans of companies involved in building plants for the production of energy from renewable sources (RES).

This "approach" envisages the combination of the various medium/long-term financing products for both ordinary and subsidised Corporate or Retail companies with a technical analysis report of the system drawn up by professionals with minimum professional requirements. The report includes the measurement of the reduction of CO_2 emissions and the related Business Plan of the initiative.

- ***SACE green guarantee***

In continuity with the mission to assist customers in the ecological transition process, Banco BPM offers loan solutions to companies backed by the "SACE green guarantee".

SACE issues "Green" guarantees, supporting company projects able to facilitate the transition to an economy with a lower environmental impact, integrate production cycles with low-emission technologies for the production of sustainable goods and services, and promote initiatives aimed at developing a new mobility with lower polluting emissions.

The Bank has also finalised a special dedicated agreement with SACE, called the "SACE Green Agreement", which allows for more standardised and simplified management of the Guarantee up to a specific threshold of a maximum amount that can be financed.

To be considered eligible for the Guarantee described above, SACE provides precise guidelines for compliance with certain parameters on the purpose of the financing which must be indicated in the specific application forms in terms of self-certification by corporate clients. Ex-post controls are also envisaged through the request for periodic reports from the beneficiary company until the end of the project being financed and sample checks carried out by SACE.

Also covered by the SACE Guarantee are the "**Italian Unsecured Loans with SACE Guarantee"** which may also be of the "Green" type to cover transactions that are of strategic importance for the Italian economy or for works related to the NRRP. The object of the cover is a contract for the supply of goods and/or provision of services and/or performance of works, concluded between the "Beneficiary" and the "Supplier".

- ***Other commercial initiatives***

In addition to the ordinary offer, it is worth highlighting Banco BPM's presence in the main bank financing pools, which covered various interventions in both green project finance and infrastructure, as well as supporting the transition of industrial and technology groups.

By way of example, operations to be financed may include plants for the production of energy from renewable sources, technological infrastructure development work and interventions for the decarbonisation of production processes, both nationally and internationally.

Loans to Private customers

With reference to Private customers, the main instrument offered by Banco BPM is the green mortgage. An important tool introduced by the Bank to incentivise energy upgrading works by its customers is represented by mortgages with a "green factor" clause[26].

This clause offers subscribers a discount on the rate against specific efficiency improvement works carried out on the property purchased, provided they are guaranteed:

- a reduction in consumption of at least 30% or
- an improvement in the energy rating of the house by two classes[27].

The mortgages in this scope were awarded the Energy Efficient Mortgage Label (EEML), a quality and transparency label promoted by the European Commission for best practices in the energy-efficient mortgage market.[28]

To support customers in their choice, a cost-benefit simulator was made available to them, which considers both the energy potential of the property and current tax benefits.

In order to expand its product catalogue with a more complete green mortgage offer aligned to that of the main players on the market, starting in October 2023 Banco BPM, in view of the positive outcome of the initiative, renewed the mortgage promotion launched in October last year until 31 December 2024. The promotion features a reduction in the spread applied of 20 bps for those purchasing a property in energy class A or B.

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[26] The offer covers all mortgages taken out for the purposes of purchase, construction, renovation and purchase with simultaneous renovation, with the exception of those taken out for subrogation, liquidity or commercial purposes.

[27]The reduction in consumption is measured as a change in the overall non-renewable Energy Performance Index (EPgl, nren), while the improvement of two classes in the energy rating of the house is measured through the Energy Performance Certificate (APE) before and after the works.

[28] European initiative to create a standardised European-wide energy efficiency mortgage to encourage the renovation of buildings and the purchase of highly efficient properties through favourable financial conditions.

The presence of the “Green Factor” remains the hallmark of our offer and complements the new commercial proposal. The offer relating to the real estate sector also includes products associated with the so-called “Superbonus”. In light of government measures that only addressed changes in deductibility percentages, the possibility for private clients, condominiums and businesses to transfer tax credits derived from energy efficiency and/or seismic risk mitigation interventions has been maintained for the year 2024.

As part of the specific catalogue, the main products intended to support energy and structural improvement works are:

- Energy Efficiency Building Loan: to finance energy efficiency works on condominium buildings through an advantageously priced loan;
- Consumer Superbonus Advance: to offer private customers and condominiums financial coverage during the time that passes between the start of the works and their completion;
- Advance on Building Renewal Contracts: aimed at advancing financial resources to construction and plant supply companies that discount their invoices.

Investment Banking activities

Among the sustainable growth solutions to support businesses, Banca Akros, the Group’s Corporate and Investment Bank, participated in the placement of seven ESG Bond issues during the first half of 2024, as joint bookrunner or joint lead manager, for a total value of 5.95 billion euros.

Also included in this specific list of transactions is the green bond issued by the Group in the first half for which Banca Akros participated in the placement as joint bookrunner.

Private Banking operations

In relation to consulting services, Banca Aletti, the Group's investment centre for asset management, targets the correct and responsible allocation of resources, directing customer resources towards investments that simultaneously combine a return on capital with the objective of sustainability.

With these aims, and in application of the “Guidelines on the integration of sustainability risks in the provision of investment services” to which reference should be made for further information[29], the path of progress has continued with the aim of progressively integrating ESG dimensions, understood as not only environmental, but also social and good governance events or conditions that could potentially cause a significant negative impact on the value of the investment: (i) in product governance processes; (ii) in the provision of the advisory service; (iii) in investment decisions within the framework of the portfolio management service; (iv) in the provision of information regarding sustainability-related risks.

[29] Document available at gruppo.bancobpm.it > *Sustainability* > Guidelines on the integration of sustainability risks in the provision of investment services

During the year, the proprietary sustainable products classification (ESG) methodology described in the "Guidelines on the integration of sustainability risks in the provision of investment services" was adopted.

This classification allows measuring the various attribution levels of eco-sustainability, sustainability and consideration of the Principle Adverse Impacts (PAIs) of ESG instruments based on data provided by info-providers and by product producers.

Moreover, the ESG consistency check between the preferences expressed by the client and the ESG characteristics of the financial instrument was introduced in the advisory activity during the year, alongside the adequacy check.

The sustainability preferences of customers were surveyed, starting from last year, through a special section of the MiFID profiling questionnaire.

Finance Operations

Banco BPM Group consistently works to secure appropriate resources on various procurement markets. These resources are channelled towards specific sustainable activities through the issuance of its own ESG bonds and by offering support to other companies that issue such bonds.

With regard to own issues, the cornerstone of this activity is the Green, Social and Sustainability Bonds Framework ("GSS Bonds Framework"), a document aimed at raising funds to be used to finance projects with environmental and social impact.

The Framework, the first version of which was published in 2021, was updated in November 2023 according to the most recent market standards[30]: ICMA's Green Bond Principles (June 2021 with June 2022 appendix), ICMA's Social Bond Principles (June 2023), ICMA's Sustainability Bond Guidelines (June 2021) and the EU Taxonomy.

By updating this document, the Group's objective is to align with best market practices, cover a wider range of activities and include alignment with the European taxonomy for some eligible assets.

The categories of assets that can be financed with the proceeds collected through the issue of green bonds are as follows:

- Construction *(aligned with the EU Taxonomy or other criteria reported in the GSS Bonds Framework)*
- Renewable Energy *(aligned with the EU Taxonomy or other criteria reported in the GSS Bonds Framework for geothermal energy and infrastructure)*
- Production of organic base chemicals (*aligned with the EU taxonomy*)
- Energy efficiency
- Pollution prevention and control

[30] In this document, the Group describes its ESG approach and the eligibility/alignment criteria of the green and social assets and projects that it intends to finance with the proceeds from the issues, the rules and processes for management of the related income, as well as the reporting commitments undertaken by the Bank.

- Sustainable water infrastructure
- Green transport
- Green guarantees
- Sustainable agriculture

All activities with potentially negative or controversial environmental or social impacts are not considered - and are therefore excluded.

Specifically, any kind of investment related to the use of fossil fuels, nuclear energy production, the armaments sector or the tobacco and gambling sectors.

At the same time as the publication of the first version of the Green, Social and Sustainability Bonds Framework (2021), the Bank issued a Social bond for an amount of 500 million euro.

During 2022, the Group placed three Green Bonds for a total of 1.75 billion euro.

In 2023, Banco BPM issued a further two green bonds (a Green Senior Preferred Bond and a Green Senior Non Preferred Bond) for a nominal amount of 750 million euro each to finance a portfolio of green loans originated by the Bank for the purchase of energy-efficient homes and a portfolio of loans disbursed for the construction and maintenance of plants for the production of electricity from renewable sources. Furthermore, in November, following the publication of the new Green, Social and Sustainability Bonds Framework, the Group placed a Senior Preferred Social Bond for a nominal amount of 500 euro.

In January 2024, the bank issued a Green Senior Non Preferred Bond for a nominal amount of 750 million euro to finance a portfolio of green loans originated by the Bank for the purchase of energy-efficient homes and a portfolio of loans disbursed for the construction and maintenance of plants for the production of electricity from renewable sources.

Between 2021 and 30 June 2024, therefore, issues were made under the GSS Bonds Framework totalling 5 billion euro (plus 300 million euro of a Senior Preferred Bond issued in 2022 placed through a Private Placement and aimed at green disbursements but outside the GSS Bonds Framework.

Having achieved the target set in the 2021-2024 Strategic Plan in advance (ESG issues of at least 2.5 billion euro), the Group has confirmed and further strengthened its commitment to ESG funding in the new Strategic Plan, with a target of 5 billion euro in "sustainable" issues in the three-year period 2023-2026.

In order to ensure full transparency on the allocation of the proceeds of the issue and the related social and environmental impacts, in accordance with the ICMA principles, a report on the allocation and impacts is expected to be provided to the Market at least on an annual basis throughout the remaining life of each bond issued.

In this regard, it should be noted that:

- the Report published in 2023 was awarded the prize for best Impact Reporting by Environmental Finance.

- in July of this year, the 2024 Green, Social & Sustainability Bonds Report was published, containing data and information on the allocation of the proceeds of the bonds issued and the environmental and social impacts of the bonds issued.

Based on data updated as at 30 June 2024, the Group's eligible portfolio, under the GSS Bonds Framework, was approximately 14 billion euro, of which 5.3 billion euro represented by “eligible green loans”.

Banco BPM Group also integrates ESG approaches into its proprietary investments.

The goal of an informed investment is to make the most of one's resources while maintaining a low overall exposure to climate risks.

In this regard, it is worth recalling the target defined in the 2021-2024 Strategic Plan that envisaged, by the end of 2024, the investment of at least 30% of the non-governmental bond portfolio in ESG issues. The 2023-2026 Strategic Plan further strengthens this perspective by raising the ESG target of the non-government bond portfolio to 40% at the end of 2026.

As at 30 June 2024, this percentage stood at 32%. The ESG Bonds present in the Bank’s non-governmental portfolio total 2.1 billion euro, of which 1.5 billion euro relating to Green Bonds.

Banco BPM Group used the classification provided by the Bloomberg info-provider to identify/assess the ESG issues to be included in the Bond portfolio.

1.2. Governance

With regard to the roles and responsibilities of the Board of Directors and the relevant internal board bodies in making decisions concerning the management and mitigation of climate and environmental risks and in the approval of public disclosure documents and internal regulations, please refer to the paragraph “Specific expertise of the Corporate Bodies” in the qualitative section introducing risks.

With regard to the disclosure relating to climate and environmental issues, it should also be noted that in December 2021 the Board of Directors of Banco BPM resolved to join the Task Force On Climate-Related Financial Disclosures (TCFD) as a supporter.

After joining, the Group undertook to align its disclosure to the market with the recommendations of the Task Force.

In particular, the Consolidated Non-Financial Statement published by the Bank for 2023 is prepared by taking these specific indications into account. In the document, a specific correlation table will make it easier for the reader to understand the different topics covering the four thematic macro areas of disclosure (governance, strategy, risk management, metrics and targets) required by the TCFD.

Remuneration policies

The remuneration policy represents an important management lever to attract, motivate and retain management and staff.

This steers behaviour towards reducing the risks taken on (including legal and reputational risks), protecting customers and increasing loyalty while also being careful to manage conflicts of interest.

The policy also pursues sustainable success, which produces long-term value for the benefit of shareholders in the interest of the Group's stakeholders.

The 2024 Policy defines the guidelines of the remuneration systems to pursue long-term strategies, objectives and results, in line with governance and risk management policies.

The correlation between variable remuneration of personnel and ESG (Environmental, Social, Governance) factors is one of the elements of the 2024 Policy.

Variable remuneration is therefore related to strategic actions concerning environmental issues, health and safety and human resource management.

The remuneration policy for staff is gender neutral.

The process of integrating the ESG strategy into the Group’s governance models is also a hugely important part of the remuneration policy, with reference to incentive mechanisms.

The combination of objectives relating to the banking business, such as profitability, credit and asset quality, capital adequacy, along with ESG metrics is considered a key factor in strengthening the Group’s results in the medium-term, as it makes it possible to combine staff satisfaction and socio-environmental sustainability.

Specifically, by way of example, it should be noted that in the environmental sphere, as a result of the Bank's membership of the *Net-Zero Banking Alliance* (NZBA) in 2023, the Bank has committed to aligning its lending and investment portfolio with the achievement of the UN goal of net zero emissions by 2050. The implementation of projects related to this area and the annual definition of ESG objectives of the Strategic Plan are encouraged through specific KPIs of the 2024 short-term incentive plan.
Quantifiable ESG indicators are defined to align with the annual ESG objectives in the Strategic Plan. These indicators include, among others, metrics related to green financing and low transition risk, the share of ESG bonds in the owned corporate portfolio, targets associated with the Net-Zero Banking Alliance, People Strategy goals, completion of the annual control plan, and specific project initiatives related to new regulatory requirements.

For the retail network, the **Short-Term Incentive** plan makes provision, continuing with the approach of last year, for a mechanism linked to customer profiling that also integrates the acquisition of customer ESG preferences. For the private network, considering the level of maturity achieved with reference to the ESG dimension, provision is made for a mechanism related to the consistency of the portfolio with the ESG preferences expressed by customers.

The objective related to green and low transition risk disbursements, the annual definition of the Strategic Plan objective, is also assigned to managers and staff of the commercial functions and to the entire sales chain that manages corporate and business customers, to promote an ESG commercial offer in line with the objectives of the strategic plan.

As part of the short-term incentive plan, through the ECAP Reputational Risk indicator that represents the amount of economic capital with respect to the reputational risk estimated using an internal model, the non-financial adjustment factor could reduce the economic

resources of all staff in the event of a sudden deterioration of the Group's image, also in relation to the possible occurrence of ESG risks.

As an example, the indicator model considers elements of physical, transition and conduct risks (greenwashing), as well as other elements of environmental risk (e.g. loss of biodiversity, pollution, rising seas, etc.).

The model also considers any sanctions relating to climate and environmental issues, participation in campaigns or initiatives that damage the company's image, customer complaints related to environmental and sustainability issues, entering into agreements with counterparties with a low reputation in terms of climate and environmental risks, worsening of the rating due to non-compliance with sustainability standards.

In the **Long-Term Incentive** plan, the performance objectives include ESG metrics related to the main objectives of the 2023-2026 Strategic Plan, with reference to the areas of People Strategy, and Green, Social & Sustainable Bond issues.

For more ESG-related information and updates in the Remuneration Policy, please refer to the document available at gruppo.bancobpm.it > Corporate Governance > Remuneration Policies > Remuneration Policy (section I).

1.3. Risk Management

Process of identifying relevant risks

The risk identification process is one of the key information sources for feeding all the main strategic processes of the Group, including the Business Plan, Budget, RAF, ICLAAP and Recovery Plan.

The process is a structured and dynamic procedure, carried out at the level of the financial conglomerate, and also takes into account the specific nature of the businesses and of the climate, environmental and social (ESG) components.

The process is conducted continuously and updated at least annually, unless extraordinary circumstances make it necessary to update it more frequently, and includes the following steps:

1. identification of all current and emerging risk factors, including those relating to ESG issues, to which the Group is or could be exposed, both under normal and adverse scenario conditions, also from a forward-looking perspective ; The update also entails conducting interviews with the Top Management of the bank and the main Group Companies, also in order to understand potential emerging risk factors on social and environmental issues related to the territory in which the Group operates. The evidence collected in this phase makes it possible to update the long list of potential risks;
2. identification of the correlation between risk factors identified/reference macro-themes;

3. identification of possible levers to mitigate risk factors, enabling their active management;
4. matching the individual risk factors examined, including those on environmental, social and governance aspects, to the different types of risk and updating of the related Risk Inventory. Over time, the Group has defined a specific Risk Inventory i.e., the list of relevant risks identified internally by the Bank, which includes both qualitative risks, for which adequate organisational safeguards are defined to mitigate and manage them, and quantitative risks, which are measured using internal methodologies;
5. verification of the materiality of quantitatively measured risks and preparation of the "Risk Map".

As part of the risk identification process conducted by the Group during the second and third quarters of 2024, the potential and prospective materiality of issues related to climate and environmental risk factors was confirmed.

The relevant impact analyses conducted on the main types of risk relevant to Banco BPM show, however, an exposure and actual impact that is still substantially insignificant in view of current risk scoring. For more information on materiality analyses, please refer to the paragraph on "Measurement and management of climate and environmental risks".

Furthermore, the double materiality analysis process required for CSRD was initiated and formalised in the first half of the year, with completion scheduled for the beginning of the second half.

With specific regard to ESG risks, the materiality analyses focused, on the one hand, on the financial impact of these factors on the Bank's business model and strategic objectives (outside-in "risk" perspective) and, on the other, on how environmental, social and governance factors may be affected by the Group's economic activity (inside-out "impact" perspective) in accordance with the integrated dual materiality "IRO - Impact-Risk-Opportunity" approach of the sustainability statement being implemented in accordance with CSRD.

Risk Appetite Framework

The Board of Directors of the Parent Company Banco BPM approved the Risk Appetite Framework (hereafter, also "RAF") in the first half of 2024, through which the strategic supervision body defines the risk levels the Group is willing to assume in pursuing its strategic objectives.

The Risk Appetite Framework of Banco BPM Group is comprised of the following basic elements:

1. "governance", which defines the roles and responsibilities of the parties involved and the information flows between them;
2. the "system of metrics", which summarise risk exposure;
3. the "system of thresholds", through which the risk appetite is defined;

4. the “escalation process”, which is activated with different intensities and parties when different thresholds are surpassed;
5. the methodological document “Risk Appetite Statement (RAS)”, which contains an analytical description of the calculation procedures for the metrics and definition of the relative thresholds;
6. the "instruments and procedures", which support the representation and operational management of the RAF, including "Most Significant Transactions (MST)".

The RAF is the tool that makes it possible to establish, formalise, communicate, approve and monitor the risk objectives that the Group and the individual relevant Legal Entities intend to assume.

To this end, it is divided into thresholds and risk areas that make it possible to identify in advance the levels and types of risk that the Group intends to assume, stating the roles and responsibilities of the Corporate bodies and functions involved in the process of managing these risks.

The RAF indicators are structured by risk area and make use of the Risk Identification Process, taking into account regulatory indications regarding Risk Governance.

All significant risks identified during the process are considered when defining the Risk Appetite Framework, and specific indicators are identified for monitoring purposes.

In particular, the Group's RAF made it possible to identify a set of indicators for the main risk areas: Pillar 1 and Pillar 2 Capital Adequacy, Adequacy of Liquidity/Funding & IRRBB, Credit Quality & Structure, Profitability, Operational/Conduct, ICT, Cyber and Other Significant Issues. In particular, given the increasing importance of Cyber and ICT risk, a specific sub-area relating to "ICT, Cyber and Security" risk was introduced, with an expansion of the scope of the associated indicators. With regard to ESG factors, the different topics are included in the overall scope and are monitored using specific metrics included in the areas mentioned above.

The indicators that summarise the Group’s risk profile have been divided into 3 levels, differentiating between strategic indicators, which enable the Board of Directors to guide the Group’s strategic decisions, operational indicators, which integrate and anticipate the dynamics - where possible - of the strategic indicators, and Early Warning indicators, which express the risk areas of the RAF and make it possible to anticipate or further leverage the dynamics of the Strategic and Operational indicators.

Specifically:

- the Strategic RAF is a set of metrics and thresholds that enable the Group’s risk strategy to be defined and monitored; it includes a limited and comprehensive number of indicators, which express the risk appetite approved by the Board of Directors and represent the summary performance of the overall risk profile. These indicators are metrics used to define the RAF Guidelines, which support the Budget and Industrial Plan process.

- the Operational RAF is a set of metrics that enables the strategic indicators to be integrated and broken down and the evolution of the risk profile to be anticipated. These metrics enable specific aspects of the main business processes to be encompassed and are usually monitored with greater frequency in line with their task of anticipating critical situations;
- The Early Warning indicators are a set of metrics useful for predicting signs of deterioration of the indicators included in the Strategic and Operational RAF, for which an Alert threshold is defined.

The system of thresholds for the strategic indicators envisages the definition of the following limits:

- Target (Medium to Long-Term Objective): normally the risk objective defined in the Industrial Plan at Group level. It indicates the level of risk (overall and by type) to which the Group is willing to be exposed to pursue its strategic objectives.
- Trigger: this is the threshold, differentiated by indicator, the exceeding of which activates the various escalation processes envisaged by the Framework. The Risk Trigger is also determined with stress tests. In line with the Trigger values, a system of limits used for operating purposes is also defined ("*Risk Limits*").
- Tolerance: this is the maximum permitted deviation from the Risk Appetite; the tolerance threshold is set so as to ensure that the Group has sufficient margins to operate, even in conditions of stress, within the maximum risk that may be assumed.
- Capacity: this is the maximum level of risk that the Group is able to assume without infringing regulatory requirements or other restrictions imposed by the shareholders or by the Supervisory Authority.
- Alert: this is the threshold for Early Warning Indicators, the exceeding of which does not activate the various escalation processes envisaged by the Framework, but an information flow to the Committees and Corporate Bodies. The Alert value is also determined by the use of stress tests and according to the Trigger values of the Operational or Strategic Indicators, which anticipate their trends.

When risk limits are exceeded, specific escalation processes are promptly activated.

This framework is extended to the relevant Group companies[31], including the Group's insurance companies, with specific indicators referring to their respective risk areas.

In fact, all preparatory activities were carried out with the aim of formalising and defining an adequate Risk Appetite Framework, a guiding tool for collecting and constantly monitoring the objectives set by Top Management, contextualised through suitable KPIs with dimensions closely linked to the specific company business in order to continuously pursue a path of environmental and social sustainability that supports the traditional economic sustainability of the Bank.

[31] A Legal Entity relevant for RAF purposes is defined as a Group Company that meets defined qualitative and quantitative criteria, and for which a system of metrics and limits consistent with the company's business model is established. The materiality criterion used to define the RAF scope applies to both the prudential banking and insurance scopes.

In order to enhance the management and monitoring of ESG risk factors (particularly climate and environmental risk factors), in 2024 the Banco BPM Group continued the process of further strengthening its Risk Appetite Framework (RAF) by confirming the KPIs in the various areas of analysis designed to oversee the governance and control elements of the main ESG risk factors, taking into account their impact on the business model, the competitive environment and the Group's specific strategies.

The Group has identified the following RAF ESG indicators for 2024 in line with the objectives defined in the 2023-2026 Strategic Plan. In addition, given the significance of the issue, the scope of ESG indicators has been expanded to include indicators at both banking (Banca Akros and Banca Aletti) and insurance (Banco BPM Vita and Vera Vita) legal entity level, and at Business Line level, as well as with reference to reputational risk.

RAF	RISK ENVIRONMENTS	DESCRIPTION[32]	TARGET[33]
STRATEGIC	Credit quality & Structure	**Green and "low-risk" transition loans (also referred to as new medium/long-term low-carbon loans)**: indicates the amount of new green and "low-risk" transition loans of Banco BPM	**€ 5 billion (2024)**
MANAGEMENT	Credit quality & Structure	**Green and Social Bond issues:** indicates the amount of the Bank's issuances of Green and Social bond funding instruments finalised in the year	**€ 5 billion (2024-2026)**
	Credit quality & Structure	**Percentage of ESG bonds in the proprietary corporate portfolio (%):** indicates the proportion of investments in ESG-oriented Corporate and Financial bonds held in the proprietary portfolio, relative to the total nominal value of the non-government bond portfolio within the proprietary Banking Book scope. Allows investment activity to be directed towards sustainable initiatives	**40% (2026)**

[32] Where not specified, the scope refers to the highest level of consolidation.
[33] It should be noted that the 2024 RAF ESG KPIs refer to the objectives set out in the 2023-2026 Business Plan.

RAF	RISK ENVIRONMENTS	DESCRIPTION[32]	TARGET[33]
	Other relevant topics	**Placement of ESG bonds:** envisaged as a specific indicator for **Banca Akros**, it monitors the total (notional) amount of ESG bond issues by third-party issuers and the Parent Company for which Banca Akros acts as at least Joint Bookrunner and/or lead manager as part of the Debt Capital Market (DCM) activity	-
EARLY WARNING	Credit quality & Structure	**Minimum lending to religious entities and the third sector:** the amount of new "Social" loans disbursed to counterparts operating in non-profit activities identified on the basis of the relevant business segmentation	**€ 200 mln (2026)**
	Other relevant topics	**ESG training - (%):** indicates the share of ESG training courses taken out of the total number of ESG courses in the catalogue, in order to monitor the progressive achievement of the Strategic Plan objectives	**200K hours (2026)**
	Other relevant topics	**Gender equality in managerial roles (%):** in line with the objectives of the Strategic Plan, represents the percentage growth of women in positions of responsibility within the Group compared to the total positions	**+20% to 2026 vs. 2023**
	Operational/Conduct	**Total energy consumption (GJ)**: refers to the risk of a possible increase in consumption also following extreme weather events (intense heat, intense cold, etc.) The Indicator, which covers the sum of all energy sources considered at Group level, monitors any increase in consumption (also due to external climate factors)	**<480K GJ (2026)**
	Operational/Conduct	**Scope 1 and 2 Market Based Emissions (previous 12 months' rolling annual data) (Tn Co2 eq.)**: refers to the representation in terms of CO2 eq. emissions of all forms of energy consumption and climate-altering gases at Group level (HFC Gases). Excludes electricity from renewable sources	-
	Operational/Conduct	**ESG – Physical Risk (# events):** refers to natural events (Physical Risk) and potential cases of ecosystem pollution that result in an operational loss at the Group P&L level, with a quantifiable economic impact of at least €200 and	-

RAF	RISK ENVIRONMENTS	DESCRIPTION[32]	TARGET[33]
		an occurrence date within the previous quarter (T-1).	

Within the ESG (Environmental, Social, and Governance) area, as part of ongoing projects to establish targets for the Net Zero Banking Alliance (NZBA) adherence timeline, a monitoring indicator has been set up to track exposure in the five priority NZBA sectors: automotive, cement, coal, oil & gas, and power generation.

Moreover, it should be noted that the Group already conducts periodic monitoring on an ongoing basis with reference to the placement of credit products aligned to the Taxonomy.

Management of climate and environmental risks

Climate change leads to a number of risks and opportunities that must be correctly identified and managed to minimise negative impacts and reap positive aspects. Climate risks can mainly be divided into two categories:

- **Transition risks**: mean the financial loss an institution may incur because of the adjustment process to a low-carbon economy that could be caused, for example, by changes in regulation, technology and market preferences (consumer choices and preferences).
- **Physical risks**: mean the financial impact of extreme weather events (acute) and gradual changes in climate (chronic). This definition also includes other environmental events (pollution, use of water resources, loss of biodiversity, circular economy).

The tables below describe the main risk factors associated with physical and transitional risks, as well as the main impacts that these may have directly on the Bank and indirectly on its customers in the short-term, but especially in the medium and long-term.

TRANSITION RISK

Risk factor	Main impacts identified
Regulatory	▪ Higher operating costs for companies operating in sectors associated with high carbon emissions. ▪ Increased resources for collecting and reporting climate and environmental data and information. ▪ Increased regulatory capital requirements on assets most exposed to physical and transition risks.
Technological	▪ Replacing existing products and services with solutions using lower-carbon technologies. ▪ Need for activities in sectors with a high environmental impact to incur high costs for the transition to more sustainable technologies and business models.

Market	▪ Changes in demand for products and services resulting from changes in consumer preferences that could also impact the revenue mix with repercussions on business profitability. ▪ Rising energy prices that can significantly affect the costs incurred by companies.
Reputational	▪ Negative economic/financial impact because of stakeholders' perceived lack of commitment to combating climate change.

PHYSICAL RISK

Risk factor	Main impacts identified
Acute	▪ Resources earmarked for the reconstruction of property damaged by natural disasters and increased insurance costs to cover possible future damage. ▪ Reduction in income-generating capacity caused by natural disasters. For example, damage to property used in operations, interruption of the supply chain, logistics difficulties, etc.
Chronic	▪ Reduction in the value of assets in areas impacted by chronic physical risk and in the ability to generate income by companies operating in areas impacted by such risk.

The European Central Bank's expectations on climate and environmental risks repeatedly clarify how these risks must be identified, analysed, monitored, managed and mitigated "in the short, medium and long term".

In compliance with this specific expectation and in line with the current method of conducting the Group's forward-looking capital and financial adequacy analyses/assessments, Banco BPM has established and introduced the following definitions:

- short-term: one-year time horizon to ensure full alignment with the budget horizon;
- Medium Term: considers a time horizon between 3 and 5 years (up to 2030 where relevant/possible), consistent with the planning horizon, ECB guidance, Net Zero Banking Alliance and EU intermediate targets (e.g. Fit for-55);
- Long-Term: time horizon longer than five years (up to 2050 where relevant/possible) consistent with ECB guidance, the Net Zero Banking Alliance target horizon and the Paris targets to which the European Union subscribes.

The potential impacts of transition (T) and physical (P) risks are assessed by Banco BPM Group in traditional risk categories against the short (S), medium (M), long (L) term horizons of potential materiality, as summarised in the table below:

Type of risk	Potential Impacts of transition and physical risks	T/P	Horizon
CREDIT RISK Risk that a debtor will default on his obligations or that his creditworthiness will deteriorate	Estimates of the **Probability of Default** (PD) and **Loss Given Default** (LGD) of funded counterparties are impacted by considerations of the **additional costs that companies will incur in complying with the new climate and environmental standards.** **This specific factor** (e.g., lower collateral valuations in real estate portfolios) **impacts PD and LGD estimates of the exposures to sectors or geographical areas.**	T P	S M L
MARKET RISK Risk of potential losses in the trading and banking books generated by adverse changes in issuer-related variables (specific risk) or market conditions (generic risk)	Financial instruments issued by corporations with **business models** perceived as unsustainable in climate and environmental terms, with risks of market price volatility (e.g. sudden repricing).	T	M L
LIQUIDITY RISK Risk of being unable to meet payment obligations due to the inability to raise funds on the market (funding liquidity risk) or to dispose of assets (market liquidity risk)	Direct impact as a result of **significant cash withdrawals** by customers to finance the **repair of damage** caused by extreme weather events. **Sudden repricing of securities** due to, for example, the sudden implementation of **restrictive carbon emission policies that may reduce the value of the bank's liquid assets.**	P T	M L
OPERATIONAL RISK Risk of suffering losses caused by inadequacy or failure attributable to internal procedures, human resources and systems, or caused by external events	**Interruption of operations** following the occurrence of physical risks to owned operating assets, outsourced services or IT activities. **Damage to property, plant and equipment owned by the Bank.** Financial impact of **legal liability also in terms of "greenwashing".**	P T	S M L
REPUTATIONAL RISK Risk arising from a negative perception of the Bank's image by stakeholders	Negative impacts on the **ability to maintain or develop new business opportunities** and to continue to have **access to funding sources** because the Bank is not perceived by the various stakeholders as adequately sensitive to ESG issues.	T P	S M L

Banco BPM is also constantly committed to continuously improving the assessment and transparency activities to assess/measure the exposure of the Group's overall loan and investment portfolio to physical and transition risks.

These analyses made it possible, as early as financial year 2022, to carry out an initial integration of climate risks in the Group's independent capital adequacy assessment process (ICAAP), also leveraging, with specific reference to credit risk, the methodology defined by the ECB in the context of the so-called "Climate Stress Test 2022".

The process of integrating climate risk factors into capital and financial/liquidity adequacy assessments was further strengthened, and completed in 2023.

Note that, in 2022, Banco BPM Group actively participated in the "Climate Risk Stress Testing" exercise conducted by the Supervisory Authority, also processing the m/l term bottom-up projections which, in practice, represented an initial test of the ability of financial intermediaries to examine and quantify the potential impacts deriving from climate and environmental risk factors.

This exercise constituted a useful learning tool with respect to the specific issues analysed, at the same time helping to strengthen both the internal methodologies defined by the Bank, and to further increase the relationship of dialogue and discussion with the Supervisory Authority.

Furthermore, it should be noted that in the last quarter of 2023, the Group was engaged in preparatory activities for the first data collection exercise "Fit for 55 climate risk scenario analysis" conducted by the European Banking Authority in collaboration with the ECB, which took place in early 2024.

This exercise is part of the new mandates received from the EBA, as part of the renewed sustainable finance strategy of the European Commission. Its primary objective is to assess the overall resilience of the banking sector with respect to the targets defined with the "Fit for 55" package and to acquire information on the ability of the Entities to support the transition to a low-carbon economy.

The participating intermediaries have provided the starting point values, as at 31 December 2022, of the required climate data, which are included in the banking sector module of the "One-off Fit for 55 climate risk scenario analysis".

The forward-looking results of this module were obtained using the top-down climate risk stress test models defined by the European Central Bank.

Lastly, it is important to note that the Risk Function is a standing member of the New Products and Markets Committee and expresses prior technical opinions on new products presented to the Committee, also evaluating the reputational risk profile.

In issuing these opinions, the function also takes into account the integration of sustainability risks in the provision of investment services.

Overall risk monitoring and control is accompanied by a timely and periodic flow of information to the Board of Directors and the organisational units involved in risk management, and by the continuous improvement of risk measurement models.

Measurement and management of climate and environmental risks

The impacts related to climate change are assessed in the context of **credit risk** on the basis of the specific provisions of related regulations.

They require banks to consider climate and environmental risks in all phases of the lending and credit monitoring process, carrying out analyses to identify any concentrations in sectors/geographic areas that are highly exposed to these risks, even if only potentially.

In particular, in the vertical reporting produced on the issue, Banco BPM Group integrated the assessments of transition risk and physical risk (the most relevant factors of climate and

environmental risk as a whole) with a series of detailed analyses that provide a complete methodological overview and an analytical representation for each individual risk driver, in order to be able to examine all the characterising elements considered most significant.

The methodology described was developed by the Group with the support of an external data provider. This allows for continuous updating of physical (acute, chronic and environmental) and transition risk scoring, with regard to: i) real estate received as collateral; ii) the companies financed and their related physical assets.

The scoring scale adopted by Banco BPM is consistent for all types of risk and based on specific assessment classes, from "Very Low" (score 0) to "Very High" (score 4) risk.

The approach implemented, however, also makes it possible to consider specific elements of analysis in relation to the individual driver examined.

For example, the "Very Low" score, defined with specific regard to transition risk, is assigned to all corporate counterparties that conduct green economic activities (i.e. fully aligned with Taxonomy requirements).

Lastly, with reference to acute physical risk, the "Very Low" score relates to real estate located in geographic areas not substantially exposed to this potential phenomenon.

The scoring process is based, first of all, on the availability of precise and analytical data that allow the Group to carry out adequate detailed assessments.

In some cases, this information is public (i.e. the maps provided by the Italian Institute for Environmental Protection and Research - ISPRA for flood and landslide risks), in others it was necessary to request the support of specialised providers (e.g. on emission intensities) or draw from appropriate certified external data sources (i.e. for energy performance certificates of production assets and/or guarantees).

In order to assign an overall summary score, the information collected is then integrated with that made available to the Bank directly by borrower customers through the completion of specific qualitative questionnaires.

The risk score obtained, for each individual counterparty or property, is therefore calculated with a top-down approach (mainly sector-based for transition risk) and a bottom-up approach (often relevant for significantly larger customers that draw up a NFS or Sustainability Report).

In general, the methodology for estimating climate and environmental risks is therefore based on the combination of sector elements, precise geographic data, and where available, additional information provided by the customer or relating to the individual asset examined.

With regard to the specific analysis of transition risk, for the purpose of its internal assessments the Group also considers the emission intensities relating to the counterparty examined, its overall alignment with the EU Taxonomy requirements and the possibility for the customer to access the CO_2 emissions market (EU Emissions Trading System).

Lastly, for certain types of loans, requested by companies in order to make specific investments of a structural nature, the Bank envisages certification of the overall projects by independent third-party experts in the field.

With reference to the analysis of other environmental risk factors (related to the protection and restoration of biodiversity and ecosystems, the transition to a circular economy, the sustainable use of water resources and the reduction of pollution), the Group adopts separate assessment criteria for each individual objective examined, borrowing its approach from the EU Taxonomy regulations.

Particular importance is attributed to "Do No Significant Harm" (DNSH) and the indications adopted by the main Italian and European institutions.

The analyses conducted by the Bank for the purpose of assessing the physical risk component are specifically based on the requirements of current regulations on the matter. In fact, the methodology developed by the Group considers all the potential physical risk hazards envisaged in the Taxonomy.

However, taking into account the predominantly domestic nature of its business, Banco BPM pays great attention to the most significant risk factors for Italy with a dedicated focus, in particular, on hydrogeological events (landslides and floods) and the phenomenon of drought.

The methodology adopted by the Group makes it possible to assess, directly or indirectly - also considering the important correlations between the various events examined - the overall list of physical risk hazards (acute and chronic) envisaged by the Regulator, therefore guaranteeing a complete score mapping.

During 2023 and the first half of 2024, Banco BPM continued to strengthen and fine-tune the estimation models used to assess the potential impacts of climate and environmental risk factors on its business model and on the definition of specific company strategies, also through greater availability of detailed information.

The increasing data availability, collected through borrower customers or through suitable info-providers, will at the same time determine a substantial improvement in the quality, accuracy and timeliness of the information relating to these particular areas of analysis. Improvements to the methodology have been introduced to enhance the assessment of climate risks related to clients, with a particular emphasis on utilising single-name information from the Group's credit portfolio in the Real Estate and Construction sectors.

Currently, with reference to **credit risk**, transition and physical climate risks and environmental risks are material but have an overall low score for transition risk, acute and chronic physical risks and environmental risks, a clear sign of the fact that Banco BPM benefits from a concentration of customers on average in geographic areas and sectors that are not excessively exposed to them. [34]

In addition to the measurement models described above, the Risk Function of Banco BPM carries out specific sensitivity analyses to estimate the impact of the factors examined on the main risk parameters (PD and LGD), taking into account expected evolutions over the different time horizons considered and in relation to the different scenarios used.

[34]Certain specific underlying risk drivers are more impactful than others, such as biodiversity risk among environmental risks, flood risk for acute physical risk and soil erosion risk for chronic physical risk.

Specifically, in the credit risk area, Banco BPM has:

I. integrated climate risks into IFRS 9 provisioning measures (via post model adjustment - PMA - already starting from December 2022);
II. integrated cymatic risks, adopting an advanced approach, into capital adequacy assessments - ICAAP (starting from March 2023);
III. defined the methodological framework for including climate risks in the internal rating system for management purposes.

With reference to the first two points - in particular with regard to transition risk - the Bank has developed and implemented a methodological approach to stress the PD of the counterparties (and, indirectly, the LGD parameters) with climate factors, leveraging the financial module of the AIRB model, both to calculate the ECL and to estimate economic capital.

This methodology therefore considers the greater credit risk due to the impact of climate change and the costs of mitigation policies.

The assessment of the impact of physical risk, instead, is directly reflected on the LGD parameter, by leveraging the flood scenario provided by the ECB.

The latter assumes a shock in the price index of residential and commercial properties, making it possible to stress the guarantee portion of the Group's loan portfolio, thus impacting the expected recovery rate.

In the course of the latest updates of the satellite models, used for projecting PD and LGD with a forward-looking horizon, specific financial indicators (KPIs) were introduced, which are directly conditioned by the climate scenarios (in particular carbon tax, emissions and investments). Therefore, the impact of the energy transition on prospective risk factors is captured from customer balance sheets, simulated by including specific assumptions on climate policy developments. Once the developments still in progress have been completed, the new satellite models will be used in the main prospective exercises requiring stress on risk parameters (e.g. IFRS 9, ICAAP, Stress Test).

With regard to the third point, at the end of 2023 a framework was defined to support the Rating Desk structure, in order to attribute a credit rating to borrowing customers, and the manager who can override the rating.

This framework envisages the definition of a Climate rating alongside the AIRB reporting rating, while waiting for the climate and environmental risk drivers to be directly included in the regulatory rating system.

The aforementioned Climate rating derives from the application of a specific model that can modify the counterparty AIRB rating through the application of worsening/improving notches, in order to incorporate the impacts on the assessment of the debtor's credit rating deriving from exposure to physical and transition risks.

With regard to transition risk, the Climate rating model considers both the costs and investments that impact the single-name balance sheet projections of the debtor under different climate scenarios, and the qualitative ESG questionnaires completed by the relationship managers.

These two factors are integrated so as to create a single climate score to be compared with notch-up and notch-down thresholds for each estimation sector/cluster defined during the assessment of the model.

The factors considered by the climate rating model for physical risk, on the other hand, are represented by synthetic scores at counterparty level and by specific questions on the ESG qualitative questionnaires completed by the relationship managers.

Also in this case, these factors are integrated so as to create a single Climate score to be compared with specific thresholds (notch-up and notch-down) defined during the model estimation phase.

The climate management rating, as of June 2024, was introduced into the IFRS9 framework for the purpose of computing and refining the above-mentioned PMA to manage one of the emerging risks that the Supervisory Authorities have been monitoring.

The impacts relating to climate change were assessed by Banco BPM Group also with specific reference to **market risk**, by analysing the potential impairment of financial instruments included in the owned portfolios following unexpected economic difficulties/default of the issuing companies, due to the effect of higher costs/investments incurred by them and related to the energy transition.

In particular, the Bank conducted an in-depth analysis to estimate the materiality - in terms of overall exposure - of its investment portfolios (trading and banking books) to these risk factors, examining their composition (bonds, shares and derivatives) as well as the concentration/distribution by individual issuer with respect to the business sectors deemed most sensitive (transition risk).

The results of the checks carried out confirm those emerging from previous analyses carried out by the Group. Almost all of the exposure deriving from the financial instruments falling within the scope considered are marginally impacted by climate and environmental risks.

Banco BPM also conducts an estimate of the transition risk on the fair value of (equity and bond) positions included in the trading portfolio. The analysis described is also extended, from a management point of view, to the banking books limited to the credit spread risk factor, as the latter represents the main risk factor of the portfolios in question.

The methodology adopted by the Bank is mainly based on the rationales and evolution of macroeconomic variables envisaged for these types of risk as part of specific "Climate Stress Test" exercises.

With reference to the (corporate and financial) issuers of bonds and shares of the Group's proprietary portfolios, separately by trading book and banking book, Banco BPM also conducts a materiality analysis of the exposure to ESG risks, based on certain indicators calculated by the platform of a leading external info-provider.

The Bank has also adopted a quantitative solution to measure Environmental and Climate risks (the "E" of ESG) of a transitional nature, as a milestone of the internal project in the context of the Thematic Review of Climate & Environmental risks, starting from December 2023, by integrating the C&E risk within the risk measure defined as E-IRC and based on the IRC

(Incremental Risk Charge), which is able to capture the deterioration in portfolio performance due to downgrades or defaults of issuers in position. The latter was adopted as part of the annual capital adequacy assessment (ICAAP) to measure the impact of ESG factors in economic capital assessments (trading and banking book).

The potential impacts related to climate change are also assessed by the Group in terms of **operational risk** in relation to the occurrence of events related to the climate and the environment (floods, landslides, fires, droughts, weather phenomena, etc.) that could cause an increase in operational risks, with a focus - in addition to the effects on business continuity and on the damage to the real estate and artistic assets of the Banking Group - also on the potential losses directly or indirectly caused by legal actions (i.e. for greenwashing linked to the sale of banking/financial products or to legal action and complaints by stakeholders due to environmental non-compliance of products issued/placed or for Bank exposures in controversial sectors).

In particular, the objective is to assess the potential exposure of the Group to operational ESG risk factors, both through the historic reporting of the events and through the forward-looking analyses carried out, including the results of in-depth analyses.

A dedicated assessment of potential exposures related to physical risk and related conduct risk was carried out, through analytical risk self-assessment scenarios. The assessments showed limited impacts even in terms of unexpected losses.

These impacts were also considered in determining second-pillar risks in the periodic capital adequacy assessment exercises (ICAAP).

The Group continuously implements further methodological developments, also in line with the relevant regulatory developments. In this context, the refinement of the operational risk taxonomy is noteworthy, as it aims to include the categorisation of climate events, thereby further enhancing the granularity of operational risk databases. Regarding ESG-related activities focused on **liquidity risk**, the emphasis has been placed, in line with actions taken for other BBPM risks, on risks associated with the "Environmental" aspect.

The potential impacts linked to climate change are assessed by the Group in terms of liquidity risk with specific reference to three main areas of analysis: **credit lines, funding mix and securities portfolio**.

Within each of the aforementioned clusters, a materiality analysis is conducted on exposure to environmental and climate risk factors, based on NACE sectors classified by different risk scores, as well as on data and information related to GHG emissions.

The results of the analyses show, on the whole, low exposure of the Group to NACE sectors characterised by high transition risk scores.

With reference to the cluster relating to the investment portfolio, the analysis on transition risk was also conducted on the basis of the ESG score, calculated via the platform of a primary external info-provider. The Group's exposure to issuers with medium-high ESG scores recorded negligible values.

Starting from 2023, with reference to credit lines and funding (funding mix), the assessments also entailed measuring ESG scores relating to acute and chronic physical risk.

The results of these assessments resulted in overall low exposures to counterparties with high ESG scores.

In addition, Banco BPM carried out specific analyses to assess the historical impacts on liquidity and funding profiles originating from acute and unforeseen physical events, which actually occurred, with a specific focus on demand deposits.

It should also be noted that as of February 2024, the Group has integrated into the databases used for the measurement of liquidity/funding risks, a set of ESG information considered relevant for the purpose of preparing adequate periodic monitoring reporting on Funding and Credit Lines.

In addition, the Group carries out periodic Sensitivity analyses, with the aim of assessing the impacts of C&E scenarios on the liquidity position.

ESG risk factors have also been integrated into the measurement models of the other types of **Pillar 2 Risk**[35].

With reference to **reputational risk**, Banco BPM has refined the methodology it uses for quantifying estimates of economic capital in order to include the possible deterioration of the Group's image, perceived by its various stakeholders, as a result of the potential emergence of specific ESG risk factors.

In particular, the marginal contribution of the various climate and environmental risk factors to the overall measure of economic capital to deal with this particular type of risk was assessed.

A what-if analysis was also conducted to assess potential reputational impacts observed in the banking system as a whole.

Banco BPM has also defined a framework for continuous monitoring and for the preventive mitigation of the reputational risk of counterparties with loans.

This framework is based on analyses deriving from instruments of the commercial network, from credit policy processes, from activities of the Rating Desk on the credit risk rating of counterparties and, lastly, envisages second-level controls conducted by the Risk Function, both for purposes of monitoring, and ex-ante.

The tools available in the commercial network make it possible to analyse companies by collecting a wide range of information, including elements useful for identifying potential reputational risk factors.

The fundamental drivers of the credit policy framework include the ESG score of counterparties. This score is directly impacted by the results of the ESG questionnaire which covers, in particular in the qualitative section, elements of potential reputational risk both for environmental (E), social (S) and governance (G) aspects, and a specific question is also envisaged to be completed by the manager on the reputational aspects known to them not already covered by the questions in the questionnaire.

[35] Reputational, Strategic, Equity and Real Estate

There are also two "fatal" questions on social (S) and governance (G) that can nullify the mitigation effectof the ESG questionnaire.

The activities carried out by the Rating Desk envisage the option to override the credit rating of counterparties, in a negative sense, in the presence of potential reputational risks of an ESG nature.

In order to carry out these assessments, the structure also makes use of the information provided by the manager, the decision maker or of the indications available in the ESG questionnaire. Its intervention may, in the most serious cases, lead the counterparty to be included on the watchlist.

The Risk Function also manages the analysis of the reputational risk of counterparties, both as part of ex-ante assessments, and in periodic monitoring with reference to the second level controls.

With regard to **strategic risk**, the Group completed a review of the main methodological assumptions to further strengthen assessments of short-term commercial objectives with the Business Plan targets, more oriented to a medium and long-term time horizon, at the same time strengthening the strategic controls relating to the impacts of ESG factors and the overall evolution of digitalisation processes.

Banco BPM also refined its property risk and equity risk models by including the physical risk and transition risk components in the estimation methodologies.

In particular, with reference to **real estate risk**, in the measurements of economic capital used to assess the Group's capital adequacy, the impacts deriving from the potential occurrence of physical risk (acute and chronic) were also considered, according to specific assumptions developed on the basis of Network for Greening the Financial System (NGFS) scenarios, also adopted in the specific climate stress test exercises.

In addition, as regards **equity risk**, similar assessments were carried out by the Group in order to include the incidence of the transition risk component, again with respect to the scenarios mentioned above, on the potential reduction in fair value of equity investments included in the scope examined.

The overall analyses of the impacts of ESG factors, particularly environmental and climate-related, conducted on the main types of risk relevant to Banco BPM, to date show a marginal exposure and materiality in consideration of the current risk score.

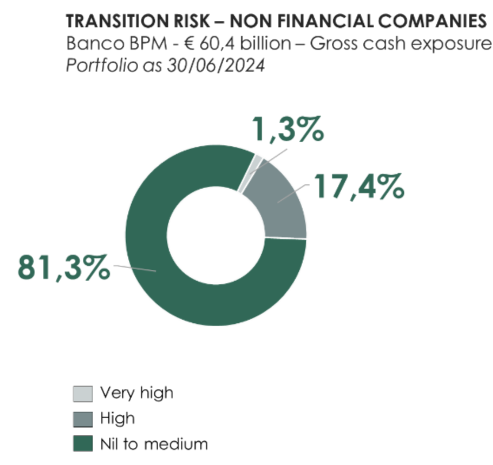
Based on this specific analysis, the expected potential economic loss linked to C&E risks is low for the Group.

The outcomes of the monitoring of each type of risk, including the related ESG impacts, are periodically reported within both the respective vertical reporting and the Group's integrated reporting (Risk Appetite Monitoring - RAM).

Portfolio transparency

In continuity with previous years, analyses were conducted in the first half of 2024 to measure the exposure of the Bank's loan portfolio to climate-related risks in key economic sectors and geographic areas.

With reference to **transition risk**, the mapping of the loan portfolio as at 30/06/2024 shows a moderate exposure to this type of risk:



Specifically, very high risk exposures account for 1.3%.
The “very high” risk band includes the coal-related sectors strongly impacted by the climate transition for which the 2021-2024 Strategic Plan envisaged a gradual run-off (an objective also confirmed in the new 2023-2026 Strategic Plan and the published targets on NZBA priority sectors).

The “high” risk bracket, representing 17.4% of the portfolio, includes companies that will have to undertake major “green conversion”, with potentially significant effects on financial stability.

When compared to the overall distribution of the Italian System, the distribution by level of exposure to the transition risk of Banco BPM's loan portfolio appears to be better.

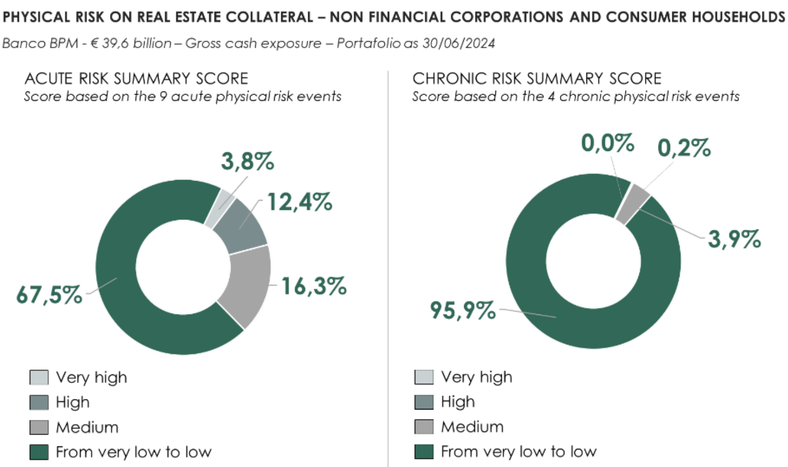
ITALY
Distribution by transition risk

Very high	1,6%
High	17,8%
Nil to medium	80,7%

Source: info-provider Cerved, which applied Banco BPM’s methodology to the entire Italian system to make the comparison consistent and homogeneous.

For a detailed representation of the methodology and of the results relating to the analysis of transition risk, please refer to the Group's 2023 Consolidated Non-Financial Statement.

Even with reference to **physical risk**, the Group's credit portfolio shows a low exposure to this risk (both acute and chronic).



In general terms, the low exposure to physical risks is favoured by the geographic distribution of our loan portfolios, which are concentrated in the Northern Italian regions marked by an average exposure to physical risks which is lower than the average in Italy.

For a detailed representation of the methodology and of the results relating to the analysis of physical risk, please refer to the Group's 2023 Consolidated Non-Financial Statement.

The overall assessment methodology is, however, constantly evolving also in order to take into account the improved quality of the available information.

Financed emissions - Scope 3

In the document's ESG – quantitative section, Banco BPM presents, for the first time, the emissions linked to its loan and investment portfolios in the banking book, including both financial and non-financial assets, utilising the methodology created by the Partnership for Carbon Accounting Financials (PCAF).

In order to ensure transparency and accuracy in the reporting of emissions, the Bank launched a specific project in the first half of 2024 that allowed for a consolidation of the definition of the scope of analysis, the identification of the counterparty variables required by the calculation, and the provision of external data on emissions.

The PCAF method identifies seven asset classes for the reporting of financed emissions, each with a specific definition and methodology for calculating emissions.

Where available, Banco BPM considered the information provided directly by the individual counterparties under analysis, described in specific public reports (such as Non-Financial Statements and Sustainability Reports).

In cases where, on the other hand, the absolute emission figure was not disclosed by the entrusted company, a specific methodology differentiated according to the asset class under analysis was applied.

Similarly, for the calculation of financed GHG emissions, considerations of the counterparty's Scope 1, 2 and 3 emissions were adopted, differentiated according to the asset class being analysed.

By way of example, for commercial loans and equity investments in unlisted counterparties, the absolute Scope 1 and Scope 2 emissions of all counterparties were considered; for Scope 3 emissions, only counterparties operating in the business sectors defined in Delegated Regulation (EU) 2020/1818 were selected, which provides for a step-by-step reporting approach with respect to such emissions.

For the disclosure of the results of the analysis and for more information on the methodology adopted, please refer to the ESG section – quantitative part, Table 1.

Scenario analysis

Banco BPM Group already defines and uses adequate baseline and alternative macroeconomic scenarios as part of its capital (regulatory and operating) and liquidity adequacy assessments that allow the Bank to project/simulate the evolution of its economic and capital figures as well as of the related underlying risk measures.

With reference to ESG issues, particularly environmental and climate-related issues, the need to be able to conduct specific forward-looking assessments is becoming increasingly important in estimating the impacts of these factors not only over a short-term time horizon, but also, and above all, looking ahead to the medium and long terms.

In recent years, therefore, it has become necessary to integrate the effects of climate and environmental components into the forward-looking scenarios adopted for capital and liquidity projections in order to assess their impact on the Bank's overall business.

This area includes monitoring the impacts of climate change and environmental degradation on the business environment of the Banking Group, in the short, medium and long terms, with regard to specific macroeconomic variables and in reference to its particular competitive context.

The monitoring described, therefore, has a dual purpose.

Firstly, to allow the Group to select, update and analyse the different climate scenarios available, with the aim of verifying their impacts on the reference context; to this end, the Bank makes use of the climate scenarios developed periodically at institutional level, in particular those produced by the Network for Greening the Financial System (NGFS), a group of Central Banks and Supervisory Authorities committed to sharing best market practices, to contributing to the development of climate and environmental risk management in the financial sector, and to mobilising traditional finance to support the transition to a sustainable economy.

In addition, there are assessments of specific impact on the Bank of both transition and physical risks that affect the Group's overall business with direct impacts on the financial choices/needs of customers, as well as on the type and quality of services and products offered by the intermediary.

Over time, the NGFS has prepared a set of scenarios that incorporate the effects of climate change on the global economy and individual countries under different climate shock assumptions.

The new scenarios released by the NGFS in November 2023 (phase IV) were updated considering the latest available economic and climate data, new technologies, as well as the latest political objectives and the implications of the war in Ukraine on the energy market.

The NGFS proposes 4 climate scenarios: "Orderly", "Disorderly", "Hot house world" and "Too little - too late", developed over a time horizon up to the year 2100, and which differ according to the goal of the efforts made by national governments to counter the effects of global warming.

In the set recently presented by the NGFS, two new scenarios, "Low Demand" and "Fragmented world" were added, while "Divergent net Zero", which was included in the previous version, was eliminated due to the reduced likelihood of achieving environmental targets as a result of an uncoordinated transition.

Further changes result from the improved modelling of physical risks with a more detailed definition of how the same, particularly the acute ones, might materialise.

The economic impact of the four scenarios is measured through the deviation of the cumulative GDP from a baseline assumption.

These deviations are assessed over three distinct time horizons: 2030, 2050 and 2100.

The assessments for Italy - on which the Banco BPM Group's economic activity is focused - show, also in the November 2023 NGFS document, that the growth differential between the various climate scenario assumptions by 2030 is small.

Lastly, it should be noted that Banco BPM Group, although currently using the NGFS phase III scenarios, is also continuing to assess its own capital adequacy, also in light of the financial KPIs generated by the information contained in the new ESG scenarios (NGFS phase IV), by adopting specific sector/territorial analyses, as well as by implementing increasingly advanced and accurate approaches.

The choice of climate scenario based on the NGFS provision was made following a materiality analysis conducted on the prospective Probability of Default (PD) under the assumptions of the "Orderly Transition," "Disorderly Transition," and "Hot House World" scenarios, with short-term (2023-2026), medium-term (2030), and long-term (2050) horizons, in line with the guidelines set forth in the "Thematic Review – Climate-related and Environmental Risk Strategies".

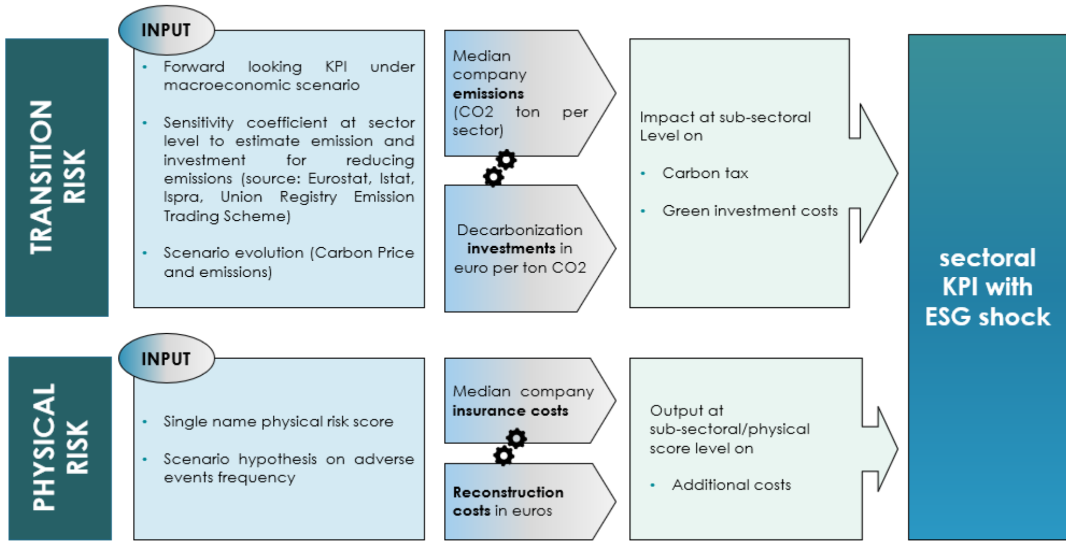
The first scenario analysed is the "**Orderly Transition**", which assumes that environmental policies are introduced early and gradually become more stringent, based on the "NGFS Net Zero 2050" scenario. This scenario envisages a cap of 1.5°C on global warming and achieving net-zero emissions by 2050 through stringent climate policies, including the immediate introduction of a carbon tax. This tax compels companies to make significant initial efforts to cover both the costs associated with the emissions tax and the investments required for technological adjustments. Although this scenario entails higher initial costs, it is expected to

yield better long-term outcomes in mitigating global warming, thereby reducing physical risk.

The "**Disorderly Transition**" scenario, based on the "NGFS Delayed Transition scenario", posits that environmental policies will only be introduced starting in 2030, aiming to limit global warming to 2°C by 2050. The delayed start of restrictive emission policies would necessitate stronger measures, resulting in higher carbon prices and investment costs, albeit postponed until after 2030. Additionally, the delay in implementing ecological transition policies would lead to greater global warming compared to the "Orderly" scenario, increasing the frequency of extreme climate events.

In contrast, the "**Hot House World**" scenario, based on the "NGFS Current Policies scenario", suggests that no specific environmental policies will be enacted and that the continuation of current measures will be insufficient to curb global warming. Despite a gradual reduction in emissions in Europe, global temperatures are expected to rise by 3°C by 2080, significantly increasing physical risk due to an almost non-existent transition and negligible costs for emissions containment.

Based on these scenarios, the impact of climate shocks on PD has been quantified by applying the financial module of internal rating models to projected financial statements of corporate clients, aligned with key indicators of climate policy. Specifically, the impact on PD is assessed through sector-specific financial indicators adjusted for the additional costs that companies incur due to transition and physical risks. As summarised in the following image, the impacts of a potential "carbon tax" aimed at discouraging greenhouse gas emissions (CO2 equivalents) are considered, alongside the costs of increased debt incurred by companies to fund investments aimed at improving production processes and reducing emissions. Furthermore, long-term projections also account for rising insurance costs associated with addressing physical risk impacts.



The variations in financial factors adjusted for climate drivers observed in the projected financial statements across the three scenarios were aggregated at the sector level and across macro-clusters to determine the prospective PD through the aforementioned financial

module.

At the aggregate level, across the entire credit portfolio, the following observations are made:

- In the **short term**, all three analysed scenarios lead to an increase in PD. This increase is much more pronounced in the “Orderly” scenario due to the immediate implementation of carbon dioxide and equivalent emissions reduction measures, resulting in increased costs and investments for the transition. In contrast, the other scenarios show a more modest increase, as it is assumed that no specific emission reduction policies are implemented in the initial years of projection.
- In the **medium** and **long term**, a contrasting trend is observed: the highest PD values are reached in the “Hot House World” scenario due to the greater costs incurred to address the rising physical risk, as a consequence of not having adequately reduced emissions.

This analysis highlights the impacts of different scenarios on the creditworthiness of the bank's clients, delving into the effects of both transition risk (comparing the “Orderly” and “Disorderly” scenarios) and physical risk, captured in the “Hot House World” scenario and the long-term implications of the “Disorderly” scenario.

In conclusion, distinguishing the impacts on PD in the short term (2023-2026), medium term (2030), and long term (2050), it is observed that in the short term, the “Orderly” scenario is the most conservative and, therefore, the most suitable for the bank to use in its projection exercises (ICAAP and IFRS9), characterised by a three-year time horizon.

IT Architecture & Data Governance

To allow proactive governance of ESG risk factors, it is necessary to have a suitable IT infrastructure in place to ensure that the Bank can collect, log and process all detailed information/data useful for developing and guaranteeing adequate and effective internal reporting.

The importance of environmental, social and governance (ESG) factors, in fact, is the subject of increasing attention by national/international institutions and, within the banking sector, there is a growing awareness of the need to integrate these analysis dimensions into strategies, processes and Market disclosures.

In particular, data availability is undoubtedly one of the main challenges that banks are facing to effectively measure and assess the exposure of their portfolios to ESG risks.

These data include:

- quantitative metrics (such as customer carbon emissions);
- qualitative information on their organisational structure and activities (i.e. the presence of teams focused on ESG risks and policies in place, plans to eliminate net greenhouse gas emissions, procurement practices);

- broader macroeconomic, social and environmental data (e.g. shared social-economic scenarios).

In this specific context, Banco BPM Group's IT function is proactively collaborating, on an ongoing basis, with the various business functions to identify gaps in the data and in the reporting tools in order to adapt the overall IT infrastructure to incorporate, collect and integrate the missing information.

As part of this, the IT function has equipped the bank with a centralised repository (Data Warehouse Risks) with the aim of collecting, processing and storing the new ESG information needs, thus enriching the existing databases.

Specifically, data are collected from both inside and outside the Group.

Data from internal sources are mainly acquired through:

- ESG questionnaires, submitted to the Bank's borrower customers to gather all the information useful for assessing the ESG objectives of the individual counterparties and, at the same time, enhancing the impact metrics relating to loans to the Third Sector.
- MiFID questionnaires for the purpose of alignment with the new Directive 2014/65/EU - MiFID II to gather knowledge about the financial world, economic situation and investment objectives.
- FFS (Financial Forecast Studio) platform for simulating forward-looking financial statements in order to include ESG assessments, generate stressed scenarios (including climate) and carry out sustainability-oriented evaluations.

The data from external sources are mostly obtained through suitable and qualified external info-providers in order to:

- gather granular information necessary for carrying out appropriate detailed analyses;
- have forward-looking climate scenarios to define and implement robust stress tests also aimed at projecting physical and transition risk scores over different time horizons.

During the first half of 2024, the IT function focused on utilising ESG data within banking processes by industrialising models and engines to support the calculation of ESG metrics, for both reporting purposes (internal/external) and to enhance the bank's core business.

Specifically, the implementations of the Data Warehouse concentrated on expanding the dataset for physical and transition risks based on regulatory and business needs identified during the climate and environmental risk inspection[36] conducted in 2023. This included integrating underlying drivers for estimating risks in companies operating in the real estate sector.

Additionally, several releases have been planned up to January 2025 for further interventions aimed at i) updating the transition risk estimation methodology for evaluating ceased/cancelled companies, non-REA entities, and public bodies, and ii) enriching the risk assessments for holdings, construction companies, and real estate funds while standardising physical and prospective risks.

[36] OSI-2023-ITBPM-0241310 - Climate & Environmental Risk

These implementations also focus on revising and integrating ESG questions and data in the ESG questionnaires.

Regarding market disclosure (Pillar 3) in December 2023, ESG templates 6, 7, 8, and 10 were published for the first time following the implementation of the ESG data set production/integration process and the related data management methodologies developed in the ESG Risks Data Warehouse.

More specifically, the published templates required by the European Taxonomy starting 1 January 2024 (as of 31 December 2023), were populated to communicate the value of the Green Asset Ratio (GAR), which is the ratio of the bank's assets financing/invested in economic activities aligned with the Taxonomy to the total assets covered.

The information processed is necessarily subject to potential IT adjustments, also in relation to the methodological refinements gradually introduced.

The IT function also collaborated with various bank structures involved in collecting data requirements and useful data to prepare a procedure aimed at populating the required templates for the regulatory "Fit-for-55" Stress Test exercise, using data from the Data Warehouse.

Like the IT architecture, the definition of an adequate data governance framework for ESG issues is an enabling factor in having reliable and correctly rebuildable information.

In the first half of 2024, the Data Governance framework was applied, monitoring the evolution of the data architecture as part of the ongoing process to enhance Data Quality.

Regarding Data Management activities, the overall framework was extended, and the data perimeter for relevant areas previously examined was expanded, ensuring a better understanding of the underlying business processes and concepts related to ESG and greater alignment with the more operational activities anticipated in Data Quality.

With regard to data quality and accuracy, the control framework was further strengthened by covering the main ESG data areas.

Specifically, for physical and transition risk, new Level 1 controls were completed in the first quarter of 2024 and are fully implemented. Additionally, during the half-year, new controls were designed that also include the environmental risk component. The overall production release is expected to be completed in the third quarter of 2024.

In the ESG Platform – Wealth Management area, a first set of Level 1 controls concerning product disputes has been released into production. Further controls related to Asset Management are being developed, along with initial controls on the completeness of the input data perimeter coming from a primary external information provider.

For qualitative ESG questionnaires, the control framework was further strengthened in the first half of the year.

During the same period, initial Level 1 controls of the second instance were activated on the data provided by the ESG Data Warehouse to the liquidity risk management application.

In the second half of the year, work will continue on analysing the requirements for new Level 1 controls.

2. Qualitative information on social risks

2.1. Business strategy and processes

The Group's ESG vision is defined in the 2023-2026 Strategic Plan, approved by the Board of Directors of Banco BPM and presented to the Market in December 2023.

This document completes and expands the Bank's goal in all areas of sustainability, committing it to full integration of ESG criteria in its Governance and business models.

In fact, the Plan is based on the Group's desire to meet the specific needs of customers and the local community, at the same time pursuing sustainable growth and the creation of value for all stakeholders.

With reference to the social component, Banco BPM intends to continue with its efforts to strengthen the Group's "People Strategy" which is specifically based on three key pillars: generational turnover, female empowerment and focus on the work-life balance.

To demonstrate its strong commitment to spreading a corporate culture based on diversity and inclusion, the Strategic Plan plans to increase - by the end of 2026 - the share of female colleagues in managerial positions compared to the reporting date (December 2023) by at least 20%.

The Group also intends to invest in a progressive generational turnover of its workforce, to be implemented through the recruitment of young talents with strong IT-tech skills.

Over the course of the plan (2024-2026), Banco BPM plans to hire at least 800 new resources under 30.[37]

The Group is also aware of how training is a key enabling factor for the growth of human capital, also to effectively address future business challenges, and at the same time fully integrate ESG factors.

The Bank's primary objective is to create a new structure dedicated to training, in order to support/implement the new standards envisaged for the development and acquisition of skills, which will enable it to both generate value in professional growth paths and to implement suitable reskilling initiatives.

In order to disseminate and promote a sound and robust ESG risk culture, Banco BPM Group has launched a training course on ESG issues (dissemination of the new RAF, credit policies and credit assessment integrated with ESG factors for sales network managers and managers of central structures).

Specific risk induction sessions were also carried out for the Board of Directors relating to ESG strategies (with a specific focus on climate and environmental risks).

Specifically, a special "Academy" will be established, which will provide around 140,000 training days per year and - in particular - by 2026, around 200,000 hours dedicated to ESG issues.

Lastly, the 2023-2026 Strategic Plan focuses on flexible work, aimed at tangibly achieving

[37] Of which around 200 IT-Tech Specialists.

objectives and guaranteeing the development of "smart working" as a way to actually improve the work-life balance, as well as a useful tool to attract/retain talents.

40% of the working hours of head office employees will be carried out in smart mode. Smart working will also be guaranteed for network sales staff.

The Group also intends to confirm its commitment to the Community. In the coming years, Banco BPM will further strengthen its role as lender to "Third Sector" entities/institutions.

In fact, the objective is to disburse at least 200 million euro in new loans to this sector in 2026.

The 2023-2026 Strategic Plan also confirms the Group's willingness to operate as a "Top Community Bank" for the benefit and in support of the community.

More specifically, the Bank undertakes to achieve the following objectives: i) disburse adequate contributions to fund environmental and social projects (5 million euro per year over the plan period); ii) implement specific company volunteering projects (more than 2,000 average hours per year guaranteed over the plan); iii) define specific financial education and ESF awareness initiatives (expected to be more than 4,000 average hours per year).

In addition, note that some business targets described in section "*1. Qualitative information on environmental risks*" cover all areas of sustainability, including Social.

Specifically, reference is made to the objectives of the Strategic Plan relating to the placement of green, social and sustainable bonds, as well as the share of ESG bonds that the Group intends to maintain in its owned portfolios (banking and trading books).

Lastly, we highlight the continuity with the Group's ongoing commitment to IT security and technological innovation in the field of cybersecurity, which is one of the Pillars of the 2023-2026 Strategic Plan and one of the main areas of investment in the Bank's ESG strategy, with +20% additional investments in the plan compared to the previous 2021-2023 plan. To this end, privacy and cybersecurity measures have been strengthened to support the Group's digital transformation process with a keen focus on operational resilience. Additionally, the position of Chief Innovation Officer (CIO) has been established, reporting directly to the CEO.

As already illustrated, the pursuit of the objectives defined in the 2023-2026 Strategic Plan is subject to adequate monitoring, which is carried out continuously on a quarterly basis for the Management Committee and the Board of Directors. It is accompanied - where necessary - by the formulation and proposal of suitable "mitigation actions" (e.g. initiatives and processes aimed at recovering any gaps/delays that may arise).

With reference to the 2023-2026 Strategic Plan, the following table summarises the main targets aimed at achieving a positive social impact and the relative level reached as of the first half of 2024.

		Target PS 23-26	Status 30.06.2024
PEOPLE	Women in managerial positions	+20% vs 2023	29.7%
	ESG Training hours for Employees	#200k in 2026	~#164k
	New young hires	#800k (2024-2026)	#95
COMMMUNITY	Donations and contributions for S & E projects	~€5m avg. 2024-2025	€3.9m
	New lending to third sector	~€200m in 2026	€72m

Furthermore, it is important to remember that, in December 2021, Banco BPM formally joined the United Nations' voluntary "Global Compact" initiative aimed at promoting a sustainable global economy, and also declared its specific commitment to implement, disseminate and promote within the scope of its activities, the ten universal principles relating to Human Rights, Labour, the Environment and the Fight against Corruption.

As already mentioned, - with specific reference to issues relating to social risks - Banco BPM Group pays great attention to listening to the various stakeholders, particularly when defining its strategic decisions, as well as in the daily performance of its operating activities.

In fact, the Bank conducts its business in compliance with the law, guaranteeing the protection of occupational health and safety and combating any form of social discrimination.[38]

The Group's internal regulations convey the principles expressed in the Code of Ethics.

In particular, the Policy adopted by the Group on Respect for and Protection of Human Rights was drawn up, a document that places particular emphasis on respect for human dignity, inclusiveness, fairness and valuing diversity, combating all forms of discrimination and harassment, as well as protecting personal data.

Banco BPM also updated its internal operations in relation to the specific Defence sector, strengthening the authorisation process with a view to sustainability.

Through the publication in November 2023 of the "Guidelines on operations in the weapons materials and systems sector", in fact, adequate controls were introduced to assess the potential ESG impacts of the individual transactions subject to approval. The Board of Directors is expected to authorise these credit granting operations, subject to the non-binding opinion of the ESG Committee.[39]
In addition, the Management Body defines the list of countries - in particular non-NATO and non-EU countries - with which it is possible to operate.

[38] Respecting and valuing differences in terms of gender, age, ethnicity, nationality, religion, language, different abilities, sexual orientation and identity, political and trade union membership.
[39] The ESG Committee has the right to resolve autonomously on operations that do not require any use of credit lines.

In order to achieve the ambitious goals of the Strategic Plan (in the social sphere), the Bank considers the relationship based on constructive dialogue with the Group's main stakeholders, in particular its **customers**, to be a priority.

This relationship is conducted, on an ongoing basis, through specific surveys to detect the degree of overall satisfaction with the Group and to collect useful feedback on the services/products offered, as well as on any new methods for their use.

The surveys described involve all customer segments of Banco BPM, both corporate and private, with the aim of understanding and addressing the specific and different financial needs.

With specific reference to borrower companies, one of the main points emerging from the analyses is the need for the Group to define and develop suitable approaches to ESG issues, differentiated according to the different business size of the counterparties supported.

In this context, the "ESG Factory" project is worth mentioning, which transforms the Bank into a meeting and training place for companies, thanks also to the contribution and support of qualified partners.

The initiative aims to explore all issues related to sustainability and assess the potential paths that companies could take with regard to this specific context, providing them with adequate information to cope with change.

Aware of the central role attributed to intermediaries in guiding the transition of customer companies, Banco BPM Group is actively committed to progressively integrating ESG factors into its credit policies, as well as developing and proposing specific lending solutions.

In particular, as already highlighted in the previous section on climate and environmental risks, within the overall framework of Credit Policies, the use of the ESG questionnaire is of great importance as a tool useful for assessing/guiding customers. Through this tool, the Group is able to collect and analyse important data and information necessary for the correct and accurate profiling of financed counterparties, also with regard to their responsibility/reputation in the social and governance spheres.

With reference to the so-called "fatal" questions, the "social" question included with the 2023 credit policies is aimed at intercepting/verifying any situations of litigation and/or pending lawsuits by the individual counterparties examined.

In addition, the "social" section focuses on issues related to employee health and safety, respect for human rights, and the adequacy and protection of company data and information systems.

With regard to the specific lending solutions, Banco BPM is able to offer a wide range of products and services that meets the different needs of its customers.

In order to guarantee widespread cost-effective development and combat potential situations of difficulty, Banco BPM Group offers adequate social tools and facilities, with a view to permitting its customers access to credit and to have suitable financial resources that can support specific projects and/or overcome difficult situations.

With regard to young people, the following initiatives are of note:

i) "*Mutuo You Giovani Green*" [Green Mortgage Loan for Young People] for those under 36 for the purchase of their first home. The product offers the opportunity to obtain up to 100% of the value of the property and includes subsidised rates, elimination of preliminary processing costs and instalment payment costs;

ii) "*Student Loan*", which allows deserving individuals between 18 and 40 years of age, without sufficient financial means, to undertake a course of study or complete their training, thanks to the economic support represented by a State-guaranteed loan.

In support of women and equal opportunities, Banco BPM has also joined the protocol that the Italian Banking Association (ABI) and the sectoral Trade Unions signed in 2019.

Under this protocol, the Bank agrees to suspend payment of the principal of mortgages and loans, with corresponding extension of the repayment plan for a maximum period of 18 months, for women who are victims of violence and included in protection programmes, and who are in situations of economic difficulty.

In November 2023, this protocol was extended until 2025.

Over the last year, the Group has also confirmed its commitment to supporting families and businesses damaged by natural disasters.

Banco BPM has suspended the payment of mortgage and loan instalments for people living in areas affected by earthquakes. Through the use of funds specifically earmarked by the State, specific funding was also provided for the reconstruction of damaged buildings/assets or for the payment of taxes.

In addition, Banco BPM has collaborated for several years with the main anti-usury foundations, established for the purpose of combating this specific criminal phenomenon and acting on behalf of parties in economic difficulty, with assistance and provision of guarantees with banks.

These foundations guarantee coverage of up to 100% of the amount of loans granted to people who are victims of these difficult social situations. The specific disbursements are intended to counteract the possible use of illegal credit channels by parties in difficulty.

Banco BPM also considers the relationship with its **employees** to be a fundamental element of its business strategy.

Suitable programmes for professional development were therefore launched, with a view to empowering young people and key employees, who stood out for their characteristics, commitment and aspirations for growth.

These programmes are designed to guide individuals on a journey of initiatives and experiences which, at the same time, develop their skills and grow their talents.

The main development programmes involved:

- young people to hire them, involve them and enable them to grow professionally in their first years of experience in the company, also strengthening their soft skills;
- talents, placed in professional and commercial roles, to accompany them on a path to strengthen their skills in view of the recruitment of future managerial positions;

- women, to strengthen their self-confidence by working on personal effectiveness, on the power of influence and on individual affirmation;
- second or and third level managers, with the aim of strengthening the management team by consolidating their leadership style and training them in the skills required when taking on management roles.

As part of our People Strategy, training is an essential tool to accompany and support people in their professional and managerial growth through paths consistent with the changing context, to foster knowledge, continuous learning and build advanced professional skills, including digital ones.

Specifically, the bank continued to focus on ESG training, striving to foster a strong internal culture in these areas and boost awareness and competence in sustainability issues.

In line with the provisions of the Code of Ethics, the Occupational Health and Safety Guidelines and international standards on which they are based, the protection of people's health and safety, and well-being in the workplace are values that guide the Group's choices.

During the year, the Bank also published the "Guidelines on the respect and protection of human rights".

Banco BPM's commitment to the **Communities** where it operates is evident in its direct support for local social initiatives. This support includes providing specific charitable contributions approved by the Charity Committee and signing sponsorships, with a special emphasis on enhancing school facilities and investing in educational activities. These efforts aim to promote ESG culture, including financial education, ESG awareness, and gender equality in STEM education.

These initiatives involve the Bank's partners, suppliers and customers.

Commitment to their Communities is also evident through the activities carried out by:

- Local Committees, which regularly assess local needs and actively contribute to ESG materiality analyses;
- the seven Foundations envisaged in the Articles of Association, located in the areas in which we historically operate, to respond to social and environmental needs in a comprehensive manner;

Banco BPM recognises the vital role that the Third Sector plays in fostering sustainable, united and resilient communities. To this end, the bank consistently backs the efforts and projects of organisations working in this sector by offering tailored products and support services (during the first half of 2024, the total loans provided to these customers amounted to 72 million euro).

Banco BPM also pays great attention to the **supplier** selection process and to the relations it holds with suppliers.

In the value chain, suppliers are selected from a specific register that includes all parties that partner with the Group. This tool makes it possible to develop constant dialogue between the parties, helping to create a direct and structured relationship.

As of January 2024, a new vendor management technology platform for ESG rating application and detection is in place. This allows suppliers to enter and keep their information constantly updated, in a secure and confidential manner.

Almost all suppliers are based in Italy. This choice enables, on one hand, value to be returned to the regions, and on the other, to minimise the geopolitical risks arising from a delocalisation of the supply chain.

Verification of the documentation collected at the qualification stage and a series of controls distributed over time allow the Group to mitigate or preserve itself from possible economic, reputational and legal risks related to the supply chain.

The bank does not have any relationship with persons involved in illegal activities or who, directly or indirectly, violate human rights - whose protection is a value expressed in the Group Code of Ethics.

In 2023, the Supplier Register was enriched with a sustainability section, essential in the qualification process.

In fact, suppliers are periodically asked to fill in specific questionnaires, both during the initial registration and ongoing thereafter. From the information collected, in addition to actually checking the goods and services provided, the Bank is able to assess the individual counterparties in detail.

This allows the Group to evaluate its suppliers also from a sustainability perspective and to assign them an internal ethical rating useful for certifying the social responsibility profile of the party examined.

In particular, thanks to the cooperation with the ABC Consortium (mainly consisting of banks and insurance companies and focused on the provision of services for purchasing functions), a questionnaire was implemented, calibrated to the EU classification of the company (micro/small/medium/large) and developed based on the UNI ISO 26000:2010 guidelines for the Social Responsibility of organisations.

The questionnaire is made up, in particular, of 59 questions referring to different thematic areas[40], each of which is assigned a specific weight of relevance.

The overall rating assigned to individual suppliers is represented by a quantitative score - ESG Rating - attributed to increasing classes of coverage of the best practices identified: ESG0, ESG+, ESG++ and ESG+++.

As further confirmation of the extent to which social sustainability issues are integrated into the Group's corporate strategies, note that in November 2023, the Bank successfully concluded the issue of a new Senior Preferred Social Bond for a counter value of 500 million

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[40] The areas considered are: corporate governance; environment; good management practices; labour relations and conditions; human rights; community involvement and development; aspects related to consumers

euro. In this context, mention should be made of the bank's first issue of a social bond in 2021 for a countervalue of 500 million euro.

The bond financed a portfolio of loans granted to SMEs located in provinces with per capita GDP below the national average and/or in areas affected by natural disasters, as well as a portfolio of loans granted to SMEs with a State Guarantee to help borrowers cope with the emergency due to the global Covid-19 pandemic.

This placement represented the first issue of bonds as part of the new Green, Social & Sustainability Bonds Framework recently published by the Group.

The categories of assets that can be financed with the proceeds collected through the issue of social bonds, according to the eligibility criteria of the new Framework, are as follows:

- SME loans:
  - Located in provinces with GDP per capita below the national average and/or areas impacted by natural disasters;
  - Backed by a Covid guarantee
- Loans to Public or Third Sector Bodies
- Loans to the healthcare sector
- SLLs provided to SMEs to support sustainable transition
- Residential mortgages to disadvantaged parties

All activities with potentially negative or controversial environmental or social impacts and specifically, any kind of investment related to the use of fossil fuels, the production of nuclear energy, the armaments sector or the tobacco and gambling sectors are not considered – and therefore automatically excluded.

Based on the data updated as at 30 June 2024, the eligible portfolio, under the Framework, was approximately 14 billion euro, of which approximately 8.8 billion euro relating to "eligible social loans".

With specific reference to the portfolio owned by the Group, as at 30 June 2024, the ESG Bonds included in the scope were 2.1 billion euro, of which 256 million euro represented by Social Bonds.

2.2. Governance

With regard to the roles and responsibilities of the Board of Directors and the internal board bodies in making decisions concerning the management and mitigation of social risks and in approving public disclosure documents and internal regulations, please refer to the paragraph "Specific expertise of the Corporate Bodies" in the qualitative section introducing risks.

With particular reference to Banco BPM's Code of Ethics, it should be noted that this document makes several explicit references to sustainability. It provides a detailed outline of the values that guide the Group in the areas of human rights protection, climate change mitigation, anti-corruption efforts, fairness and transparency.

Given the central role attributed by Banco BPM to stakeholder relations, the document is structured by describing the individual values related to each specific stakeholder relevant to the Group.

Furthermore, the Board of Directors - within the framework of its spending and social responsibility policies, and subject to resolution by the Shareholders' Meeting - allocates a portion of the year's profit to the Group's Territorial Offices and Foundations for charitable initiatives aimed at supporting the needs of the reference communities. To this end, it approves, also in consultation with the Sustainability Committee, the directives and guidelines on spending and social responsibility policies pursuant to Article 5.4. of the Articles of Association, receiving periodic reports on its activities.

The ongoing engagement with individual stakeholders, as well as the alignment of interests and objectives, enables the Bank to identify fresh opportunities to refine its business model.

In this context, at the end of 2021, the Group approved the “Regulation governing the management of dialogue with shareholders” aimed at ensuring constructive and ongoing dialogue with major institutional investors and other players in the Financial Community.

In this regard, also considering the size and organisational complexity of the Group, Banco BPM decided to assign to separate structures, specialised and equipped with adequate resources and professionalism, relations (i) with institutional investors and relations with financial analysts/rating companies; (ii) with retail shareholders.

In May 2023, Banco BPM adopted specific "Guidelines on respect for and protection of human rights", a document valid for all Group companies that is inspired by the main international treaties and addresses related issues, with a specific focus on the areas of greatest materiality for the Group: anti-discrimination, diversity and inclusion, health and safety.

Through the publication in November 2023 of the "Guidelines regarding operations in the weapon materials and systems industry", Banco BPM has also updated the internal operations followed in relation to the specific Defence sector, strengthening the authorisation process with a view to sustainability.

It should also be noted that Banco BPM is particularly attentive to the social principles of Diversity and Inclusion. To this end, suitable management incentive systems have been defined, which include a selected number of KPIs referring to these particular areas of assessment. It should also be noted that Banco BPM's Remuneration Committee has (i) promoted and endorsed the adoption of appropriate measures in the area of diversity and aimed at increasing the number of female managerial positions, in line with the target defined in the 2023-2026 Strategic Plan, and (ii) reiterated its recommendation to close the gender pay gap progressively and as quickly as possible. The Remuneration Committee discusses this matter with the Sustainability Committee, through its Chairperson.

The Remuneration Committee, in agreement with the Group's other internal committees, also pointed out the need to consider, among the sustainability objectives, the promotion of social initiatives, corporate volunteering and the development of ESG awareness and culture among customers.

More recently, in line with the Supervisory Authority's indications, the Bank has defined a series of initiatives aimed at strengthening consumer protection and preventing and mitigating the risk of over-indebtedness.

For further information on the Group's remuneration policies, please refer to what has already been described in the section “Specific expertise of the Corporate Bodies”.

2.3. Risk Management

The increasing availability/quality of the information gathered from the questionnaire submitted as part of the overall Credit Policy framework described above will allow the Group to strengthen the strategies implemented by the Bank with regard to the specific management of these risk factors, enabling it to direct adequate initiatives aimed at proactively managing the impacts of these special components on its business model, processes and internally adopted corporate policies.

In addition, the Bank pays great attention to those "controversial" sectors that, despite dealing with operations that are lawful in terms of regulations, may present critical social and environmental issues. Specifically, the Group conducts thorough assessments, with the aid of suitable organisational controls, when evaluating prospective financing for counterparties involved in the materials and weapons systems sector.

Banco BPM is committed to strengthening its overall Risk Appetite framework and the underlying risk estimation methods currently in use in order to include, in its forward-looking capital adequacy assessments, also the potential incidence of social risks relating to the individual borrower counterparties.

It should be noted that within the Risk Appetite Framework, aspects of cybersecurity risks and losses due to online fraud, the level of data quality, the security posture of key suppliers and other indicators are also monitored on a monthly basis. Furthermore, to oversee the monitoring of the IT and Security function and given its increasing importance for the corporate strategy, the ICT & Security Risk organisational unit was established within the Enterprise Risk Management area on 3 July 2023.

For all the details on the process of identifying relevant risks and the Risk Appetite Framework, also with reference to social risks, please refer to the relevant paragraphs included in section “1. Qualitative information on environmental risks”.

3. Qualitative information on governance risks

3.1. Governance

With reference to the roles and responsibilities of the Board of Directors and the internal board committees in making decisions relating to the management and mitigation of governance risks, please refer to the paragraph "Specific expertise of the Corporate Bodies" in the qualitative section introducing ESG risks.

The Group's Articles of Association expressly require that the Board of Directors be responsible for the strategic supervision and management of the company, to be conducted also with a view to "sustainable success", understood as the creation of long-term value to the benefit of shareholders, while at the same time taking into account the interests relevant to the Bank.

As already mentioned, the Board of Directors defines, among other things, the policies for guiding and coordinating public disclosure and social and environmental policies, and approves the disclosure documents to the Market, such as this Group's "Public Disclosure (Pillar 3)", the Consolidated Non-Financial Statement and, eventually, the Sustainability Report.

The Board of Directors is also responsible for approving the Regulations (including Policies with specific ESG content, such as the Green, Social & Sustainability Bonds Framework) and the Code of Ethics.

On the other hand, the Chief Executive Officer is entrusted with the approval of Guidelines, including those relating to sustainability issues (as already illustrated in the section "Specific expertise of the Corporate Bodies" of the qualitative section introducing ESG risks).

The Board of Directors also draws up the Group's remuneration and incentive policies. Additionally, at the specific request of the Remuneration Committee and with contributions from the Sustainability Committee, these policies incorporate ESG performance targets. The Board is expressly required to review them at least annually and, at the same time, is responsible for their adequate and correct implementation. They are subject to the approval of the Shareholders' Meeting.

The Parent Company's Board of Directors also has the fundamental role of controlling risks, including governance risks, arising from the Group's activities, in its current configuration as a Financial Conglomerate.

This Body, with support from the Sustainability Committee, also sets strategic guidelines, approves risk management policies, evaluates the effectiveness and adequacy of the internal control system, and promotes robust internal communication and dialogue.

It also approves the Group's overall Risk Appetite Framework, which is characterised by a set of indicators referring to ESG aspects developed on several risk areas and on three distinct hierarchical levels (strategic, management, Early Warning). These indicators are monitored:

- quarterly, after review by the ICRC and reporting to the Sustainability Committee through its Chairperson, by the Board of Directors;
- monthly by the ICRC as part of the periodic Risk Appetite Framework Monitoring, which is reported to the Sustainability Committee through its Chairperson.

Lastly, note that, in line with the objectives defined by the Group in the Strategic Plan, the Board of Directors of Banco BPM, with the active contribution of its internal board Committees, introduced:

(i) lending policies that integrate NZBA membership and ESG assessment commitments into internal processes as well as enhance relationships with customers that have undertaken or invest in sustainability projects (also in terms of appropriate governance);
(ii) internal measures and processes to foster the provision of sustainable investment products and services.

For the purpose of specifically preventing and combating corruption and money laundering, Banco BPM Group is aware of its important responsibilities as a systemically important institution in the Italian financial sector.

Indeed, it acts with determination in countering and combating these illegal phenomena, which damage the economic development of communities and violate people's human rights, limiting the growth of the entire social and productive fabric.

To this end, other than strict compliance with regulations currently in force, in the exercise of its specific activities, it complies with strict rules of conduct, such as the definition of regulations on anti-corruption (both active and passive) and extension of the application of anti-money laundering regulations not only to all Group companies but also to individual relations with counterparties not directly subject to the obligations under Italian Legislative Decree 231/07.

3.2. Risk Management

The Group defines governance risk (as a specific type) as the potential risk of financial losses that Banco BPM may incur as a result of the current and/or prospective negative impact of governance factors relating to the entrusted counterparties or the assets in which the Bank has invested.

- *Entrusted counterparties*

As already mentioned, within the overall framework of the Credit Policies, development of the ESG questionnaire makes it possible to gather more information on borrower counterparties, also useful for assessing the overall adequacy of the governance they have defined and implemented.

With reference to the so-called "fatal" questions, the "governance" question included with the 2023 Lending Policies is aimed at identifying any pending litigation and/or cases, with reference to the areas of corruption and anti-money laundering.

Also in this specific case, the increasing availability of the information collected will allow Banco BPM to strengthen the strategies put in place with regard to the specific management of risk factors relating to the governance of borrower customers.

These developments will also impact the overall risk estimation methodologies adopted by the Group in order to allow inclusion - in their measurements - of the potential impacts deriving from these specific factors.

- *Property portfolio*

Lastly, note that the Bank also duly takes ESG logic into account in its investment decisions. In the Alternative Investments and Funds segment, these approaches are fully integrated in the process of selecting the funds in which the Bank directly invests its financial resources.

In particular, the due diligence phase of the products requires a careful analysis of the relative management companies.

This phase allows Banco BPM to verify the governance of the counterparty examined, its strategies, specific track record and the regulation for each individual fund assessed.

The main ESG areas subject to verification and monitoring are: adherence to UNPRI/SDG principles and/or other organisations, the adoption by the company of an ESG policy, the appointment of an ESG officer, the preparation of a periodic report for shareholders, and the verification of ESG analyses in the shareholding acquisition memoranda.

As of 2022, Banco BPM Group also invests in funds classified under Article 8 (25 funds) and Article 9 (3 funds) according to SFDR principles.

For further information on the process of identifying relevant risks and the Risk Appetite Framework also in relation to governance risks, please refer to the relevant paragraphs included in section 1- "Qualitative information on environmental risks".

Quantitative part

It should be noted at the outset that the detailed information contained in the tables illustrated below does not represent information available within the Group's accounting system. The data mentioned above were processed using management information gathered from both internal and external sources associated with the accounting values. This was conducted with the assistance of a dedicated centralised repository (Risks DWH).

Therefore, the detailed ESG information contained in the tables below must be understood as managerial in nature.

Table 1 – "*Indicators of potential transition risk related to climate change: credit quality of exposures by emission sector and residual maturity*" - requires institutions to publish the breakdown of the gross book value of exposures to non-financial companies, including loans and advances, debt securities and equity instruments, classified in the accounting portfolios of the banking book with the exclusion of financial assets held for trading or available for sale.

The exposures are reported by specific sector of economic activity, using the NACE codes, on the basis of the core business of the counterparty. The objective of the template is to provide details of the Group's overall portfolio with regard to companies operating in carbon-intensive sectors[41].

The table also requires the inclusion of additional information regarding the quality of these exposures, including the status of non-performing exposures, any classification at stage 2, the related value adjustments, as well as the maturity categories and the weighted average maturity. The lines of the template relate to the classification by regulatory NACE code of non-financial companies included in the scope.

In column b), the regulations specifically require indication of the gross book value relating to exposures to all counterparties excluded from the EU benchmarks aligned with the Paris Agreement. The business sectors in which these companies operate were identified on the basis of the provisions of article 12, paragraphs 1 and 2, points d) to g) of Regulation (EU) 2020/1818.

The methodology adopted by Banco BPM to complete this column was based on identification of the total amount of exposures relating to counterparties associated with the NACE/ATECO[42] codes, which make it possible to identify companies to be excluded as they are not aligned with the Paris Agreement.

[41] In line with Commission Delegated Regulation (EU) 2020/1818, which supplements Regulation (EU) 2016/11 as regards the minimum standards for the EU climate transition benchmarks and for the EU benchmarks aligned with the Paris Agreement - the "Climate Benchmark Standards Regulation - Recital 6": sectors listed in sections A to H and section L of Annex I, Regulation (EC) 1893/2006.

[42] The list of ATECO codes considered was further extended following refinement of the methodology adopted.

However, companies that are "Green" according to the internal classification defined by the Group were not included in this scope.

Column c) shows the amount relating to the exposures of non-financial companies that are aligned with the taxonomy, with specific reference to the mitigation objective (CCM).

As required by regulation, columns i, j, k, relating to the financed issues of entrusted counterparties (scopes 1, 2, 3) will be published as of June 2024. The Group adopts the PCAF methodology, which identifies seven asset classes for reporting financed emissions, each with a specific definition and methodology. The current limited availability of reported and certified information directly from counterparties on GHG emissions is emphasised, necessitating estimation approaches, consistent with the PCAF methodology, based mainly on the characteristic emissions of sectors with respect to the production activities carried out.

Table 1: Banking book - Transition risk related to climate change: credit quality of exposures by sector, emissions and residual duration (1 of 2)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Sectors/Sub-sectors	Gross book value (EUR millions)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (millions of euro)			Financed GHG emissions (Scope 1, Scope 2 and Scope 3 emissions of the counterparty) (equivalent in tonnes of CO2)		GHG Emissions (column i): percentage of the gross carrying amount of the portfolio as reported by the specific company.	≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	> 20 years	Weighted average duration
			Of which exposures to companies excluded from the EU Benchmarks aligned with the Paris Agreement [43]	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures		Of which financed emissions in Scope 3						
1	Exposures to sectors that highly contribute to climate change	48,745	1,883	285	7,167	2,658	(1,588)	(215)	(1,336)	40,875,657	37,410,396	9.39%	27,197	8,860	3,172	9,517	3.76
2	A - Agriculture, forestry and fishing	1,621	-	-	240	58	(34)	(8)	(24)	808,725	668,009	0.34%	624	386	400	211	6.86
3	B - Mining and quarrying	234	141	1	28	4	(4)	(0)	(3)	91,491	77,657	3.44%	183	26	2	22	2.48
4	*B.05 - Coal mining (excluding lignite)*	-	-	-	-	-	-	-	-	-	-	0.00%	-	-	-	-	0.00
5	*B.06 - Extraction of crude petroleum and natural gas*	132	129	1	15	-	(0)	(0)	-	26,947	22,693	6.08%	123	8	-	2	2.01
6	*B.07 - Mining of metal ores*	-	-	-	-	-	-	-	-	-	-	0.00%	-	-	-	-	0.00
7	*B.08 - Other mining and quarrying*	90	0	0	9	3	(3)	(0)	(2)	56,935	48,426	0.00%	52	16	2	20	3.10
8	*B.09 - Mining support service activities*	11	11	-	3	1	(1)	(0)	(1)	7,609	6,539	0.00%	8	3	-	1	3.13
9	C - Manufacturing	20,633	446	115	2,416	750	(410)	(31)	(368)	26,401,538	24,309,300	14.57%	13,099	2,640	461	4,434	2.85
10	*C.10 - Manufacture of food products*	2,820	-	-	317	89	(54)	(3)	(50)	4,106,873	3,911,438	17.49%	1,618	505	42	655	2.89
11	*C.11 - Manufacture of beverages*	529	-	-	19	4	(3)	(0)	(3)	355,800	333,690	30.80%	346	96	33	54	3.89
12	*C.12 - Manufacture of tobacco products*	17	-	-	-	-	(0)	-	-	11,801	11,306	0.00%	2	10	-	4	4.16
13	*C.13 - Manufacture of textiles*	536	-	-	48	45	(29)	(1)	(28)	326,846	297,931	0.57%	309	75	2	149	2.54
14	*C.14 - Manufacture of wearing apparel; manufacture of leather and fur articles*	628	-	-	112	37	(21)	(1)	(20)	316,997	303,276	7.38%	407	86	6	130	2.68
15	*C.15 - Manufacture of leather and related products*	565	-	0	41	58	(30)	(0)	(29)	330,181	313,920	15.03%	329	68	5	163	2.23
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	328	-	-	32	10	(6)	(1)	(5)	204,399	192,488	0.68%	170	61	15	82	3.23
17	*C.17 - Manufacture of paper and paper products*	520	-	-	26	7	(4)	(0)	(4)	638,737	515,390	11.97%	345	55	12	108	3.03
18	*C.18 - Printing and reproduction of recorded media*	219	-	-	30	15	(8)	(0)	(7)	116,060	104,976	0.76%	130	26	6	57	2.85
19	*C.19 - Manufacture of coke and refined petroleum products*	349	349	0	165	1	(2)	(1)	(0)	4,307,139	3,741,139	62.64%	192	1	69	87	3.81
20	*C.20 - Manufacture of chemicals and chemical products*	1,339	97	1	181	29	(20)	(4)	(14)	2,203,155	2,035,300	20.74%	847	218	68	207	3.55
21	*C.21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations*	665	-	-	59	14	(7)	(2)	(5)	184,358	167,349	44.01%	595	25	12	32	2.66
22	*C.22 - Manufacture of rubber and plastic products*	1,148	-	-	161	43	(19)	(3)	(15)	1,322,703	1,260,787	4.76%	711	125	23	289	2.73
23	*C.23 - Manufacture of other non-metallic mineral products*	886	-	0	70	47	(26)	(1)	(24)	953,830	620,683	14.48%	554	154	14	164	3.43
24	*C.24 - Manufacture of basic metals*	1,305	-	20	154	30	(10)	(1)	(9)	3,494,708	3,224,119	11.59%	808	94	16	387	2.24
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	2,809	-	0	373	133	(58)	(5)	(52)	2,478,795	2,397,242	1.62%	1,642	366	66	734	2.79
26	*C.26 - Manufacture of computer, electronic and optical products; electromedical instruments, appliances for measuring, watches and clocks*	517	-	7	117	15	(9)	(1)	(7)	229,482	217,868	20.95%	343	64	14	95	3.16
27	*C.27 - Manufacture of electrical equipment and non-electrical household appliances*	674	-	2	88	15	(9)	(1)	(8)	454,450	432,003	12.75%	415	110	13	137	3.16

[43] Pursuant to Article 12.1, letters d) to g), and in accordance with Article 12.2 of the Climate Benchmark Standards Regulation.

Table 1: Banking book - Transition risk related to climate change: credit quality of exposures by sector, emissions and residual duration (2 of 2)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Sectors/Sub-sectors	Gross book value (EUR millions)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (millions of euro)			Financed GHG emissions (Scope 1, Scope 2 and Scope 3 emissions of the counterparty) (equivalent in tonnes of CO2)		GHG Emissions (column i): percentage of the gross carrying amount of the portfolio as reported by the specific company.	≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	> 20 years	Weighted average duration
			Of which exposures to companies excluded from the EU Benchmarks aligned with the Paris Agreement [44]	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures		Of which financed emissions in Scope 3						
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	*2,489*	-	29	186	94	*(52)*	*(2)*	*(48)*	*1,722,927*	*1,657,592*	*11.84%*	*1,687*	272	*28*	*503*	2.60
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	*481*	-	-	84	12	*(10)*	*(2)*	*(8)*	*271,637*	*250,779*	*0.00%*	*328*	*69*	*2*	*83*	*3.05*
30	*C.30 - Manufacture of other transport equipment*	*550*	-	*41*	33	14	*(12)*	*(0)*	*(11)*	*1,545,898*	*1,521,619*	*64.09%*	*450*	*37*	*0*	*62*	2.46
31	*C.31 - Manufacture of furniture*	*405*	-	-	36	23	*(12)*	*(1)*	*(11)*	*277,255*	*270,474*	*0.00%*	*263*	*42*	*4*	*95*	2.36
32	*C.32 - Other manufacturing*	*420*	-	-	39	*7*	*(5)*	*(0)*	*(4)*	*266,530*	*257,032*	*8.60%*	*313*	*29*	*7*	*71*	2.84
33	*C.33 - Repair, maintenance and installation of machinery and equipment*	*437*	-	*14*	45	*7*	*(4)*	*(1)*	*(3)*	*280,977*	*270,896*	*23.85%*	*296*	*51*	*6*	*84*	2.33
34	D - Electricity, gas, steam and air conditioning supply	1,508	679	48	109	26	(24)	(4)	(19)	1,494,941	1,334,818	16.15%	865	400	73	170	3.86
35	*D.35.1 - Electric power generation, transmission and distribution*	*1,037*	*244*	*43*	*90*	*17*	*(16)*	*(3)*	*(12)*	*1,247,558*	*1,136,466*	*17.02%*	*455*	*357*	*73*	*151*	*4.64*
36	*D.35.11 - Production of electricity*	*630*	*244*	*9*	*83*	*8*	*(9)*	*(3)*	*(6)*	*149,801*	*60,303*	*17.80%*	*266*	*302*	*58*	*5*	*5.82*
37	*D.35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	*440*	*435*	*6*	*8*	*4*	*(3)*	*(0)*	*(3)*	*228,587*	*193,368*	*15.26%*	*400*	*23*	-	*17*	*1.97*
38	*D.35.3 - Steam and air conditioning supply*	*31*	-	*0*	*11*	*5*	*(5)*	*(0)*	*(4)*	*18,796*	*4,984*	*0.00%*	*10*	*20*	-	*2*	*4.87*
39	E - Water supply; sewerage, waste management and remediation activities	892	9	15	88	12	(9)	(2)	(7)	1,689,664	1,372,621	28.45%	430	276	85	100	4.55
40	F - Construction	5,212	-	40	1,220	395	(323)	(58)	(257)	2,096,423	1,939,718	4.04%	2,747	1,054	397	1,014	4.82
41	*F.41 - Construction of buildings*	*3,263*	-	-	*949*	*271*	*(240)*	*(53)*	*(181)*	*586,322*	*550,069*	*2.20%*	*1,516*	*839*	*365*	*543*	*5.95*
42	*F.42 - Civil engineering*	*710*	-	*40*	*60*	*32*	*(21)*	*(1)*	*(19)*	*925,953*	*843,106*	*18.26%*	*492*	*55*	*5*	*158*	2.89
43	*F.43 - Specialised construction activities*	*1,239*	-	*1*	*212*	*91*	*(62)*	*(4)*	*(57)*	*584,148*	*546,543*	*0.74%*	*739*	*160*	*27*	*313*	2.95
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	8,671	491	0	1,005	507	(292)	(16)	(270)	6,563,809	6,270,292	6.82%	4,915	898	136	2,723	2.27
45	H - Transportation and storage	2,542	117	65	418	89	(73)	(14)	(56)	1,278,991	1,037,139	5.25%	1,195	522	340	486	4.52
46	*H.49 - Land transport and transport via pipelines*	*1,014*	*71*	2	*62*	*37*	*(25)*	*(1)*	*(22)*	*541,331*	*389,968*	*3.04%*	*658*	*136*	*19*	*201*	*3.30*
47	*H.50 - Water transport*	*267*	-	-	*102*	*5*	*(6)*	*(2)*	*(3)*	*282,790*	*243,654*	*0.00%*	*113*	*62*	*88*	*4*	*6.74*
48	*H.51 - Air transport*	*22*	-	-	*1*	*1*	*(0)*	*(0)*	*(0)*	*17,924*	*3,778*	*0.00%*	*2*	*20*	-	*0*	*6.45*
49	*H.52 - Warehousing and support activities for transportation*	*1,178*	*46*	*63*	*249*	*45*	*(41)*	*(11)*	*(30)*	*434,615*	*397,798*	*3.88%*	*392*	*291*	*221*	*275*	*4.95*
50	*H.53 - Postal and courier activities*	*62*	-	*0*	*4*	*1*	*(1)*	*(0)*	*(1)*	*2,332*	*1,941*	*92.45%*	*29*	*14*	*12*	*6*	*5.86*
51	I - Accommodation and food service activities	2,236	-	0	608	150	(97)	(21)	(75)	320,118	292,671	3.25%	1,078	668	407	82	5.79
52	L - Real estate activities	5,197	-	-	1,036	666	(323)	(60)	(257)	129,956	108,170	0.96%	2,062	1,988	872	275	6.49
53	Exposures to other sectors that do contribute greatly to cliimate change	10,147	-	296	1,343	256	(187)	(30)	(143)				6,869	1,826	309	1,143	3.59
54	K - Financial and insurance activities	549	-	10	17	8	(8)	(1)	(6)				275	227	35	11	4.79
55	Exposures to other sectors (NACE codes J, M-U)	9,598	-	286	1,326	248	(178)	(29)	(137)				6,593	1,599	274	1,131	3.53
56	**TOTAL**	**58,892**	**1,883**	**581**	**8,511**	**2,914**	**(1,775)**	**(245)**	**(1,479)**	**40,875,657**	**37,410,396**	**7.77%**	**34,066**	**10,686**	**3,482**	**10,659**	**3.73**

[44] Pursuant to Article 12.1, letters d) to g), and in accordance with Article 12.2 of the Climate Benchmark Standards Regulation.

Table 2 – *Indicators of potential transition risk linked to climate change: loans secured by real estate - energy efficiency of collaterals* - requires the Bank to publish information on the energy efficiency of the real estate used as collateral.

In particular, the scope refers to loans secured by commercial and residential property and real estate collateral recovered, divided into EU Area and Non-EU Area.

For the purpose of compilation, information is provided on the energy efficiency level of the collateral measured, both in terms of energy consumption in kWh/m² and in terms of the class attributed by the energy performance certificate (EPC) of the collaterals.

The estimated portion of the energy efficiency level must be indicated separately. The template also requires mention of foreclosed assets owned by the reporting entity.

During the year, the refinement of the data set available to the Group allowed for an improvement in both the collection of information on energy labels and the quantification of goods without this certification.

Columns b) to g) show the values based on the Energy Performance score in terms of estimated and actual kWh/m², while columns h) to n) show the values exclusively on the basis of the real Energy Performance Certificate (real EPC).

The energy efficiency class is defined as actual when the Bank has this information as provided directly by the borrower; the estimated energy efficiency component was instead obtained through qualified external info-providers.

Columns o) and p) of the table respectively show:

- the value for which the energy efficiency level of the property in terms of EPC label is not present or is estimated;
- the percentage of the portion estimated with respect to the total (estimated and missing) of column o).

Lines 2, 3 and 4 (EU Area) and lines 7, 8 and 9 (Non-EU Area) of the template show the distinction between loans guaranteed by residential, commercial and foreclosed real estate, respectively; as regards the completion of lines 5 and 10, the regulations clearly indicate that the portion of data estimated and not based on precise data must be indicated.

Table 2: Banking book - Transition risk related to climate change: loans secured by real estate - energy efficiency of collaterals

	Counterparty sector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross book value (Euro millions)															
			Energy efficiency level (EP score of guarantee in kWh/m²)						Energy efficiency level (EPC guarantee label)							Without EPC guarantee label	
			0; ≤ 100	> 100; ≤ 200	> 200; ≤ 300	> 300; ≤ 400	> 400; ≤ 500	> 500	A	B	C	D	E	P	G		Of which energy efficiency level (EP score of guarantee in kWh/m²) estimated
1	**Total EU Area**	**39,052**	**5,296**	**10,009**	**5,910**	**3,479**	**864**	**429**	**2,158**	**745**	**860**	**1,535**	**2,027**	**2,434**	**2,782**	**26,511**	**50.72%**
2	Of which loans secured by commercial properties	11,328	291	426	1,397	1,733	334	69	128	136	139	173	65	64	82	10,540	32.83%
3	Of which loans secured by residential properties	27,312	5,005	9,584	4,513	1,747	530	360	2,030	609	721	1,362	1,962	2,370	2,700	15,559	64.19%
4	Of which guarantees obtained by acquiring possession: residential and commercial properties	412	-	-	-	-	-	-	-	-	-	-	-	-	-	412	-
5	Of which Energy efficiency level (EP score of guarantee in kWh/m²) estimated	13,447	1,772	5,311	3,256	2,445	516	147								13,447	100.00%
6	**Total Non-EU Area**	**60**	**11**	**16**	**6**	**4**	**2**	**1**	**8**	**1**	**3**	**2**	**2**	**4**	**3**	**36**	**44.10%**
7	Of which loans secured by commercial properties	2	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-
8	Of which loans secured by residential properties	58	11	16	6	4	2	1	8	1	3	2	2	4	3	35	46.09%
9	Of which guarantees obtained by acquiring possession: residential and commercial properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which Energy efficiency level (EP score of guarantee in kWh/m²) estimated	16	4	5	4	2	1	1								16	100.00%

Table 3 – Banking book – Indicators of potential transition risk related to climate change: alignment metrics requires the Bank to assess, for a selected number of sectors, the consistency of the decarbonisation targets defined by the Bank (expressed against specific physical metrics specific to economic activities) with the goal of Net Zero Emissions by 2050.

Included in the non-exhaustive list of sectors proposed by EBA are the five NZBA BBPM priority sectors (Automotive, Cement, Coal, Oil & Gas, Power generation) for which the Bank published targets in August 2024. In this first disclosure, the reference year coincides with the starting point (2022) for setting the Net Zero intermediate targets.

The scope of exposure includes non-financial corporations in line with Table 1 and differs from the NZBA scope of application, which considers only Large Corporate and Corporate (internal segmentation) and provides for the reclassification of the Group's holding companies and financial companies.

EBA requires publication of the distance from the year of reference to reach the 2030 target of the NZE 2050 (IEA) scenario: [(metric at reference date) - (IEA scenario metric in 2030)]/(IEA scenario metric in 2030)*100. For the Automotive sector, considering the particular composition of our portfolio, the distance to the adjusted IEA target was measured in line with what was done for NZBA.

Column g (interim target +3Y) is not populated, as the bank, in line with its commitment to the NZBA, has only set interim targets for 2030.

In compliance with the Targets communicated to the market, the bank preferred to represent the distance from the IEA targets by aggregating by macro-sector, considering the breakdown by individual NACE to be insignificant.

Table 3: Banking book — Indicators of potential transition risk associated with climate change: alignment metrics

	a	b	c	d	e	f	g
	Sector	**NACE sectors (as a minimum)**	**Gross book value of the portfolio (euro millions)**	**Alignment metric ****	**Reference year**	**Distance to the IEA "zero net emissions" scenario by 2050, in % *****	**Target (reference year + 3 years)**
1	Energy	D35.11	630.19	tCO2e/MWh	2022	(8.57)	-
2	Combustion of fossil fuels	B06, B08.92, B08.99, B09.1, B09.9, C19.2, C20.14.00, C20.14.09, D35.2, G46.12, G46.71, G47.3, H49.50	1,479.95	gCO2e/Mj	2022	15.53	-
3	Automotive sector	C29.1, C29.2, C30.91	110.87	MtCO2/bpkm	2022	90.59	-
4	Cement, clinker and lime production	B08.11, C23.5, C23.6	199.65	tCO2e/tonnes	2022	11.67	-

*** time distance to 2030 data points of the "net zero emissions" scenario by 2050 in % (for each metric)

Table 4 – *Indicators of potential transition risk related to climate change: exposures to the top 20 carbon-intensive companies* – requires disclosure of the aggregate exposures of the Group to the 20 most polluting companies in the world, including their percentage weighting with respect to the total portfolio exposures, as well as the weighted average maturity of these exposures.

Column c) of the Template, of first disclosure, relating to exposures aligned with the taxonomy (Climate Change Mitigation) is zero.

The scope of analysis is the same as required for table 1 ESG, i.e.: banking book exposures, including loans and advances, debt securities and equity instruments, to the 20 most carbon-intensive non-financial companies in the world.

Therefore, financial assets held for trading and for sale are excluded from the scope.

Prudentially, and in line with that specified in the EBA Q&A 2022_6536, in providing the required disclosure, Banco BPM considered the listing of the *Top 20 most polluting companies* in the world on the basis of the economic and legal group to which the individual counterparties examined belonged.

In order to identify the correct scope of analysis, on which to verify any presence of companies financed by the Group, Regulation (EU) 2021/637 requires the use of reliable, accurate and publicly accessible data sources.

These include in particular:

- *Carbon Majors Database:* (CDP Carbon Majors Report 2017);
- *Climate Accountability Institute:* (CAI-PressRelease-Dec20.pdf);
- *Thomson Reuters.*

The Bank has decided to use, in particular, the first two data sources described above in order to define the overall list of counterparties to be assessed.

The Group has also chosen to conduct its audits on a broader scope obtained by combining the lists provided by the various info-providers.

Both lists used are included as attachments to this document.

As can be seen from the following template, the aggregate exposure to the 20 most polluting counterparties in the world can be considered negligible as it accounts for 0.11% of the Group's overall exposure to non-financial companies (debt securities, equity instruments, loans and advances).

Table 4: Banking book – Indicators of potential transition risk related to climate change: exposures to the top 20 carbon-intensive companies

a	b	c	d	e
Gross carrying amount (aggregate) (millions of euro)	**Gross book value referring to the company compared to the total gross book value (aggregate)**	**Of which environmentally sustainable (CCM)**	**Average duration**	**Number of companies among the 20 most polluting**
65	0.11%	-	0.12	2

* For counterparties among the top 20 carbon emitting companies in the world

Table 5 – *Indicators of potential physical risk related to climate change: exposures subject to physical risk* – requires institutions to publish information on banking book exposures, including loans and advances, debt securities and equity instruments not held for trading and for sale, to non-financial companies, on loans secured by real estate assets and on recovered real estate collaterals, exposed to potential chronic and acute physical risks (or both) linked to climate, with a breakdown by sector of economic activity (NACE classification) and by geographic location of the counterparty's business or collaterals.

In addition, the template provides additional reporting information relating to exposures sensitive to physical events related to climate change, such as the gross book value of stage 2 and non-performing exposures, adjustments and provisions, as well as the maturity categories and the weighted average maturity.

With regard to physical risk, the methodology developed[45] by Banco BPM - already starting from 2022 - directly and/or indirectly considers all the acute and chronic risk hazards linked to the climate and mapped by the Regulation on the "EU Taxonomy"[46].

During the year, the overall physical risk assessment approach was aligned with the management methodology internally adopted by the Group in line with the materiality analyses on the loan portfolio.

It should be noted, however, that the specific evaluation methodology appears to be constantly evolving, also thanks to ever greater accuracy and better quality of the information available.

In fact, note that during the year, in particular, the physical risk summary scores were refined.

[45] This methodology was defined with the support of a qualified and approved external data provider. This allows continuous updating of physical (acute, chronic and environmental) risk scores. By way of example, as of June 2024, the assessments take into account the new ISPRA maps that consider a worsening in the flooded areas of Emilia-Romagna.

[46] The reference is the list of 28 risks included in Regulation 2020/852, where those most relevant to Italy are measured directly (for example, flood or drought risks as acute risks, or soil erosion risk as chronic risks). However, since the different types of hazards are highly correlated (for example, flood and heavy rainfall risks), all of them can be measured at least indirectly, thus guaranteeing complete mapping in terms of scores.

The materiality of the exposures to physical risk is assessed by the Group both with regard to the real estate guarantees received and with respect to the production assets of borrower non-financial companies.

The data sources used to calculate the scoring are both public and owned by third parties.

For the purpose of compiling this table, Banco BPM Group considers only exposures with a "High" or "Very High" risk score to be subject to significant physical risk (acute and/or chronic).

The reported template provides three distinct views: consolidated, Italy and Rest of the World.

Table 5: Banking book – Physical risk related to climate change: exposures subject to physical risk

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Total exposures		Gross book value (Euro millions)												
			of which exposures sensitive to the impact of physical events linked to climate change												
			Breakdown by maturity bracket					of which exposures sensitive to the impact of chronic climate change events	of which exposures sensitive to the impact of acute climate change events	of which exposures sensitive to the impact of both chronic and acute climate change events	Of which stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	> 20 years	Weighted average duration							Of which stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	1,621	232	144	132	65	6.24	-	574	-	102	26	(13)	(3)	(9)
2	B - Mining and quarrying	234	12	3	1	3	3.19	-	18	-	4	2	(1)	-	(1)
3	C - Manufacturing	20,633	1,694	488	61	709	2.99	6	2,941	4	394	105	(63)	(5)	(57)
4	D - Electricity, gas, steam and air conditioning supply	1,508	76	10	8	1	4.59	-	95	-	6	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	892	86	65	5	31	4.04	-	185	-	27	1	(1)	-	(1)
6	F - Construction	5,212	577	232	61	273	3.57	6	1,136	1	226	122	(91)	(6)	(84)
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	8,671	655	149	21	422	2.28	12	1,223	12	172	58	(38)	(3)	(35)
8	H - Transportation and storage	2,542	148	63	39	76	3.93	12	310	4	53	9	(7)	(1)	(6)
9	L - Real estate activities	5,197	147	224	76	43	6.22	4	484	2	87	18	(10)	(3)	(6)
10	Loans secured by residential properties	27,370	156	436	1,845	1,509	17.70	32	3,877	37	250	61	(26)	(11)	(14)
11	Loans secured by commercial properties	11,330	373	616	347	10	7.47	7	1,334	5	346	84	(56)	(21)	(34)
12	Guarantees recovered	412	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other relevant sectors (breakdown below, where applicable)	12,383	833	397	205	109	5.12	5	1,529	10	332	45	(34)	(12)	(20)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	of which to Italian entities	Gross book value (Euro millions)													
			of which exposures sensitive to the impact of physical events linked to climate change												
			Breakdown by maturity bracket					of which exposures sensitive to the impact of chronic climate change events	of which exposures sensitive to the impact of acute climate change events	of which exposures sensitive to the impact of both chronic and acute climate change events	Of which stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	> 20 years	Weighted average duration							Of which stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	1,621	232	144	132	65	6.24	-	574	-	102	26	(13)	(3)	(9)
2	B - Mining and quarrying	189	12	3	1	3	3.19	-	18	-	4	2	(1)	-	(1)
3	C - Manufacturing	19,930	1,694	488	61	709	2.99	6	2,941	4	394	105	(63)	(5)	(57)
4	D - Electricity, gas, steam and air conditioning supply	1,418	76	10	8	1	4.59	-	95	-	6	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	881	86	65	5	31	4.04	-	185	-	27	1	(1)	-	(1)
6	F - Construction	5,171	577	232	61	273	3.57	6	1,136	1	226	122	(91)	(6)	(84)
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	8,570	655	149	21	422	2.28	12	1,223	12	172	58	(38)	(3)	(35)
8	H - Transportation and storage	2,317	148	63	39	76	3.93	12	310	4	53	9	(7)	(1)	(6)
9	L - Real estate activities	5,195	147	224	76	43	6.22	4	484	2	87	18	(10)	(3)	(6)
10	Loans secured by residential properties	27,297	156	434	1,841	1,507	17.71	32	3,869	37	250	61	(26)	(11)	(14)
11	Loans secured by commercial properties	11,299	373	616	347	10	7.47	7	1,334	5	346	84	(56)	(21)	(34)
12	Guarantees recovered	412	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other relevant sectors (breakdown below, where applicable)	11,836	833	397	205	109	5.12	5	1,529	10	332	45	(34)	(12)	(20)

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	of which non-Italian entities (rest of the world)		Gross book value (Euro millions)												
			of which exposures sensitive to the impact of physical events linked to climate change												
			Breakdown by maturity bracket					of which exposures sensitive to the impact of chronic climate change events	of which exposures sensitive to the impact of acute climate change events	of which exposures sensitive to the impact of both chronic and acute climate change events	Of which stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			≤ 5 years	> 5 years ≤ 10 years	> 10 years ≤ 20 years	> 20 years	Weighted average duration							Of which stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	–	-	-	-	-	-	-	-	-	-	-	-	-	-
2	B - Mining and quarrying	45	-	-	-	-	-	-	-	-	-	-	-	-	-
3	C - Manufacturing	704	-	-	-	-	-	-	-	-	-	-	-	-	-
4	D - Electricity, gas, steam and air conditioning supply	90	-	-	-	-	-	-	-	-	-	-	-	-	-
5	E - Water supply; sewerage, waste management and remediation activities	10	-	-	-	-	-	-	-	-	-	-	-	-	-
6	F - Construction	41	-	-	-	-	-	-	-	-	-	-	-	-	-
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	102	-	-	-	-	-	-	-	-	-	-	-	-	-
8	H - Transportation and storage	226	-	-	-	-	-	-	-	-	-	-	-	-	-
9	L - Real estate activities	2	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Loans secured by residential properties	74	1	2	4	2	14.95	-	9	-	-	-	-	-	-
11	Loans secured by commercial properties	31	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Guarantees recovered	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other relevant sectors (breakdown below, where applicable)	547	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 6 - *Summary of key performance indicators (KPIs) on taxonomy-aligned exposures* - requires a synoptic representation of the Green Asset Ratios (GAR)[47], represented in detail in Tables 7 and 8 below.

The GAR (Green Asset Ratio) is an indicator of the level of alignment of the Group's exposure to the objectives climate change mitigation (CCM) and climate change adaptation (CCA), in compliance with the Taxonomy Regulation (EU Regulation 2020/852) and related Delegated Acts and the Implementing Regulation (EU) 2022/2453, and is calculated as the ratio of assets that finance/are invested in economic activities aligned with the Taxonomy to total covered assets, which includes loans and advances, debt securities, equity investments and recovered collateral.

In line with European recommendations, the scope of the Pillar III disclosure on ESG Risks includes the assets of the parent company Banco BPM and of the subsidiaries belonging to the Group, identified on the basis of the scope of prudential consolidation, determined in accordance with Title II, Chapter 2, Section 2, of Regulation (EU) no. 575/2013.

The first line of the Table provides information on stock, as a snapshot of the Group's financial statement assets as at 30 June 2024; while in the second line the information represents the level of flows, i.e. only the new flows[48] generated by the Group in the first half year of 2024.

While the information on the GAR stock (point-in-time) is useful for showing the level of the Group's alignment with the EU Taxonomy at the reference date, the GAR flow shows how the institution is supporting its counterparties in the process of transition to a sustainable economy.

As at 30 June 2024, the Banco BPM Group's GAR stock stood at 2.17% (up from the December 2023 figure of 2.02%), showing a coverage on total assets of 71.64%.

The value assumed by the KPI to date is small and unrepresentative, partly due to the limited availability of timely data on the funded counterparties that publish a NFS.

It should also be noted that the denominator of the ratio also includes several assets for which it is not feasible to verify eco-sustainability.

As at 30 June 2024, the Banco BPM Group's GAR flow – referring to the first half of the year under analysis – was 0.48% (in line with that published in December 2023, 0.52%).

[47] Delegated Regulation (EU) 2021/2178 requires institutions to estimate and communicate the GAR according to two specific views. The first on the basis of the alignment with the taxonomy of the counterparty's turnover (for non-financial companies) for exposures whose purpose is not to finance specific activities (generic loans). The second is based on the alignment with the taxonomy of the counterparty's capital expenditure for the same exposures from generic loans. For the purposes of the Disclosure to the Market (Pillar III), supervised entities must publish the KPI only with reference to the first view (GAR Turnover).
[48] New flows are considered gross of repayments and other reductions.

Table 6: Summary of key performance indicators (KPIs) on taxonomy-aligned exposures

	KPI			% coverage (of total assets)*
	Climate change mitigation	Climate change adaptation	Total (climate change mitigation and climate change adaptation)	
GAR stock	2.17%	0.00%	2.17%	71.64%
GAR flow	0.48%	0.00%	0.48%	52.63%

* % of assets covered by the KPI on the total assets of banks

Table 7 - *Mitigation actions: assets for the calculation of the GAR* - requires information on the gross book value of loans and advances, debt securities and equity instruments in the banking portfolio, with a breakdown of information by type of counterparty, including financial corporations, non-financial corporations, households, local governments, as well as collateral repossessed in exchange for debt relief, and on Taxonomy eligibility and alignment of exposures with respect to the environmental objectives climate change mitigation and adaptation, as set out in Article 9, letters a) and b) of Regulation (EU) 2020/852.

In line with the provisions of the reference legislation (Annex V - EC Delegated Regulation (EU) 2021/2178 of 6 July 2021), the assets considered for the calculation of the Green Asset Ratio - GAR indicator, for the purposes of preparing the Taxonomy disclosure, relate to exposures towards:

1. **Financial companies**[49]
   The identification of eligible exposure is done by weighting the Gross Carrying Amount by the percentage of eligibility for the Taxonomy regularly disclosed by the specific counterparty in the NFS (Non-Financial Statement) during the reporting period. Eligibility percentage means the proportion of eligible business exposures in total assets covered or total assets, based on counterparty turnover. Starting from the 2023 disclosure, the Financial Companies declare the percentage of turnover aligned with the taxonomy.
2. **Non-financial companies subject to NFRD (Non-Financial Reporting Directive) obligations**
   Only companies that prepare a non-financial disclosure on a mandatory basis were considered, while companies that prepare it on a voluntary basis will contribute to the calculation of the BTAR (Banking Book Taxonomy Alignment Ratio) starting from 1 January 2025 (first date of disclosure to the Market on data as at 31 December 2024). The amount of eligible exposure aligned with the EU Taxonomy is calculated according to the following methods:
   a. in the case of general purpose loans, the gross book value of the exposures was weighted by the turnover KPI aligned with the EU Taxonomy that the non-financial corporation is required to report (within its non-financial disclosure) for each environmental objective;

[49] This scope includes credit institutions and other financial companies: investment companies, management companies and insurance companies.

b. in the case of special purpose loans, the gross book value of the exposures is taken into account in proportion to the contribution that the financed project makes to financing an economic activity aligned with the Taxonomy.

3. **Private**
This scope includes loans to households secured by residential real estate or granted only for the purpose of renovating residential buildings (dwellings) that are Taxonomy-aligned according to the technical screening criteria for buildings, namely for renovation, purchase and ownership in accordance with Annex I of Delegated Regulation 2021/2178. For these exposures, the relative energy class and compliance with the thresholds envisaged by the NZEB criteria - 10% or Top 15% - PED, with reference to the climate zone, date of construction and cadastral category/intended use of the property, are verified. For the purposes of DNSH (Do No Significant Harm), the adequacy of the related physical risk is also assessed.

4. **Local Governments**
The gross book value of project finance exposures to the Public Authority is taken into account in proportion to the contribution that the financed project makes to financing a taxonomy-aligned economic activity.

5. **Real estate collateral recovered**
Recovered commercial and residential real estate collateral held for sale at their gross value, based on the degree of conformity of the buildings, according to specific technical screening criteria.

The following portfolios were also included in the denominator of the KPI, in addition to those already included in the numerator:

- Exposures to EU and non-EU non-financial companies not subject to NFRD requirements;
- Interbank loans on demand;
- Derivatives;
- Liquidity and related activities;
- Other assets (e.g. goodwill, commodities, etc.).

The following assets remain outside the scope of calculation of the ratio:

- Financial assets held for trading, or Trading Book (held for trading);
- Exposures to Sovereign entities;
- Exposures to Central Banks.

Table 7: Mitigation actions: assets for the calculation of the GAR (1 of 3)

		a	b	c	d	e	f
		Gross carrying amount (millions of euro)	Reference date of the disclosure T (millions of euro)				
			Climate change mitigation (CCM)				
			Of which: to sectors relevant to the taxonomy				
				Of which: environmentally sustainable			
					Of which: specialised lending	Of which: transitional	Of which: enabling
	GAR - Assets hedged in both the numerator and the denominator						
1	**Loans and advances, debt securities and equity instruments not held for trading, eligible for the GAR**	**35,688.86**	**29,309.34**	**2,832.23**	**1.78**	**93.17**	**291.63**
2	**Financial companies**	**3,767.10**	**488.87**	**44.67**	**-**	**1.33**	**4.21**
3	Credit institutions	1,827.90	426.68	16.06	-	0.95	1.50
4	Loans and advances	257.24	48.15	1.98	-	0.06	0.14
5	Debt securities	1,518.24	368.11	13.82	-	0.89	1.37
6	Equity instruments	52.42	10.43	0.26		-	-
7	Other financial companies	1,939.21	62.18	28.61	-	0.37	2.70
8	Of which: investment companies	-	-	-	-	-	-
9	Loans and advances	-	-	-	-	-	-
10	Debt securities	-	-	-	-	-	-
11	Equity instruments	-	-	-		-	-
12	Of which: management companies	0.00	-	-	-	-	-
13	Loans and advances	0.00	-	-	-	-	-
14	Debt securities	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-
16	Of which: insurance companies	40.06	7.57	0.72	-	0.00	0.14
17	Loans and advances	0.01	0.00	0.00	-	0.00	0.00
18	Debt securities	40.04	7.57	0.72	-	0.00	0.14
19	Equity instruments	-	-	-		-	-
20	**Non-financial companies subject to NFRD obligations**	**4,150.10**	**1,225.37**	**581.20**	**1.78**	**91.84**	**287.42**
21	Loans and advances	3,650.21	1,038.81	449.38	1.78	71.05	232.87
22	Debt securities	499.66	186.55	131.82	-	20.80	54.55
23	Equity instruments	0.23	0.01	-		-	-
24	**Households**	**27,595.10**	**27,595.10**	**2,206.37**	**-**	**-**	**-**
25	Of which: loans collateralised by residential property	27,370.06	27,370.06	2,206.37	-	-	-
26	Of which: loans for building renovation	34.33	34.33	-	-	-	-
27	Of which: motor vehicle loans	190.71	190.71	-	-	-	-
28	**Financing of local administrations**	**176.55**	**-**	**-**	**-**	**-**	**-**
29	Financing of housing	-	-	-	-	-	-
30	Other local administration financing	176.55	-	-	-	-	-
31	Collaterals obtained by acquiring possession: residential and non-residential properties	412.02	412.02	-	-	-	-
32	**Total GAR assets**	**36,100.88**	**29,721.36**	**2,832.23**	**1.78**	**93.17**	**291.63**
	Assets excluded from the numerator for the calculation of the GAR (included in the denominator)						
33	**Non-financial EU companies (not subject to NFRD obligations)**	**53,859.41**					
34	Loans and advances	53,231.97					
35	Debt securities	516.99					
36	Equity instruments	110.45					
37	**Non-financial companies from third countries (not subject to NFRD obligations)**	**882.83**					
38	Loans and advances	523.40					
39	Debt securities	359.42					
40	Equity instruments	0.00					
41	Derivatives	976.54					
42	Interbank loans on demand	319.12					
43	Cash and cash equivalents	335.72					
44	Other assets (including goodwill, goods etc.)	38,275.95					
45	**Total assets in the denominator (GAR)**	**130,750.44**					
	Other assets excluded from both the numerator and the denominator for the calculation of the GAR						
46	Sovereign exposures	34,841.09					
47	Exposures to the central bank	11,380.01					
48	Trading book	5,547.17					
49	**Total assets excluded from the numerator and denominator**	**51,768.27**					
50	**TOTAL ASSETS**	**182,518.72**					

Table 7: Mitigation actions: assets for the calculation of the GAR (2 of 3)

		g	h	i	j	k
		Reference date of the disclosure T (millions of euro)				
		Climate change adaptation (CCA)				
			Of which: to sectors relevant to the taxonomy			
			Of which: environmentally sustainable			
				Of which: specialised lending	Of which: adaptation	Of which: enabling
	GAR - Assets hedged in both the numerator and the denominator					
1	**Loans and advances, debt securities and equity instruments not held for trading, eligible for the GAR**	**41.78**	**1.37**	**-**	**0.33**	**0.82**
2	**Financial companies**	**10.15**	**0.12**	**-**	**-**	**0.00**
3	Credit institutions	0.41	0.08	-	-	0.00
4	Loans and advances	0.16	0.02	-	-	-
5	Debt securities	0.26	0.06	-	-	0.00
6	Equity instruments	-	-		-	-
7	Other financial companies	9.73	0.03	-	-	-
8	Of which: investment companies	-	-	-	-	-
9	Loans and advances	-	-	-	-	-
10	Debt securities	-	-	-	-	-
11	Equity instruments	-	-		-	-
12	Of which: management companies	-	-	-	-	-
13	Loans and advances	-	-	-	-	-
14	Debt securities	-	-	-	-	-
15	Equity instruments	-	-		-	-
16	Of which: insurance companies	3.78	0.00	-	-	-
17	Loans and advances	0.00	0.00	-	-	-
18	Debt securities	3.78	0.00	-	-	-
19	Equity instruments	-	-		-	-
20	**Non-financial companies subject to NFRD obligations**	**31.64**	**1.25**	**-**	**0.33**	**0.82**
21	Loans and advances	8.56	0.53	-	0.33	0.11
22	Debt securities	23.07	0.72	-	-	0.71
23	Equity instruments	-	-		-	-
24	**Households**					
25	Of which: loans collateralised by residential property					
26	Of which: loans for building renovation					
27	Of which: motor vehicle loans					
28	**Financing of local administrations**	**-**	**-**	**-**	**-**	**-**
29	Financing of housing	-	-	-	-	-
30	Other local administration financing	-	-	-	-	-
31	Collaterals obtained by acquiring possession: residential and non-residential properties	-	-	-	-	-
32	**Total GAR assets**	**41.78**	**1.37**	**-**	**0.33**	**0.82**
	Assets excluded from the numerator for the calculation of the GAR (included in the denominator)					
33	**Non-financial EU companies (not subject to NFRD obligations)**					
34	Loans and advances					
35	Debt securities					
36	Equity instruments					
37	**Non-financial companies from third countries (not subject to NFRD obligations)**					
38	Loans and advances					
39	Debt securities					
40	Equity instruments					
41	Derivatives					
42	Interbank loans on demand					
43	Cash and cash equivalents					
44	Other assets (including goodwill, goods etc.)					
45	**Total assets in the denominator (GAR)**					
	Other assets excluded from both the numerator and the denominator for the calculation of the GAR					
46	Sovereign exposures					
47	Exposures to the central bank					
48	Trading book					
49	**Total assets excluded from the numerator and denominator**					
50	**TOTAL ASSETS**					

Table 7: Mitigation actions: assets for the calculation of the GAR (3 of 3)

		l	m	n	o	p
		Reference date of the disclosure T (millions of euro)				
		TOTAL (CCM + CCA)				
		Of which: to sectors relevant to the taxonomy				
			Of which: environmentally sustainable			
				Of which: specialised lending	Of which: transitional/adaptation	Of which: enabling
	GAR - Assets hedged in both the numerator and the denominator					
1	**Loans and advances, debt securities and equity instruments not held for trading, eligible for the GAR**	**29,351.12**	**2,833.60**	**1.78**	**93.50**	**292.45**
2	**Financial companies**	**499.02**	**44.78**	**-**	**1.33**	**4.21**
3	Credit institutions	427.10	16.14	-	0.95	1.51
4	Loans and advances	48.31	2.00	0.06	0.06	0.14
5	Debt securities	368.36	13.88	-	0.89	1.37
6	Equity instruments	10.43	0.26		-	-
7	Other financial companies	71.92	28.64	-	0.37	2.70
8	Of which: investment companies	-	-	-	-	-
9	Loans and advances	-	-	-	-	-
10	Debt securities	-	-	-	-	-
11	Equity instruments	-	-		-	-
12	Of which: management companies	-	-	-	-	-
13	Loans and advances	-	-	-	-	-
14	Debt securities	-	-	-	-	-
15	Equity instruments	-	-		-	-
16	Of which: insurance companies	11.36	0.72	-	0.00	0.14
17	Loans and advances	0.01	0.00	-	0.00	0.00
18	Debt securities	11.35	0.72	-	0.00	0.14
19	Equity instruments	-	-		-	-
20	**Non-financial companies subject to NFRD obligations**	**1,257.00**	**582.45**	**1.78**	**92.17**	**288.24**
21	Loans and advances	1,047.37	449.92	1.78	71.37	232.98
22	Debt securities	209.62	132.54	-	20.80	55.26
23	Equity instruments	0.01	-		-	-
24	**Households**	**27,595.10**	**2,206.37**	**-**	**-**	**-**
25	Of which: loans collateralised by residential property	27,370.06	2,206.37	-	-	-
26	Of which: loans for building renovation	34.33	-	-	-	-
27	Of which: motor vehicle loans	190.71	-	-	-	-
28	**Financing of local administrations**	**-**	**-**	**-**	**-**	**-**
29	Financing of housing	-	-	-	-	-
30	Other local administration financing	-	-	-	-	-
31	Collaterals obtained by acquiring possession: residential and non-residential properties	412.02	-	-	-	-
32	**Total GAR assets**	**29,763.14**	**2,833.60**	**-**	**93.50**	**292.45**
	Assets excluded from the numerator for the calculation of the GAR (included in the denominator)					
33	**Non-financial EU companies (not subject to NFRD obligations)**					
34	Loans and advances					
35	Debt securities					
36	Equity instruments					
37	**Non-financial companies from third countries (not subject to NFRD obligations)**					
38	Loans and advances					
39	Debt securities					
40	Equity instruments					
41	Derivatives					
42	Interbank loans on demand					
43	Cash and cash equivalents					
44	Other assets (including goodwill, goods etc.)					
45	**Total assets in the denominator (GAR)**					
	Other assets excluded from both the numerator and the denominator for the calculation of the GAR					
46	Sovereign exposures					
47	Exposures to the central bank					
48	Trading book					
49	**Total assets excluded from the numerator and denominator**					
50	**TOTAL ASSETS**					

Table *8 - GAR (%)* - must indicate to what extent the Group's activities are considered environmentally friendly pursuant to Articles 3 and 9 of Regulation (EU) 2020/852, so that stakeholders can understand the actions implemented by institutions to mitigate physical and transition risks related to climate change.

Therefore, on the basis of the information included in Table 7, the GAR Stock and Flow was published in Table 8, in accordance with delegated regulation (EU) 2021/2178, determined by the ratio between environmentally sustainable activities (aligned with the EU Taxonomy) and the total assets hedged in the GAR denominator (Total Covered Assets).

As already mentioned, as at 30 June 2024, the GAR flow of Banco BPM Group – generated in the second half year of the year under review – was 0.48%. The percentage of new assets hedged, of the relative total assets, stands at 52.63%.

Table 8: GAR (%) (1 of 2)

	% (with respect to total assets hedged in the denominator)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Reference date of the disclosure T: KPI on stock															
		Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)					Share of total assets hedged
		Percentage of assets that finance sectors relevant to the taxonomy					Percentage of assets that finance sectors relevant to the taxonomy					Percentage of assets that finance sectors relevant to the taxonomy					
			Of which: environmentally sustainable					Of which: environmentally sustainable					Of which: environmentally sustainable				
				Of which: specialised lending	Of which: transitional	Of which: enabling			Of which: specialised lending	Of which: adaptation	Of which: enabling			Of which: specialised lending	Of which: transitional/ adaptation	Of which: enabling	
1	**GAR (%)**	**22.73%**	**2.17%**	**-**	**0.07%**	**0.22%**	**0.03%**	**-**	**-**	**-**	**-**	**22.76%**	**2.17%**	**-**	**0.07%**	**0.22%**	**71.64%**
2	Loans and advances, debt securities and equity instruments not held for trading, eligible for the calculation of the GAR	22.42%	2.17%	-	0.07%	0.22%	0.03%	-	-	-	-	22.45%	2.17%	-	0.07%	0.22%	19.55%
3	Financial companies	0.37%	0.03%	-	-	-	0.01%	-	-	-	-	0.38%	0.03%	-	-	-	2.06%
4	Credit institutions	0.33%	0.01%	-	-	-	-	-	-	-	-	0.33%	0.01%	-	-	-	1.00%
5	Other financial companies	0.05%	0.02%	-	-	-	0.01%	-	-	-	-	0.06%	0.02%	-	-	-	1.06%
6	Of which: investment companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which: management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which: insurance companies	0.01%	-	-	-	-	-	-	-	-	-	0.01%	-	-	-	-	0.02%
9	Non-financial companies subject to NFRD obligations	0.94%	0.44%	-	0.07%	0.22%	0.02%	-	-	-	-	0.96%	0.45%	-	0.07%	0.22%	2.27%
10	Households	21.11%	1.69%	-	-	-						21.11%	1.69%	-	-	-	15.12%
11	Of which: loans collateralised by residential property	20.93%	1.69%	-	-	-						20.93%	1.69%	-	-	-	15.00%
12	Of which: loans for building renovation	0.03%	-	-	-	-						0.03%	-	-	-	-	0.02%
13	Of which: motor vehicle loans	0.15%	-	-	-	-						0.15%	-	-	-	-	0.10%
14	Financing of local administrations	-	-	-	-	-						-	-	-	-	-	0.10%
15	Financing of housing	-	-	-	-	-						-	-	-	-	-	-
16	Other local administration financing	-	-	-	-	-	-	-	-	-	-			-	-	-	0.10%
17	Collaterals obtained by acquiring possession: residential and non-residential properties	0.32%	-	-	-	-						0.32%	-	-	-	-	0.23%

Table 8: GAR (%) (2 of 2)

	% (with respect to total assets hedged in the denominator)	q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Reference date of the disclosure T: KPI on flows															
		Climate change mitigation (CCM)					Climate change adaptation (CCA)					TOTAL (CCM + CCA)					Share of total assets hedged
		Percentage of assets that finance sectors relevant to the taxonomy					Percentage of assets that finance sectors relevant to the taxonomy					Percentage of assets that finance sectors relevant to the taxonomy					
			Of which: environmentally sustainable					Of which: environmentally sustainable					Of which: environmentally sustainable				
				Of which: specialised lending	Of which: transitional	Of which: enabling			Of which: specialised lending	Of which: adaptation	Of which: enabling			Of which: specialised lending	Of which: transitional/ adaptation	Of which: enabling	
1	**GAR (%)**	**3.05%**	**0.48%**	**-**	**0.05%**	**0.07%**	**0.02%**	**-**	**-**	**-**	**-**	**3.07%**	**0.48%**	**0.00%**	**0.05%**	**0.07%**	**52.63%**
2	Loans and advances, debt securities and equity instruments not held for trading, eligible for the calculation of the GAR	3.05%	0.48%	-	0.05%	0.07%	0.02%	-	-	-	-	3.07%	0.48%	-	0.05%	0.07%	3.14%
3	Financial companies	0.18%	0.02%	-	-	-	0.01%	-	-	-	-	0.19%	0.02%	-	-	-	0.71%
4	Credit institutions	0.16%	0.01%	-	-	-	-	-	-	-	-	0.16%	0.01%	-	-	-	0.57%
5	Other financial companies	0.02%	0.02%	-	-	-	0.01%	-	-	-	-	0.03%	0.02%	-	-	-	0.14%
6	Of which: investment companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which: management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which: insurance companies	0.01%	-	-	-	-	-	-	-	-	-	0.01%	-	-	-	-	0.02%
9	Non-financial companies subject to NFRD obligations	0.28%	0.17%	-	0.05%	0.07%	0.01%	-	-	-	-	0.30%	0.17%	-	0.05%	0.07%	0.58%
10	Households	2.58%	0.29%	-	-	-						2.58%	0.29%	-	-	-	1.85%
11	Of which: loans collateralised by residential property	2.57%	0.29%	-	-	-						2.57%	0.29%	-	-	-	1.84%
12	Of which: loans for building renovation	0.01%	-	-	-	-						0.01%	-	-	-	-	0.01%
13	Of which: motor vehicle loans	-	-	-	-	-						-	-	-	-	-	-
14	Financing of local administrations	-	-	-	-	-						-	-	-	-	-	0.01%
15	Financing of housing	-	-	-	-	-						-	-	-	-	-	-
16	Other local administration financing	-	-	-	-	-	-	-	-	-	-			-	-	-	0.01%
17	Collaterals obtained by acquiring possession: residential and non-residential properties	-	-	-	-	-						-	-	-	-	-	-

Tables 9 - *BTAR: Mitigating actions* - and in particular Templates; 9.1 - *Mitigating actions: assets for BTAR calculation; 9.2 - % of BTAR; and 9.3 - Summary Table % of BTAR - are not shown as the first reporting date is 31 December 2024.*

Table 10 – *Other mitigation actions related to climate change not covered by the European Taxonomy* – requires entities to provide information regarding their loans granted or bonds that are not perfectly Taxonomy-aligned in compliance with Regulation (EU) 2020/852 according to templates 7 and 8[50] (envisaged in EU Regulation 2021/637, with first reference date of 31 December 2023[51]) but which in any case support the counterparties in the transition and adaptation process for the objectives of climate change mitigation and adaptation[52].

The Table includes the total assets that finance climate risk mitigation actions even if not aligned with the EU Taxonomy.

Specifically, the Green bonds held by the bank, Loans to Customers, in particular the Specialised Loans created through the use of ad hoc products, are considered.

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[50] Template 7: Mitigation actions: assets for the calculation of the GAR; Template 8: Green Asset Ratio (%)
[51] This interpretation was also confirmed by the EBA Q&A 2022_6531, according to which the content of this specific template should be complementary to that reported in templates 7 and 8 (GAR) which, as required by the regulations, have disclosure deferred to 31 December 2023.
[52] These mitigation actions and activities include bonds and loans issued under rules other than those of the European Union, including green bonds; sustainable obligations linked to climate change-related aspects; sustainability-related obligations linked to climate change-related aspects; green loans; sustainability-related loans linked to climate change-related aspects; sustainability-related loans linked to climate change-related aspects.

Table 10: Other mitigation actions related to climate change not covered by (EU) Regulation 2020/852

	a	b	c	d	e	f
	Type of financial instrument	**Type of counterparty**	**Gross book value (million euro)**	**Type of risk mitigated (Climate change transition risk)**	**Type of risk mitigated (Physical risk from climate change)**	**Qualitative information on the nature of mitigation actions**
1	**Bonds (e.g. green, sustainable, linked to sustainability based on standards other than EU standards)**	Financial companies	1,280.49	Transition risk	N.A.	(*)
2		Non-financial corporations	482.82	Transition risk	N.A.	(*)
3		Of which loans secured by commercial properties	-	Transition risk	N.A.	(*)
4		Households				
5		Of which loans secured by residential properties				
6		Of which loans for building renovation				
7		Other counterparties	8.06	Transition risk	N.A.	(*)
8	**Loans (e.g. green, sustainable, linked to sustainability based on standards other than EU standards)**	Financial companies	461.25	Transition risk	N.A.	(*)
9		Non-financial corporations	2,743.82	Transition risk	N.A.	(*)
10		Of which loans secured by commercial properties	403.31	Transition risk	N.A.	(*)
11		Households	0.61	Transition risk	N.A.	(*)
12		Of which loans secured by residential properties	-	Transition risk	N.A.	(*)
13		Of which loans for building renovation	-	Transition risk	N.A.	(*)
14		Other counterparties	-	Transition risk	N.A.	(*)

(*) Additional qualitative information on mitigation actions is provided in the following paragraphs.

With regard to Bonds (investment products), financial instruments catalogued as Green Bonds, Sustainability Bonds, Sustainability-linked Bonds and Transition Bonds have been included. It should be noted that these exposures do not contribute to populating template 7 (eligibility/alignment with the Taxonomy), in the absence of information on:

- purpose of the use of proceeds consistent with the EU Taxonomy; and
- alignment of the Bond to the EU Taxonomy (use of proceeds).

With regard to Loans, the following are included in template 10:

- the portion of guaranteed green loans, as per the bank nomenclature, for which the underlying properties were assessed as not aligned;
- the portion of green loans, as per the bank's nomenclature, not covered by collateral.

Declaration of the Chief Risk Officer

The undersigned Andrea Rovellini, in his capacity as Chief Risk Officer of the Parent Company Banco BPM S.p.A., hereby certifies that the Public Disclosure Document (Pillar 3) as at 30/06/2024 was prepared in accordance with the reference legislation (Bank of Italy Circular no. 285/2013 and the CRR - Regulation (EU) no. 575/2013, as amended by the CRRII - Regulation (EU) no. 876/2019). Also note that the overall Document was drafted in accordance with the Public Disclosure Model defined by the Group for 2024, which describes the institution's formal policy regarding market disclosures, as expressly envisaged in Article 431 CRRII.

Milan, 1 October 2024

Il Responsabile
della Funzione Rischi

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 Article 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 corporate documents, books and accounting records.

Milan, 1 October 2024

Financial Reporting Manager

Il Dirigente Preposto alla redazione dei documenti contabili societari
Gianpietro Val

Annexes

Annex 1: Lists of the Top 20 most polluting companies in the world

Climate Accountability Institute:(https://climateaccountability.org/carbon-majors/);

Top 20 Carbon Majors entities by emissions (1854–2022)			
Entity	**Total emissions (MtCO2e)**	**CO2 emissions MtCO2e**	**% of global CO2 emissions**
China (Coal)	276,458	248,394	14.0%
Former Soviet Union	135,113	120,875	6.8%
Saudi Aramco	68,832	64,352	3.6%
Chevron	57,898	52,797	3.0%
ExxonMobil	55,105	49,537	2.8%
Gazprom	50,687	41,031	2.3%
National Iranian Oil Co.	43,112	39,282	2.2%
BP	42,530	38,788	2.2%
Shell	40,674	36,528	2.1%
Coal India	29,391	26,408	1.5%
Poland	28,750	25,832	1.5%
Pemex	25,497	23,384	1.3%
Russian Federation	23,412	21,036	1.2%
China (Cement)	23,161	23,161	1.3%
ConocoPhillips	20,222	17,916	1.0%
British Coal Corporation	19,745	17,741	1.0%
CNCP	18,951	17,194	1.0%
Peabody Coal Group	17,735	15,935	0.9%
Total Energies	17,584	15,935	0.9%
Abu Dhabi Nartional Oil Co (ADNOC)	17,383	15,929	0.9%

Top 20 Carbon Majors entities by emissions (2016–2022)			
Entity	**Total emissions (MtCO2e)**	**CO2 emissions MtCO2e**	**% of global CO2 emissions**
China (Coal)	72,993	65,584	25.8%
Saudi Aramco	13,256	12,313	4.8%
Gazprom	10,127	8,297	3.3%
Coal India	8,509	7,645	3.0%
National Iranian Oil Co.	8,176	7,123	2.8%
China (Cement)	8,155	8,155	3.2%
Russian Federation	7,174	6,445	2.5%
Rosneft	5,734	5,262	2.1%
CNPC	4,966	4,359	1.7%
Abu Dhabi Nartional Oil Co (ADNOC)	4,746	4,316	1.7%

ExxonMobil	4,086	3,619	1.4%
Iraq National Oil Company	3,695	3,488	1.4%
Shell	3,621	3,162	1.2%
BP	3,513	3,111	1.2%
Sonatrach	3,408	2,901	1.1%
Chevron	3,326	2,946	1.2%
Kuwait Petroleum Corp	3,046	2,852	1.1%
Total Energies	2,877	2,535	1.0%
Petrobras	2,839	2,608	1.0%
Pemex	2,648	2,432	1.0%

Carbon Majors Database: (CDP Carbon Majors Report 2017);

Carbon Majors emissions of CO2 and methane 1988–2015				
Producer	**Cumulative 1988-2015 Scope 1 GHG, $MtCO_2e$**	**Cumulative 1988-2015 Scope 1 GHG, $MtCO_2e$**	**Cumulative 1988-2015 Scope 1 + 3 GHG, $MtCO_2e$**	**Cumulative 1988-2015 Scope 1 + 3 of global industrial GHG,%**
China (Coal)	9,622	119,312	128,933	14.3%
Saudi Arabian Oil Company (Aramco)	4,263	36,298	40,561	4.5%
Gazprom OAO	4,652	30,569	35,221	3.9%
National Iranian Oil Co	2,468	18,037	20,505	2.3%
ExxonMobil Corp	1,833	15,952	17,785	2.0%
Coal India	892	15,950	16,842	1.9%
Petroleos Mexicanos (Pemex)	2,055	14,749	16,804	1.9%
Russia (Coal)	1,216	15,524	16,740	1.9%
Royal Dutch Shell PLC	1,212	13,805	15,017	1.7%
China National Petroleum Corp (CNPC)	1,479	12,564	14,042	1.6%
BP PLC	1,072	12,719	13,791	1.5%
Chevron Corp	1,215	10,608	11,823	1.3%
Petroleos de Venezuela SA (PDVSA)	1,108	9,971	11,079	1.2%
Abu Dhabi National Oil Co	1,135	9,635	10,769	1.2%
Poland Coal	884	9,596	10,480	1.2%
Peabody Energy Corp	266	10,098	10,364	1.2%
Sonatrach SPA	1,490	7,507	8,997	1.0%
Kuwait Petroleum Corp	767	8,194	8,961	1.0%
Total SA	778	7,762	8,541	0.9%
BHP Billiton Ltd	588	7,595	8,183	0.9%
ConocoPhillips	654	6,809	7,463	0.9%
Petrobras	533	6,375	6,907	0.8%
LukOil	557	6,193	6,750	0.8%