Public Disclosure by Entities
Pillar 3

Data as at 30 September 2022

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

This version incorporates the update of Table EU LIQ1 which contained a typo.

Contents

Introduction

References to the regulatory requirements of the Market disclosure

The table below summarises the placement - as part of this quarterly disclosure to the market - of the regulatory requirements governed by the European legislation in force, in particular CRR2 Part Eight, as developed by the new implementing technical standards regarding disclosure and the guidelines issued from time to time by the EBA.

EBA/ GL/ITS/	Code	Name of Disclosure	Section of the Document
2018/01	IFRS 9-FL	Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs	Section 3 - Own Funds
2020/04	KM1	Key metrics	Introduction
	CC1	Breakdown of regulatory capital	Section 3 - Own Funds
	CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	
	CCyB2	Amount of institution-specific countercyclical capital buffer	Section 4 - Capital requirements
	CCyB1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	
	MR1	Market risk under the standardised approach	
	MR2-B	RWEA flow statements of market risk exposures under the IMA	
	OV1	Overview of total risk exposure amounts	
	CR8	RWA flow statements of credit risk exposures under the IRB approach	
	LR1	LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	Section 17 - Leverage
	LR2	LRCom: Leverage ratio common disclosure	
	LR3	LRSpl: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	
	LIQ1	Quantitative information of LCR	Section 15 - Liquidity risk

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

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

The prudential requirements for banks and investment firms contained in Regulation (EU) no. 575/2013. Starting from 30 June 2021, these were updated by Regulation (EU) no. 876/2019 (CRR 2), later amended by Regulation (EU) no. 873/2020 and Directive 2013/36/EU as updated by Directive (EU) no. 878/2019 (CRD V), which transpose the standards defined by the Basel Committee on Banking Supervision (Basel 4 framework) to the European Union.

The regulatory framework is completed with the implementation measures, contained in the regulatory technical standards or implementing technical standards (RTS or ITS) adopted by the European Commission at the proposal of the European Supervisory Authorities.

In the national domain, the common regulations are implemented by the Bank of Italy through Circular no. 285 of 17 December 2013 and subsequent updates "Supervisory Provisions for Banks".

The Banco BPM group publishes the information according to the frequency established by Article 433-bis of CRR2 and this document, entitled "Disclosure to the Public by Entities", constitutes fulfilment of the aforementioned regulatory obligations and is drawn up on a consolidated basis.

The preparation of the Pillar 3 Disclosure is also 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 - define the formal and comprehensive policy on the Group's disclosure to the market, in order to pursue full compliance with the Pillar 3 Disclosure.

The Market Disclosure of the Banco BPM Group is therefore structured in the light of indications and guidelines on disclosure issued over time by the EBA and summarised in Bank of Italy Circular 285/2013.

In particular, these refer to the following areas:

- EBA/GL/2014/14, on the relevance, exclusivity, confidentiality and frequency of the disclosure, pursuant to Articles 432, paragraphs 1, 2 and 433 of Regulation (EU) 575/2013 ("CRR");
- EBA/GL/2018/01, on uniform disclosures pursuant to Article 473-bis of the CRR, with regards to transitional provisions aimed at attenuating the impact of the introduction of IFRS 9 on own funds.

In line with the regulatory amendments introduced by CRR II, in order to rationalise and further standardise the periodic disclosure to the market, the EBA prepared - in addition - specific Implementing Technical Standards (EBA/ITS/2020/04) containing standard compilation formats and layouts for the qualitative parts (tables) and quantitative parts (templates). These standards are in force from 30 June 2021.

They were implemented through Commission Implementing Regulation (EU) 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Regulation (EU) no. 1423/2013 (disclosure of own funds requirements), Regulation (EU) 2015/1555 (disclosure of the countercyclical capital buffer), Regulation (EU) 2016/200 (disclosure of the leverage ratio) and Regulation (EU) 2017/2295 (disclosure of encumbered and unencumbered assets).

On 24 January 2022, the EBA published its final draft implementing technical standards (ITS) on disclosures that supervised intermediaries must provide to the market regarding environmental, social and governance (ESG) risks, developed in compliance with article

449 bis CRR2.

These standards are officially in force from 28 June 2022. However, it is envisaged that institutions publish their first disclosure in their annual report on December 2022 data.

Subsequently, this information must be updated every six months, adopting a gradual approach to the introduction of these disclosure requirements (phase-in period from December 2022 to June 2024).

The qualitative and quantitative information as at 30 September 2022 based on the contents required by the regulations referenced above is presented below.

Reference macroeconomic scenario

In the first nine months of 2022, the fragile recovery from the international emergency due to the Coronavirus epidemic was strongly impacted by the conflict in Ukraine which, since the end of February, has generated harsh repercussions on the international economic system and on companies' operations. Already in the second quarter of the year, the Group activated campaigns to monitor customers that are particularly exposed to the increase in energy prices and the procurement of raw materials, to identify in advance potential signs of impairment of exposures. Those initiatives, which involved a portfolio of over Euro 9 billion at the end of October, provided reassuring signs, with only Euro 47 million in loans classified as non-performing during the July-October period, in addition to the Euro 55 million classified during the second quarter. Instead, as of 30 September 2022, the Group's direct exposure to Russia and Ukraine decreased further, and had an overall negligible amount (around Euro 21 million).

****

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

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

Capital adequacy ratios as at 30 September 2022

The Own Funds and the capital ratios as at 30 September 2022 described below were calculated by applying the provisions of the Bank of Italy and the European Central Bank in accordance with Basel 4 regulations.[1]

Based on the provisions of Art. 26, paragraph 2 of Regulation (EU) no. 575/2013 of 26 June 2013 (CRR), the inclusion of interim profits in Common Equity Tier 1 Capital (CET1) is subject

---

[1] More specifically, the data has been calculated by taking into consideration the current legislation and the interpretations issued prior to 8 November 2022, the date on which the Board of Directors approved the balance sheet and income statement as at 30 September 2022.

to the prior permission of the competent authority (the ECB), which requires these profits to be verified by the independent auditors.

In this regard, please note that the Banco BPM Group's consolidated balance sheet and income statement as at 30 September 2022 were audited, designed to obtain the aforementioned authorisation. The capital data and ratios contained in this report therefore include the interim profit as at 30 September 2022, resulting from the Group's consolidated balance sheet and income statement approved by the Board of Directors on 8 November 2022, net of the portion that is expected to be distributed as a dividend, based on specific applicable law[2].

As at 30 September 2022, Own Funds totalled Euro 11,495 million, against weighted assets of Euro 61,606 million, mostly arising from credit and counterparty risks and, to a lesser extent, operational and market risks.

The Total Capital Ratio stood at 18.7%; the Group Tier 1 Ratio (Tier 1 Capital to RWAs) stood at 15.8%. The Common Equity Tier 1 Ratio (Common Equity Tier 1 to RWAs) was 13.5%.

[2] Pursuant to the provisions of art. 5 of Decision (EU) 2015/656 of the European Central Bank of 4 February 2015, the dividends to deduct from the amount of the interim net income, which are to be included in own funds, correspond to the amount formally proposed or resolved by the management body. If the proposal or decision has not yet been adopted, the dividend to deduct is equal to the higher of the following: a) the maximum dividend calculated in accordance with internal policy on dividends; b) the dividend calculated on the basis of the average distribution rates of the last three years; c) the dividend calculated on the basis of the distribution rate of the previous year. By applying this rule, the dividend deducted from interim net income at the end of the first nine months corresponds to the dividend calculated on the basis of the distribution rate of the previous year, which is 50% of the above figure.

EU KM1 - Key metrics

* for each quarter, the average figures for the previous 12 months are reported
** the amounts as at 31.03.2022, 31.12.2021 and 30.09.2021 have been restated, referring to the Total SREP capital requirement ratio (TSCR) instead of the Overall capital requirement ratio (OCR).

		30/09/2022	30/06/2022	31/03/2022	31/12/2021	30/09/2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	8,315,629	8,884,425	8,913,965	9,387,387	9,317,176
2	Tier 1 Capital	9,705,423	10,274,578	10,006,797	10,563,723	10,493,512
3	Total capital	11,495,456	12,548,515	12,448,069	12,524,298	12,445,939
	Risk-weighted exposure amounts					
4	Total risk exposure amount	61,606,250	63,320,699	64,335,921	63,931,231	66,247,795
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	13.50%	14.03%	13.86%	14.68%	14.06%
6	Tier 1 ratio (%)	15.75%	16.23%	15.55%	16.52%	15.84%
7	Total capital ratio (%)	18.66%	19.82%	19.35%	19.59%	18.79%
	Additional own fund requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own fund requirements to deal with risks other than risk of excessive leverage (%)	2.25%	2.25%	2.25%	2.25%	2.25%
EU 7b	Of which: to be made up of CET1 capital (%)	1.27%	1.27%	1.27%	1.27%	1.27%
EU 7c	Of which: to be made up of Tier 1 capital (%)	1.69%	1.69%	1.69%	1.69%	1.69%
EU 7d	Total SREP own funds requirements (%)	10.25%	10.25%	10.25%	10.25%	10.25%
	Combined buffer and overall capital requirement (as a percentage 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 (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution-specific countercyclical capital buffer (%)	0.003%	0.003%	0.003%	0.003%	0.003%
EU 9a	Systemic risk capital buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.25%	0.25%	0.25%	0.19%	0.19%
11	Combined buffer requirement (%)	2.75%	2.75%	2.75%	2.69%	2.69%
EU 11a	Overall capital requirements (%)	13.00%	13.00%	13.00%	12.94%	12.94%
12	CET1 available after meeting the total SREP own funds requirements (%) **	7.73%	8.26%	7.87%	8.84%	8.15%
	Leverage ratio					
13	Total exposure measure	200,479,265	218,682,783	190,723,149	178,274,204	184,774,896
14	Leverage ratio (%)	4.84%	4.70%	5.25%	5.93%	5.68%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.11%	3.12%	3.11%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.11%	3.12%	3.11%
	Liquidity coverage ratio*					
15	Total high-quality liquid assets (HQLA) (weighted value - average)	39,274,591	40,744,297	40,810,818	39,688,960	38,767,571
EU 16a	Cash outflows - Total weighted value	24,784,300	24,394,177	23,939,084	23,317,502	23,171,164
EU 16b	Cash inflows - Total weighted value	5,085,953	4,773,719	4,424,744	4,051,998	3,942,629
16	Total net cash outflows (adjusted value)	19,698,348	19,620,458	19,514,340	19,265,504	19,228,534
17	Liquidity Coverage Ratio (%)	200%	208%	209%	206%	201%
	Net Stable Funding Ratio					
18	Total available stable funding	141,587,760	142,723,865	154,091,470	151,599,799	149,109,564
19	Total required stable funding	107,023,254	106,346,197	115,992,131	113,364,972	113,717,239
20	NSFR ratio (%)	132%	134%	133%	134%	131%

Own Funds

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

The tables on the features of equities are uploaded in editable format (Excel) on the Group's institutional website.

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

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

Amounts are shown in millions of euro.

Composition of own funds

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

The breakdown of own funds as at 30 September 2022 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.

EU CC1 - Composition of regulatory own funds

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and related share premium accounts	7,100,000	EU CC2 - SHAREHOLDERS' EQUITY 170
	Of which: Instrument type 1	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)	3,586,832	EU CC2 - SHAREHOLDERS' EQUITY 120 + EU CC2 - SHAREHOLDERS' EQUITY 150
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (allowed amount in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	234,432	EU CC2 - SHAREHOLDERS' EQUITY 200.1
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**10,921,264**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	- 45,725	
8	Intangible assets (net of related tax liability) (negative amount)	- 1,027,357	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)	- 834,931	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	20,190	EU CC2 - EQUITY 150.1
12	Negative amounts resulting from the calculation of expected loss amounts	-	
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 credit standing	- 24,192	EU CC2 - EQUITY 150.2 for -19.3 million (-4.9 million in Income Statement)
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	- 18,291	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 above 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 does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	- 536,773	EU CC2 - ASSETS 70.1/1
EU-20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	- 31,036	
EU-20b	Of which: qualifying holdings outside the financial sector (negative amount)	-	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
EU-20c	Of which: securitisation positions (negative amount)	- 31,036	
EU-20d	Of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38(3) CRR are met) (negative amount)	-172,262	
22	Amount exceeding the 17.65% threshold (negative amount)	- 652,053	
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	- 326,027	EU CC2 - ASSETS 70.1/2
25	Of which: deferred tax assets arising from temporary differences	- 326,027	EU CC2 - ASSETS 110 b.1/2
EU-25a	Losses for the current financial year (negative amount)	-	EU CC2 - SHAREHOLDERS' EQUITY 200.1
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	716,795	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	- 2,605,635	
29	**Common Equity Tier 1 (CET1) capital**	**8,315,629**	
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	1,389,794	
31	Of which: classified as equity under applicable accounting standards	1,389,794	EU CC2 - SHAREHOLDERS' EQUITY 140
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 494a(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 minority 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	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**1,389,794**	
	Additional Tier 1 (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	-	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	
44	**Additional Tier 1 (AT1) capital**	**1,389,794**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**9,705,423**	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	1,894,504	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 494a(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 minority 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	21,333	
51	**Tier 2 (T2) capital before regulatory adjustments**	**1,915,837**	
	Tier 2 (T2) capital: regulatory adjustments		
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)	- 125,803	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 Tier 2 (T2) capital**	**- 125,803**	
58	**Tier 2 (T2) capital**	**1,790,033**	
59	**Total Capital (TC = T1 + T2)**	**11,495,456**	
60	**Total risk exposure amount**	**61,606,250**	
	Capital ratios and requirements, including capital buffers		
61	Common Equity Tier 1 Capital	13.498%	
62	Tier 1 Capital	15.754%	
63	Total capital	18.660%	
64	Institution CET1 overall capital requirements	8.519%	
65	Of which capital conservation buffer requirement	2.500%	
66	Of which countercyclical buffer requirement	0.003%	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
67	Of which systemic risk buffer requirement	0.000%	
EU-67a	Of which global systemically important institution (G-SII) or other systemically important institution (O-SII) capital buffer requirement	0.250%	
EU-67b	Of which additional own funds requirements to deal with risks other than risk of excessive leverage	1.266%	
68	**Common Equity Tier 1 (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	7.732%	
	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)	460,074	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)	569,966	EU CC2 - ASSETS 70.1/3
75	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)	569,966	EU CC2 - ASSETS 110 b.1/3
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Credit risk adjustments included in T2 in respect of exposures subject to the 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)	21,333	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	146,716	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 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)	-	

Transitional arrangements applied by Banco BPM to calculate own funds

1. Transitional arrangements to mitigate the impact of the introduction of IFRS 9 on own funds

By the deadline of 1 February 2018, Banco BPM informed the European Central Bank that it had exercised the option for the full application of the transitory arrangements envisaged by Article 473 bis of Regulation (EU) no. 575/2013, which defers, over time, the impact on own funds resulting from application of the new impairment model introduced by IFRS 9. The above transitional arrangements envisage the option of including a positive transitional component in Common Equity Tier 1 equivalent to a percentage of the increase recorded by provisions for expected credit losses as a result of applying IFRS 9. This percentage decreases over a five-year time-frame from 2018 to 2022. The percentage applicable to the period from 1 January 2022 to 31 December 2022 is 25%. From 1 January 2023 the impact of first-time adoption of IFRS 9 will be fully recognised in the calculation of own funds.

It should be noted that the aggregate data of prudential supervision contained in this disclosure do not include any further impact resulting from the new transitional arrangements introduced by Regulation (EU) no. 2020/873 in response to the COVID-19 pandemic, with a view to strengthening the transitional arrangements pursuant to Article 473a of Regulation (EU) no. 575/2013.

2. Transitional arrangements to mitigate the impact on own funds of unrealised gains and losses resulting from the valuation of financial assets measured at fair value through other comprehensive income

Note that on 20 June 2022, Banco BPM informed the European Central Bank that it had exercised the option of applying the transitional arrangements envisaged by Article 468 of Regulation (EU) no. 575/2013, as amended by Regulation (EU) 2020/873 ("CRR Quick-fix").

On the basis of these arrangements, from 1 January to 31 December 2022, entities may exclude from the calculation of Own Funds, a portion corresponding to 40% of unrealised gains and losses, recognised from 31 December 2019 against the fair value valuation with an impact on the overall income of debt securities issued by the central governments, regional governments, local entities referred to in article 115, paragraph 2, and the public sector entities referred to in article 116, paragraph 4, of Regulation (EU) no. 575/2013[3]. Banco BPM applied the transitional arrangements illustrated above for the first time in the calculation of own funds as at 30 June 2022. From 1 January 2023, these transitional arrangements will no longer apply.

Table EU IFRS 9-FL (Article 468) below provides, for own funds, risk-weighted assets, capital ratios and the leverage ratio, a comparative disclosure between the balances calculated by applying the aforementioned transitional rules ("Phased in") and equivalent amounts calculated by applying the rules that will be fully applicable at the end of the transitional period ("Fully Phased").

[3] Non-performing financial assets are excluded from the scope of application.

Template IFRS 9-FL (Article 468) - Comparison of own funds and leverage ratios of entities, with or without application of IFRS 9 transitional arrangements or similar expected credit losses and with or without application of the transitional arrangements of Article 468 CRR.

		30/09/2022			30/06/2022			31/03/2022		31/12/2021		30/09/2021	
	Available capital (amounts)	**Phase-in**	**Fully Phased**	**Fully Phased (*)**	**Phase-in**	**Fully Phased**	**Fully Phased (*)**	**Phase-in**	**Fully Phased**	**Phase-in**	**Fully Phased**	**Phase-in**	**Fully Phased**
1	Common Equity Tier 1 (CET1) capital	8,315,629	7,761,094	7,951,001	8,884,425	8,319,183	8,617,777	8,913,965	8,338,015	9,387,387	8,559,329	9,317,176	8,478,411
2	Tier 1 Capital	9,705,423	9,150,888	9,340,794	10,274,578	9,709,336	10,007,929	10,006,797	9,430,848	10,563,723	9,735,665	10,493,512	9,654,747
3	Total capital	11,495,456	10,940,921	11,130,828	12,548,515	11,983,272	12,281,866	12,448,069	11,872,120	12,524,298	11,696,239	12,445,939	11,607,174
	Risk-weighted assets (amounts)												
4	Total risk-weighted assets	61,606,250	61,449,652	61,555,988	63,320,699	63,160,084	63,283,946	64,335,921	64,171,289	63,931,231	63,728,820	66,247,795	66,041,367
	Capital ratios												
5	Common Equity Tier 1 Capital (as a percentage of risk exposure amount)	13.5%	12.6%	12.9%	14.0%	13.2%	13.6%	13.9%	13.0%	14.7%	13.4%	14.1%	12.8%
6	Tier 1 Capital (as a percentage of the risk exposure amount)	15.8%	14.9%	15.2%	16.2%	15.4%	15.8%	15.6%	14.7%	16.5%	15.3%	15.8%	14.6%
7	Total Capital (as a percentage of the risk exposure amount)	18.7%	17.8%	18.1%	19.8%	19.0%	19.4%	19.3%	18.5%	19.6%	18.4%	18.8%	17.6%
	Leverage ratio												
8	Leverage ratio total exposure measure	200,479,265	199,924,730	200,114,637	218,682,783	218,117,541	218,416,134	190,723,149	190,147,199	178,274,204	177,446,146	184,774,896	183,936,131
9	Leverage ratio	4.8%	4.6%	4.7%	4.7%	4.5%	4.6%	5.2%	5.0%	5.9%	5.4%	5.7%	5.2%

The Fully Phased column shows the balances in question as if the IFRS 9 transitional arrangements or similar expected credit losses had not been exclusively applied. The Fully Phased (*) column shows the balances in question as if the temporary treatment envisaged by Article 468 CRR for unrealised gains and losses, measured at fair value through other comprehensive income, had not been exclusively applied. As the temporary treatment was applied from 30/06/2022, the relative column has been completed from that date. Excluding both of the described impacts, as at 30 September 2022 the CET1 Ratio - calculated on the basis of full application of prudential supervisory rules - stood at 12.05%, the Tier 1 Ratio at 14.31% and the TCR at 17.23%.

Reconciliation between book value of Equity and Own Funds

		30/09/2022	31/12/2021
	Consolidated shareholders' equity	12,578,008	13,094,951
	Adjustments for companies that do not belong to the Banking Group	-29,999	-9,189
	Book value of equity (Banking Group)	12,548,009	13,085,763
	non-controlling interests	0	0
	reversal of own shares	18,291	8,159
	Profit (loss) for the period not calculable	-255,242	-289,885
	Non-calculable valuation reserves	0	0
	Dividends	0	0
	Instruments calculable in Additional Tier 1 Capital	-1,389,794	-1,092,832
	Prudential filter on sale of property	0	0
A.	**Common Equity Tier 1 (CET1) capital before the application of prudential filters**	**10,921,264**	**11,711,205**
	of which CET1 instruments subject to transitional arrangements	0	0
B.	**CET1 prudential filters (+/-)**	**-49,727**	**7,987**
C.	**CET1 before items to be deducted and before the effects of the transitional arrangement (A +/- B)**	**10,871,537**	**11,719,192**
D.	**Items to be deducted from CET1**	**-3,475,071**	**-3,159,863**
E.	**Transitional arrangement - Impact on CET1 (+/-), including minority interests subject to transitional arrangements**	**919,164**	**828,058**
F.	**Total Common Equity Tier 1 (CET1) capital (C - D +/- E)**	**8,315,629**	**9,387,387**
G.	**Additional Tier 1 (AT1) capital before items to be deducted and before the effects of the transitional arrangement**	**1,389,794**	**1,176,337**
	of which AT1 instruments subject to transitional arrangements	0	83,504
H.	**Items to be deducted from AT1**	**0**	**0**
I.	**Transitional arrangement - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 under transitional arrangements**	**0**	**0**
L.	**Total Additional Tier 1 (AT1) capital (G - H +/- I)**	**1,389,794**	**1,176,337**
M.	**Tier 2 (T2) capital before items to be deducted and before the effects of the transitional arrangement**	**1,915,836**	**2,119,197**
	of which T2 instruments subject to transitional arrangements	0	0
N.	**Items to be deducted from T2**	**-125,803**	**-158,623**
O.	**Transitional arrangement - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 under transitional arrangements**	**0**	**0**
P.	**Total Tier 2 (T2) capital (M - N +/- O)**	**1,790,033**	**1,960,574**
Q.	**Total own funds (F + L + P)**	**11,495,456**	**12,524,298**

CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
Assets- Breakdown by asset class according to the balance sheet included in the published financial statements				
10	CASH AND CASH EQUIVALENTS	24,370,018	24,221,028	
20	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	7,942,947	7,900,277	
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)		253,861	EU CC1 72
30	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	10,011,697	10,011,697	
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)		71,422	EU CC1 72
35	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	5,940,198	-	
40	FINANCIAL ASSETS MEASURED AT AMORTISED COST	134,187,764	134,348,023	
40.1	of which: 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		125,803	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)		135,449	EU CC1 72
45	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	7,338	-	
50	HEDGING DERIVATIVES	1,578,247	1,576,095	
60	FAIR VALUE CHANGE OF FINANCIAL ASSETS SUBJECT TO MACRO HEDGING (+/-)	- 417,293	- 417,293	
70	INTERESTS IN ASSOCIATES AND JOINT VENTURES	1,427,419	1,761,119	
70.1	Interests in associates and joint ventures: significant influence - measured at equity	1,389,847	1,644,858	
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)		532,909	EU CC1 19 (Fully Phased Value)
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)		232,155	EU CC1 23 (Fully Phased Value)
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 17.65% thresholds and net of eligible short positions)		667,701	EU CC1 73 (Fully Phased Value)
70.2	Interests in associates and joint ventures: measured at equity, positive differences in	37,572	116,261	EU CC1 8

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
	shareholders' equity			
80	TECHNICAL RESERVES OF REINSURERS	5,678	-	
90	PROPERTY, PLANT AND EQUIPMENT	3,137,076	3,070,806	
100	INTANGIBLE ASSETS	1,287,669	1,213,661	
100.1	Goodwill	113,633	42,968	EU CC1 8
100.2	Other intangible assets	1,174,036	1,170,693	
100.3	of which: intangible assets deducted from own funds		989,752	EU CC1 8
110	TAX ASSETS	4,682,857	4,631,021	
110 a	a) current	252,391	243,256	
110 b	b) deferred	4,430,466	4,387,765	
110 b.1	Deferred - Other than Law 214/2011	2,096,666	2,053,965	
110 b.1/1	of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences		796,294	EU CC1 10 (Fully Phased Value)
110 b.1/2	of which: deferred tax assets arising from temporary differences (amount exceeding the 17.65% threshold)		187,515	EU CC1 25 (Fully Phased Value)
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)		539,312	EU CC1 75 (Fully Phased Value)
110 b.2	Deferred - Pursuant to Law 214/2011	2,333,800	2,333,800	
120	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	169,905	166,762	
130	OTHER ASSETS	3,738,495	3,606,530	
	Total assets	**198,070,015**	**192,089,726**	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements				
10	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	164,292,396	164,377,854	
10.1	of which: Tier 2 instruments and related share premium accounts		1,894,504	EU CC1 46
10.2	of which: Amount of qualifying items referred to in Article 494 bis(1) CRR subject to gradual phase out from AT1		-	EU CC1 EU-33
15	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,554	-	
20	FINANCIAL LIABILITIES HELD FOR TRADING	6,404,677	6,404,658	
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)		658	EU CC1 72

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
30	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	2,064,047	2,064,047	
35	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	1,494,025	-	
40	HEDGING DERIVATIVES	892,745	892,745	
50	FAIR VALUE CHANGE OF FINANCIAL LIABILITIES SUBJECT TO MACRO HEDGING (+/-)	- 1,123,302	- 1,123,302	
60	TAX LIABILITIES	304,311	275,668	
60.a	a) current	18,772	16,888	
60.b	b) deferred	285,539	258,780	
60.b.1	of which: deferred tax liabilities on goodwill and other intangible assets already offset as lower deductions of regulatory capital		121,624	EU CC1 8
70	LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS HELD FOR SALE	-	-	
80	OTHER LIABILITIES	5,708,149	5,646,875	
90	PROVISIONS FOR EMPLOYEE SEVERANCE PAY	256,884	253,269	
100	PROVISIONS FOR RISKS AND CHARGES	742,537	749,895	
	Total liabilities	**181,038,023**	**179,541,709**	
Shareholders' equity				
110	TECHNICAL RESERVES	4,452,631	-	EU CC1 3
120	VALUATION RESERVES	-526,479	- 636,251	EU CC1 3
125	VALUATION RESERVES RELATING TO INSURANCE COMPANIES IN ACCORDANCE WITH IAS 39	-109,772	-	
140	EQUITY INSTRUMENTS	1,389,794	1,389,794	EU CC1 31
150	RESERVES	4,232,272	4,223,083	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		20,190	EU CC1 11
150.2	of which: gains or losses on liabilities measured at fair value resulting from changes in own credit standing		19,332	EU CC1 14
170	SHARE CAPITAL	7,100,000	7,100,000	EU CC1 1
180	OWN SHARES (-)	-18,291	-18,291	EU CC1 16
190	NON-CONTROLLING INTERESTS (+/-)	1,353	8	
200	PROFIT (LOSS) FOR THE YEAR	510,484	489,674	
200.1	of which: calculable profit		234,432	EU CC1 EU-5a
	Total shareholders' equity	**17,031,992**	**12,548,017**	
	Total liabilities and shareholders' equity	**198,070,015**	**192,089,726**	

Analysis of changes in the aggregate of own funds in the first nine months of 2022

(in thousands of euro)	**30/09/2022**
Common Equity Tier 1 (CET1) Capital	
Opening balance	**9,387,387**
CET1 instruments	**- 708,967**
Increase/decrease in reserves arising from measurement at FVOCI	- 977,611
Distribution of dividends	-
Net income for the period	234,432
Increase/decrease in equity	- 10,132
Changes in other CET1 transitional items	91,105
Increase/decrease in other reserves	- 46,761
Increase/decrease in non-controlling interests calculable in CET1	-
Prudential filters	**- 57,714**
Increase/decrease in regulatory value adjustments (prudent valuation)	- 12,909
Increase/decrease in gains or losses on liabilities measured at fair value resulting from own credit standing	- 51,548
Increase/decrease in cash flow reserve	6,742
Deductions	**- 305,077**
Increase/decrease in intangible assets (net of related tax liabilities)	- 43,432
Increase/decrease in significant investments in CET1 instruments of entities in the financial sector and tax assets from temporary differences exceeding the thresholds	- 245,424
Increase/decrease in tax assets from tax losses carried forward	- 1,996
Increase/decrease in non-significant investments in CET1 instruments	-
Increase/decrease in excess of expected losses with respect to value adjustments (shortfall)	-
Increase/decrease in exposures deducted instead of risk-weighted at 1250%	- 13,856
Insufficient coverage of non-performing exposures	- 369
Other CET1 deductions due to Article 3 CRR	-
Closing balance	**8,315,629**
Additional Tier 1 (AT1) capital	
Opening balance	**1,176,336**
AT1 instruments	**213,457**
Increase/decrease in AT1 instruments	213,457
Increase/decrease in non-controlling interests calculable in AT1	-
Deductions	**-**
Increase/decrease in items to be deducted from AT1	-
Closing balance	**1,389,794**
Tier 2 (T2) capital	
Opening balance	**1,960,574**
T2 instruments	**- 203,360**
Increase/decrease in T2 instruments and subordinated liabilities	- 159,684
Decrease in T2 instruments calculable under grandfathering arrangements	-
Increase/decrease in non-controlling interests calculable in T2	-
Increase/decrease in excess of value adjustments with respect to expected losses	- 43,676
Deductions	**32,819**
Increase/decrease in items to be deducted from T2	32,819
Closing balance	**1,790,033**
Total own funds	**11,495,456**

Common Equity Tier 1 (CET1) posted a decrease of Euro 1,072 million during the period. The most significant components behind the variation are as follows:

- the negative change recorded by valuation reserves (negative Euro 977.6 million, of which Euro 725.6 consisting of valuation reserves on securities at fair value through other comprehensive income and Euro 252 from other valuation reserves);
- the inclusion of interim net income of Euro 234.4 million in the first nine months;
- the increase in other reserves of Euro 46.8 million;
- the change in the item "changes in other transitional elements CET1", positive for Euro 91.1 million. Note that said item includes the positive impact of first-time application of art. 468 of Regulation (EU) no. 575/2013 of Euro 364.6 million, net of the negative impact arising from the reduction in the % sterilisation of the negative impact of first-time adoption of IFRS 9 of Euro 273.5 million;
- the negative change in prudential filters on the change in own credit standing, of cash flow hedges and regulatory value adjustments (Euro -57.7 million);
- the increase in deductions for a total of Euro 305 million.

In the period, **Additional Tier 1 Capital (AT1**) recorded an increase of Euro 213.5 million due to the issue of a new Additional Tier 1 instrument, calculable for Euro 297 million, partially offset by the repurchase of a hybrid capitalisation instrument eligible, until 31 December 2021, for the transitional grandfathering arrangement for Euro 83.5 million**.**

Tier 2 Capital (T2) recorded a decrease of Euro 170.5 million in the period, primarily due to the combined effect of the reimbursements of the two subordinate loans for a total of Euro 508 million, the issue of a new calculable T2 instrument for Euro 398 million and the negative change for Euro 44 million in the excess of value adjustments compared to expected losses.

Capital requirements

Disclosure relating to Pillar 1 capital adequacy

The minimum regulatory requirements

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 equal to 2.5%).

In February 2022, 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 ECB determined a consolidated CET 1 ratio requirement for 2022 of 8.52%. This requirement includes:

- the minimum Pillar 1 requirement of 4.5%;
- a Pillar 2 capital requirement (P2R) of 2.25%, unchanged from last year, which must be met for at least 56.25% (corresponding to 1.27%) by CET1 and at least 75% by Tier 1;[4]
- a capital conservation buffer of 2.50%;
- the O-SII buffer1 which is equal to 0.25% of the total risk-weighted exposures;[5]
- the countercyclical capital buffer of 0.003%.

The table below summarises the prudential requirements in terms of the CET 1 ratios required for 2022:

Banco BPM Group's prudential requirements - in terms of CET1 ratio	2022
Minimum Pillar 1 regulatory capital	4.500%
Pillar 2 requirement (P2R)	1.266 %
Total SREP Capital Requirement (TSCR)	**5.766 %**
Capital Conservation Buffer (CCB)	2.500%
Buffer for Other Systemically Important Institutions (O-SII)	0.250 %
Countercyclical capital buffer (CCyB)[6]	0.003%
Overall Capital Requirement (OCR)	**8.519%**

As at 30 September 2022, the Banco BPM Group was in full compliance with the required regulatory thresholds. The prudential requirement in terms of the Tier 1 ratio is 10.44%, while that in terms of the Total Capital ratio is 13.00%.

---

[4] See Article 104.1.a of the new CRD V directive, which officially entered into force on 30 June 2021.

[5] With its communication of 18 November 2021, the Bank of Italy identified the Banking Group Banco BPM as a systemically important institution (O-SII) for the year 2022. The O-SII reserve, which for 2021 was equal to 0.19%, amounts to 0.25% starting from 1 January 2022.

[6] Calculated considering the respective requirements established by the competent national authorities relating to exposures as at 30 September 2021 in relation to the countries in which the Group operates. On the date of drafting of this disclosure, the countercyclical capital buffer is confirmed as the same amount, as better described below.

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 credit, 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 intra-group transactions.

As at 30 September 2022, the Banco BPM Group is authorised to use its own internal models to calculate regulatory capital absorption with reference to the following Pillar 1 risks:

- credit risk: the scope subject to the A-IRB approach considers the business and retail loans of Banco BPM S.p.A. covered by the advanced internal rating-based approaches. The standard regulatory approach will continue to be adopted, for prudential reasons, for loans portfolios that are not included in the scope of first validation A-IRB. March 2021 saw the conclusion of the IMI-4141 inspection process, launched in the final quarter of 2019, aimed at validating the new PD, LGD (Performing, ELBE and Defaulted Asset) and EAD models. In compliance with the new legislative provisions and fulfilling specific ECB obligations, the new models contain significant methodological changes compared to the risk parameters used previously by the Group for Corporate and Retail customers. The new risk parameters, used in the reporting from the first quarter of 2021, involve partial compliance with the new EBA Guidelines on the estimation of PD and LGD parameters (EBA/GL/2017/16), the downturn (EBA/GL/2019/03) and the CRM (EBA/GL/2020/05), which will officially come into force on 1/1/2022. With regard to only the EAD model, the request for validation also included a new model for Corporate customers, whose exposures were previously subject to application of the Standardised CCF method. The Final Decision relating to said inspection has enabled the application of the new models forming the object of the authorisation request starting from the reporting relating to 31 March 2021, with two limitations. The latter consist of a floor of 110% to be applied to the margin of conservatism (MoC) of the PD and of two multipliers to be applied to the LGD performing, ELBE and LGD defaulted asset parameters, equal to 105% for loans disbursed to corporate customers and 102.5% for private customers. The aforementioned limitations are related to specific obligations, connected primarily to the MoC calculation framework, which the Regulator deems still needs to be reinforced. The list of obligations related to the add-ons to be applied in the LGD domain incorporates a specific finding on the estimate framework of art. 500 CRR2, applied by BBPM with said request. The models in production also include the effects of the new definition of default in relation to the entry into force of the relevant EBA guideline (EBA/GL/2016/07). In fact, at the same time as the phases of commissioning of the new risk parameters, the Bank received the Final Decision relating to the inspection (IMI-4738) following the application of the model change for the adjustment of the IT systems, procedures, internal processes and risk parameters via technical calibration in line with the new definition of default. Lastly, in 2021, BBPM launched an important project to review the overall A-IRB system, called Next Application A-IRB 2021 (NAA-2021), with the aim of completing 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, but also EBA/RTS/2018/04) and Credit Risk Mitigation techniques (EBA/GL/2020/05). The inspection process is still ongoing in relation to validation of the aforementioned models (IMI-180439).

- market risk: the currently validated perimeter includes generic and specific risk for equity securities, generic and specific risk for debt securities and exchange rate risk for the trading book.

With reference to operational risk, from the Reporting date of 31/12/2020, the Supervisory Authority asked the Group to fully adopt the Traditional Standardised Approach to calculate capital requirements for all companies that make up the Supervised Group, while with regard to the other qualitative-quantitative elements envisaged by Supervisory Regulations, to fulfil all of the requirements of the CRR2 for the TSA as well as those envisaged by the above-mentioned AMA in articles 321 (points b-e) and 322 (points b-f).

The capital requirements and capital ratios of the Banco BPM Group as at 30 September 2022 are presented as follows.

Capital requirements and capital ratios of Banco BPM Group

Disclosures	30/09/2022		31/12/2021 restated		31/12/2021	
	Weighted amounts	Requirements	Weighted amounts	Requirements	Weighted amounts	Requirements
B. Regulatory Capital Requirements						
B.1 Credit Risk and Counterparty Credit Risk	**52,531,914**	**4,202,553**	**53,020,295**	**4,241,624**	**54,129,245**	**4,330,340**
1. Standardised Approach	27,306,517	2,184,521	28,560,625	2,284,851	29,669,575	2,373,567
2. Internal models - Basic	-	-	-	-	-	-
3. Internal models - Advanced	24,452,608	1,956,208	23,488,148	1,879,051	23,488,148	1,879,051
4. Equity - IRB approach	-	-	-	-	-	-
5. Securitisations	766,870	61,350	965,330	77,227	965,330	77,227
6. Prefunded contributions	5,919	474	6,192	495	6,192	495
B.2 Credit valuation adjustment (CVA) risk	**246,298**	**19,704**	**250,317**	**20,025**	**250,317**	**20,025**
B.3 Settlement risk	**3,510**	**281**	**1,234**	**99**	**1,234**	**99**
B.4 Market risk	**1,375,733**	**110,059**	**2,464,141**	**197,131**	**2,464,141**	**197,131**
1. Standardised Approach	2,024	162	1,954	156	1,954	156
2. Internal models	1,373,708	109,897	2,462,186	196,975	2,462,186	196,975
3. Concentration risk	-	-	-	-	-	-
B.5 Operational Risk	**6,898,795**	**551,904**	**6,898,795**	**551,904**	**6,898,795**	**551,904**
1. Basic Approach	-	-	-	-	-	-
2. Standardised Approach	6,898,795	551,904	6,898,795	551,904	6,898,795	551,904
3. Advanced Approach	-	-	-	-	-	-
B.6 Other calculation items	**550,000**	**44,000**	**1,296,450**	**103,716**	**187,500**	**15,000**
B.7 Total Prudential Requirements	**61,606,250**	**4,928,501**	**63,931,231**	**5,114,499**	**63,931,231**	**5,114,499**
C. Capital adequacy ratios (%)						
C.1 Common Equity Tier 1 Ratio	**13.5%**		**14.7%**		**14.7%**	
C.2 Tier 1 Ratio	**15.8%**		**16.5%**		**16.5%**	
C.3 Total Capital Ratio	**18.7%**		**19.6%**		**19.6%**	

Item B.6 «Other calculation items» includes the amount of the additional capital requirements which, in compliance with the provisions of art. 3 of Regulation (EU) no. 575/2013, the Bank has voluntarily decided to consider in addition to the requirements calculated by applying the rules envisaged in this Regulation. The calculation of these additional requirements is made as part of the Bank's formal process. As at 30 September 2022, the additional requirements totalled Euro 44 million, corresponding to Euro 550 million in higher risk-weighted assets and reflecting 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. To permit a comparison on a like-for-like basis, the figure relating to 31 December 2021 for the item in question was adjusted with respect to that reported in the previous Pillar 3 disclosures, reclassifying the additional requirement of Euro 88.7 million to this item, from item B.1_1 «credit and counterparty credit risk - standardised approach» to item B.6 «Other calculation items».

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 Common Equity Tier 1 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 exposure to risk 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 2013/36/EU (CRD V) specifies that the specific countercyclical ratio of an institution is equal to the weighted average of the countercyclical ratios applied in the countries in which the significant exposures of the institution are located.

It should be noted that, in its press release dated 24 June 2022, the Bank of Italy set the counter-cyclical ratio to be applied to exposures held with Italian counterparties at 0%.

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

EU CCyB2 - Amount of institution-specific countercyclical capital buffer

10	Total risk exposure amount	61,606,250
20	Institution-specific countercyclical capital buffer rate	0.003%
30	**Institution-specific countercyclical capital buffer requirement**	**1,848**

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		General credit exposures		Relevant credit exposures - Market risk			
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of exposures contained in the trading book according to the standardised approach	Value of trading book exposures for internal models	Value of exposures to securitisation outside the trading book	Value of overall exposure
Breakdown by country:							
LU	Luxembourg	253,679	1,332	-	-	-	255,011
NO	Norway	10,027	-	-	-	-	10,027
SE	Sweden	7,930	138	-	-	-	8,069
CZ	Czech Republic	5,895	475	-	-	-	6,370
HK	Hong Kong	1	2,892	-	-	-	2,893
DK	Denmark	2,063	37	-	-	-	2,100
BG	Bulgaria	13	134	-	-	-	147
IS	Iceland	24	-	-	-	-	24
SK	Slovakia	0	-	-	-	-	0
		20,922,369	109,065,846	-	-	5,432,275	135,420,490
Total		21,202,001	109,070,855	-	-	5,432,275	135,705,131

		Own funds requirements						
		Relevant credit exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Exposures to securitisation outside the trading book	Total	Risk-weighted exposure amounts	Own funds requirements weights (%)	Countercyclical buffer rate (%)
Breakdown by country:								
LU	Luxembourg	20,258	-	-	20,258	253,223	0.572%	0.50%
NO	Norway	295	-	-	295	3,682	0.008%	1.50%
SE	Sweden	623	-	-	623	7,784	0.018%	1.00%
CZ	Czech Republic	341	-	-	341	4,260	0.010%	1.00%
HK	Hong Kong	109	-	-	109	1,363	0.003%	1.00%
DK	Denmark	84	-	-	84	1,045	0.002%	1.00%
BG	Bulgaria	2	-	-	2	29	0.000%	0.50%
IS	Iceland	2	-	-	2	24	0.000%	2.00%
SK	Slovakia	0	-	-	0	0	0.000%	1.00%
		3,455,781	-	61,350	3,517,131	43,964,136	99.378%	0.00%
Total		3,477,494	-	61,350	3,538,844	44,235,546	100.000%	-

Capital requirement for Credit and Counterparty Risk (Standardised Approach)

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT		
	30/09/2022	31/12/2021 restated*	31/12/2021
Exposures to or guaranteed by central governments and central banks	299,601	316,383	316,383
Exposures to or guaranteed by regional governments or local authorities	4,510	2,596	2,596
Exposures to or guaranteed by public sector entities	30,664	29,659	29,659
Exposures to or guaranteed by multilateral development banks	-	-	-
Exposures to or guaranteed by international organisations	-	-	-
Exposures to or guaranteed by supervised intermediaries	353,093	370,470	370,470
Exposures to or guaranteed by corporates	548,322	537,592	537,592
Retail exposures	68,482	86,456	86,456
Exposures guaranteed by immovable property	19,048	21,109	21,109
Exposures in default	53,945	73,456	73,456
High-risk exposures	80,713	66,669	66,669
Exposures in the form of covered bank bonds	2,806	3,104	3,104
Short-term exposures to corporates or supervised intermediaries	-	-	-
Exposures to undertakings for collective investment in transferable securities (UCITS)	224,834	223,750	223,750
Equity exposures	203,351	256,190	256,190
Other exposures	295,152	297,417	386,133
TOTAL CREDIT RISK AND COUNTERPARTY RISK	**2,184,521**	**2,284,851**	**2,373,567**

* To permit a comparison on a like-for-like basis, the figure for "Other exposures" relating to 31 December 2021 was adjusted with respect to that reported in the previous Pillar 3 disclosures, following the reclassification of the additional requirement of Euro 88.7 million in item B.6 "Other calculation items".

Capital requirement for Credit and Counterparty Credit Risk (IRB Approach)

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/09/2022	31/12/2021
Exposures to or guaranteed by corporates		
Specialised lending	0	0
SMEs	545,270	562,572
Other corporate	799,834	697,886
Retail exposures		
Exposures secured by mortgages on residential property: SMEs	77,609	77,983
Exposures secured by mortgages on residential property: natural persons	270,576	271,007
Qualified retail revolving exposures	14,925	16,539
Other retail exposures: SMEs	209,992	213,229
Other retail exposures: natural persons	38,002	39,835
TOTAL	**1,956,208**	**1,879,051**

Capital requirement for Counterparty Credit Risk

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/09/2022	31/12/2021
Counterparty Credit Risk	**106,854**	**139,644**

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

Capital requirement for Credit Valuation Adjustment (CVA) Risk

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/09/2022	31/12/2021
Credit Value Adjustment (CVA) risk	**19,704**	**20,025**

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

Capital requirement for Credit Risk - Securitisations

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/09/2022	31/12/2021
SEC-SA securitisations	24,148	17,144
SEC-IRBA securitisations	37,202	51,909
SEC-ERBA securitisations	0	0
SEC-IAA securitisations	0	0
SEC - Other securitisations 1250%	0	8,174
TOTAL	**61,350**	**77,227**

Capital requirement for Credit Risk - Prefunded contributions to CCPs

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/09/2022	31/12/2021
Amount of exposure to risk for contributions to the default fund of a CCP	474	495
TOTAL	**474**	**495**

Capital requirement for Market Risk

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/09/2022	31/12/2021
Market risks (position, exchange rate and commodity)		
- Standardised approach	**162**	**156**
Position risk on debt instruments	-	-
Position risk on equities	-	-
Exchange rate risk	-	-
Commodity risk	162	156
- Internal models	**109,897**	**196,975**
Internal models: total	109,897	196,975
TOTAL MARKET RISKS	**110,059**	**197,131**

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/09/2022	31/12/2021
Settlement risk	**281**	**99**
Positions included in regulatory trading book	281	99
Positions included in banking book	-	-

EU MR1 - Market risk under the standardised approach

		RWAs
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Exchange rate risk	-
4	Commodity risk	2,024
	Options	
5	Simplified approach	-
6	Delta plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	2,024

Capital requirement for Operational Risk

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	30/09/2022	31/12/2021
Basic Approach	0	0
Standardised Approach	551,904	551,904
Advanced Approaches	0	0
TOTAL OPERATIONAL RISK	**551,904**	**551,904**

EU OV1 - Overview of total risk exposure amounts

		Total risk exposure amounts (TREA)		Total own funds requirements
		30/09/2022	30/06/2022	30/09/2022
1	Credit risk (excluding CCR) *	50,423,445	51,202,241	4,033,876
2	Of which standardised approach	26,067,217	27,224,143	2,085,377
3	Of which the Foundation IRB approach (F-IRB)	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB)	24,356,228	23,978,098	1,948,498
6	Counterparty credit risk (CCR)	1,587,897	1,850,705	127,032
7	Of which standardised approach	716,853	760,321	57,348
8	Of which internal model approach (IMA)	-	-	-
EU 8a	Of which exposures to a CCP	20,902	45,814	1,672
EU 8b	Of which credit valuation adjustment (CVA)	246,298	243,149	19,704
9	Of which other CCR	603,844	801,421	48,308
15	Settlement risk	3,510	3,553	281
16	Exposures to securitisations outside the trading book (after the cap)	766,870	807,004	61,350
17	Of which SEC-IRBA approach	465,024	522,297	37,202
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	301,846	284,707	24,148
EU 19a	Of which 1250%	-	-	-
20	Position, foreign exchange and commodity risks (market risk)	1,375,733	1,820,901	110,059
21	Of which standardised approach	2,024	1,339	162
22	Of which IMA	1,373,708	1,819,562	109,897
EU 22a	Large exposures	-	-	-
23	Operational risk	6,898,795	6,898,795	551,904
EU 23a	Of which basic approach	-	-	-
EU 23b	Of which standardised approach	6,898,795	6,898,795	551,904
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)**	3,017,532	3,254,099	241,403
27	Additional amount considered pursuant to the provisions of art. 3 Regulation (EU) no. 575/2013	550,000	737,500	44,000
29	**Total**	**61,606,250**	**63,320,699**	**4,928,500**

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

(**) The amounts in line 24 fulfil the disclosure obligation pursuant to paragraph 1) letter d) detail iii) and Article 437, paragraph 2) of Regulation (EU) no. 575/2013 (CRR). They are already included in the amounts in line 1 calculated according to Article 92, paragraph 4 of the regulation and therefore not included in the grand total.

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

	Risk weighted exposure amount	Capital requirement
Risk weighted exposure amount as at the end of the previous reporting period	**23,978,098**	**1,918,248**
Asset size (+/-)	1,097,554	87,804
Asset quality (+/-)	(717,420)	(57,394)
Model updates (+/-)	-	-
Methodology and policy (+/-)	-	-
Acquisitions and disposals (+/-)	-	-
Exchange rate fluctuations (+/-)	-	-
Other (+/-)	(2,005)	(160)
Risk weighted exposure amount as at the end of the reporting period	**24,356,228**	**1,948,498**

The increase in RWA during the period is in line with the increase in exposures, treated with the AIRB method, recorded in the same period due to new disbursements and greater uses.

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

	VaR	SVaR	IRC	Total RWAs	Total own funds requirements
RWEAs at previous period end	**319,807**	**755,882**	**743,873**	**1,819,562**	**145,565**
Regulatory adjustment	*42,058*	*257,176*	*5,543*	*304,776*	*24,382*
RWEAs at the previous quarter-end (end of the day)	*277,749*	*498,707*	*738,331*	*1,514,786*	*121,183*
Movement in risk levels	- 245,711	- 404,693	- 193,474	- 843,878	- 67,510
Model updates/changes					
Approach and policies					
Acquisitions and disposals					
Exchange rate movements	28,262	25,005		53,267	4,261
Other					
RWEAs at the end of the disclosure period (end of the day)	60,299	119,019	544,857	724,175	57,934
Regulatory adjustment	211,843	356,012	81,679	649,534	51,963
RWEAs at the end of the disclosure period	**272,142**	**475,031**	**626,536**	**1,373,708**	**109,897**

Disclosure with respect to Pillar 2 capital adequacy

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

Through the ICAAP, the Group effectively 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. In fact, 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 credit, market, interest rate, operational and other measured risks) are measured using statistical and quantitative methods generally relating to the *VaR* approach.

Banco BPM Group has opted for a level of probability (or confidence interval) of 99.90% (for VaR components of market risks, the percentile is 99%), in line with the confidence level of minimum capital requirements established by the supervisory regulations, in order to make the reconciliation with estimates resulting from the application of regulatory approaches easier.

The risks are estimated with reference to a one-year horizon, with the exception of market risks, for which a 10-day holding period is used for market risk for the trading book (the default risk component is estimated with a 1-year holding period).

For the VaR component of the Banking Book market risk, a 1-month holding period is used. HTC portfolio IRC risk is estimated with a 1-year holding period. For the HTCS portfolio, the VaR Spread method includes a 1-month holding period (the default risk component - IDR is estimated with a 1-year horizon). For banking book equity risk, the holding period is 3 months.

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 used as capital amount to cover the same business risks.

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

- expand growth areas beyond what is defined in the strategic plan, ensuring potential flexible operating margins;
- manage going concern issues should cumulative losses recorded over the twelve months exceed those estimated according to the assumed confidence level;
- handle situations where market developments could be substantially worse than projected and incorporated in the risk estimate models;

- maintain an additional capital buffer, for the purpose of maintaining/improving the level of capitalisation, with a view to improving rating agency grades;
- pursue the target ratio objectives established by Top Management.

The assessment of operational capital adequacy (Pillar 2) is also forward-looking and therefore undergoes stress testing, with effects on balance sheet and income statement aggregates through the application of adverse scenarios, also containing specific elements of vulnerability, in line with the results of the Risk Identification process and in accordance with the relevant internal regulations.

The scenarios to be used for the forward-looking and stressed assessments are defined at least annually and, where necessary, updated on an interim basis, based on specific assessments shared in frequent meetings of the Scenario Council, to identify the emergence of new threats, vulnerabilities and changes in the context, and to assess whether the scenarios and the stress tests continue to be suitable, if necessary adapting them to the changed circumstances.

The results of the forecasts and the stress test exercises are used to verify the robustness and the sustainability of the business model under the assumptions made as well as the Group's responsiveness to unexpected changes in the scenario.

The capital adequacy assessment, reported formally each year for supervisory purposes, is updated half-yearly - in compliance with the external reference legislation and regulations (EBA SREP guidelines and ECB ICAAP guidelines).

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 business 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 process of reallocation of the economic capital absorbed by each separate type of risk relevant to the Group, for the main business lines of the bank already used for Segment Reporting (IFRS-8) by the CFO Area.

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

Lastly, the time horizon for the economic 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 indicators that make it possible to verify the Group's Pillar 2 capital adequacy with the related definition of the monitoring thresholds.

Among the "Strategic" indicators there is the "Capital Reserve" indicator in the "Capital Adequacy - Pillar 2" 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), whose objective is to ensure the proper functioning of the bail-in mechanism by increasing the Bank's loss absorption capacity.

Liquidity

In Banco BPM Group, liquidity and funding risk is governed by the "Liquidity, funding risk and ILAAP regulation", which establishes: the roles and responsibilities of the corporate bodies and the corporate functions, the metrics used for risk measurement, the guidelines for conducting stress tests, the Liquidity Contingency Plan and the 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 said process, the Group makes an annual self-assessment regarding 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.

The 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 the specific characteristics of the 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 for example the level of concentration of funding, 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 the Banco BPM Group, liquidity management is centralised within the Parent Company, which also performs the role of lender of last resort for the subsidiaries. In this regard, it should be noted that the Banco BPM Group received a special exemption, from the Supervisory Authority (ECB), to application of the liquidity and funding requirements on an individual basis (LCR, ALMM, NSFR). With regard to this derogation, the Group is not, for now, required to respect the liquidity and funding requirements on an individual basis.

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

- periodic monitoring aimed at verifying the significance of exposures in currencies other than the Euro. As at 30 September 2022 there were no significant exposures[7] in currencies other than the Euro;

[7] Significance is identified in the case of liabilities in individual currencies exceeding 5% of total liabilities.

- monthly monitoring of excessive concentration risk relative to funding sources. Specific risk thresholds are placed on unsecured demand funding relative to individual funding providers, on the total of the top ten counterparties and the position on the short-term interbank market;
- periodic stress tests on the infra-daily 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 the Group's customers. These analyses leverage historical evidence as well as models developed internally and updated periodically.

In the first nine months of 2022, 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 regulatory metrics LCR and NSFR, 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, the table below shows, for each of the four quarters, the average data in the previous 12 months relating to the main aggregates underlying the LCR calculation.

EU LIQ1 - Quantitative information on LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	Sep-22	Jun-22	Mar-22	Dec-21	Sep-22	Jun-22	Mar-22	Dec-21
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					39,275	40,744	40,811	39,689
CASH OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	76,690	76,057	75,025	74,165	5,328	5,265	5,181	5,113
3	*Stable deposits*	55,986	55,716	55,213	54,752	2,799	2,786	2,761	2,738
4	*Less stable deposits*	20,654	20,286	19,747	19,339	2,484	2,433	2,370	2,323
5	Unsecured wholesale funding	30,316	30,416	30,246	30,134	13,568	13,533	13,326	13,098
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	6,975	6,895	6,651	6,793	1,640	1,621	1,562	1,597
7	*Non-operational deposits (all counterparties)*	23,149	23,371	23,487	23,224	11,736	11,762	11,656	11,385
8	*Unsecured debt*	193	150	108	117	193	150	108	117
9	*Secured wholesale funding*					1,591	1,529	1,322	982
10	Additional requirements	8,841	8,020	7,513	7,391	2,364	2,036	1,985	1,959
11	*Outflows related to derivative exposures and other collateral requirements*	1,006	1,008	1,014	1,007	1,006	1,008	1,014	1,007
12	*Outflows related to loss of funding on debt products*	96	9	4	4	96	9	4	4
13	*Credit and liquidity facilities*	7,740	7,004	6,495	6,380	1,263	1,020	967	948
14	Other contractual funding obligations	192	270	337	486	63	68	65	62
15	Other contingent funding obligations	39,920	40,231	40,572	41,019	1,869	1,963	2,059	2,105
16	TOTAL CASH OUTFLOWS					24,784	24,394	23,939	23,318
CASH INFLOWS									
17	Secured lending (e.g. reverse repos)	2,005	2,079	2,270	2,743	890	736	570	288
18	Inflows from fully performing exposures	1,687	1,640	1,553	1,544	1,130	1,106	1,045	1,046
19	Other cash inflows	14,437	14,055	13,679	13,319	3,066	2,932	2,810	2,718
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)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	18,129	17,774	17,501	17,606	5,086	4,774	4,425	4,052
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	18,072	17,680	17,429	17,534	5,086	4,774	4,425	4,052
TOTAL ADJUSTED VALUE									
EU-21	**LIQUIDITY BUFFER**					**39,275**	**40,744**	**40,811**	**39,689**
22	**TOTAL NET CASH OUTFLOWS**					**19,698**	**19,620**	**19,514**	**19,266**
23	**LIQUIDITY COVERAGE RATIO**					**200%**	**208%**	**209%**	**206%**

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

The average level of high quality available liquid assets stands at roughly Euro 39.3 billion (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 within 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 addition free 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 regard to calculating the LCR, Delegated Regulation (EU) 2015/61 of the Commission dated 10 October 2014 and subsequent updates.

Financial Leverage

Definition and regulatory framework

From 1 January 2015, the Basel 3 prudential regulations have required supervised intermediaries to introduce and monitor the Leverage Ratio in their capital adequacy assessments. From 30 June 2021, the new Basel 4 regulations envisage, among other things, the obligation for the institution to meet the minimum requirement established by Article 92 CRR2 or, where the conditions are met, that in Article 429-bis (7) CRR2.

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

- limit the accumulation of financial leverage and therefore mitigate the sudden deleveraging processes that occurred during the crisis;
- limit possible measurement errors associated with the current system for calculating weighted assets.

In fact, the definition of excessive leverage risk set forth 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) CRR2), 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 make corrective measures to its business plan, including selling assets at a loss, which could require recognising value adjustments on other assets as well."*

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

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

The ratio is calculated also on forward-looking basis in order to make short- or medium/long-term projections. The consolidated ratio is also subjected to stress tests, by applying adverse scenarios through specific IT procedures used for management purposes, which impact the bank's values, both in terms of numerator and denominator of the ratio.

The 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 made at least annually for the purpose of verifying consistency of the leverage ratio with the respective thresholds of the risk appetite framework[8], while it is updated on an interim basis as part of the periodic monitoring of the Group's capital adequacy (ICAAP).

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

Currently, the Group calculates the leverage ratio based on the methods defined by Annex XI to Implementing Regulation (EU) no. 2021/451 of 17 December 2020.

As in the calculation of Tier 1 Capital, Banco BPM adopts the transitional arrangements illustrated in the paragraph above "Transitional arrangements applied by Banco BPM to calculate own funds", the leverage ratio is also calculated both with reference to the Tier 1 Capital calculated by applying the above-mentioned transitional arrangements (Phased in), and assuming a Tier 1 Capital calculated by applying the rules that will be in place at the end of the transitional period (Fully phased). The comparison between phased in and fully phased data is provided in the table above "Template IFRS 9-FL (Article 468)".

The leverage ratio was 4.84% as at September 2022, with reference to Tier 1 capital, calculated taking transitional arrangements (Phased-in) into account. The ratio calculated using Tier 1 capital as reference, established by applying the provision in force (Fully phased) was 4.40%.

The quantitative disclosure as at 30 September 2022 is shown below according to the templates provided in Commission Implementing Regulation (EU) 2021/637, which render the standard layouts set forth by the European Banking Authority applicable.

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

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

		30/09/2022
		a
		Applicable amount
1	Total assets as per published financial statements	198,070,015
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-5,980,289
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 point (i) of Article 429a(1) 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	-5,806,177
9	Adjustment for securities financing transactions (SFTs)	2,087,832
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	13,026,910
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 point (c) of Article 429bis(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429bis(1) CRR)	-
12	Other adjustments	-919,025
13	**Total exposure measure**	**200,479,265**

EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		30/09/2022	**31/12/2021**
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	184,974,719	195,072,536
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)	(484,193)	(274,702)
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)	(2,379,443)	(2,318,357)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**182,111,084**	**192,479,478**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	197,055	368,709
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	1,597,350	1,048,313
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**	**1,794,405**	**1,417,022**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	1,478,088	4,146,535
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	2,087,832	2,328,946
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)	-	-
18	**Total securities financing transaction exposures**	**3,565,920**	**6,475,481**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	56,800,873	59,925,732
20	(Adjustments for conversion to credit equivalent amounts)	(43,792,799)	(43,334,679)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)		
22	**Off-balance sheet exposure**	**13,008,074**	**16,591,053**
	Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429bis(1) CRR)	-	-

EU-22b	(Exposures exempted in accordance with point (j) of Article 429bis(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)	(217)	(328)
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 429bis(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429bis(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
*	(Central bank exposures exempted in accordance with art. 429 bis, paragraph 1, letter n), of the CRR)	-	(38,688,503)
EU-22k	**(Total exempted exposures)**	**(217)**	**(38,688,830)**
	Capital and total exposure measure		
23	**Tier 1 Capital**	9,705,423	10,563,723
24	**Total exposure measure**	**200,479,265**	**178,274,204**
	Leverage ratio		
25	Leverage ratio (%)	4.84%	5.93%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.84%	5.93%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.84%	5.93%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.12%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.12%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure		
	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	2,489,722	1,714,491
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	1,478,088	4,146,535
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)	201,490,900	175,842,160
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)	201,490,900	214,530,663
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)	4.817%	6.008%
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)	4.817%	4.924%

(*) Item inserted to take into consideration the exclusion of certain exposures to the European Central Bank in application of Decision (EU) 2021/1074. This exclusion was valid until 31.03.2022.

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

		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**184,490,309**
EU-2	Trading book exposures	1,619,497
EU-3	Banking book exposures, of which	182,870,812
EU-4	Covered bonds	310,602
EU-5	Exposures treated as sovereigns	59,642,039
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	702,734
EU-7	Exposures to institutions	7,619,379
EU-8	Exposures secured by mortgages on immovable property	37,023,995
EU-9	Retail exposures	16,234,752
EU-10	Exposures to corporates	42,078,040
EU-11	Exposures in default	2,802,406
EU-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	16,456,865

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

As at 30 September 2022, the exposures considered in calculating the denominator of the leverage ratio show a total increase of Euro 22.2 billion (12.5%) compared to 31 December 2021. The trend is mainly attributable to the non-exemption of exposures to the central bank, in accordance with the provisions of Article 429 bis, paragraph 1, letter n) of the CRR (exemption amounting to Euro 38.7 billion as at 31.12.2021).

Declaration of the Risk Manager

The undersigned Andrea Rovellini, in his capacity as Risk Manager of the Parent Company Banco BPM S.p.A., hereby certifies that the Quarterly Public Disclosure Document (Pillar 3) as at 30 September 2022 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 2022, which describes the institution's formal policy regarding market disclosures, as expressly set forth in Article 431 CRR II.

Milan, 29 November 2022

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, 29 November 2022

Il Dirigente Preposto alla redazione dei documenti contabili societari