



**Disclosure to the Public by Entities**  
**Pillar 3**

Data as at 31 March 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.*

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# 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	IFRS9-FL	Comparison of own funds and of the capital leverage ratios of entities, with or without application of the transitional arrangements on the subject of IFRS 9 or analogous expected credit losses	Section 3 - Own Funds
2020/04	KM1	Main metrics	Introduction
	CC1	Breakdown of regulatory capital	Section 3 - Own Funds
	CC2	Reconciliation of regulatory capital with the balance sheet in the audited financial statements	
	CCyB2	Amount of institution-specific counter-cyclical capital buffer	Section 4 - Capital requirements
	CCyB1	Geographical distribution of credit exposures relevant for the calculation of the counter-cyclical capital buffer	
	MR1	Market risk under the standardised approach	
	MR2-B	RWA flow statements of market risk exposures under the IMA	
	OV1	Synoptic framework of total risk exposure amounts	
	CR8	RWA flow statements of credit risk exposures under the IRB approach	Section 16 - Financial leverage
	LR1	LRSum - Summary reconciliation of accounting assets and leverage ratio exposures	
LR2	LRCom - Harmonised disclosure on leverage ratio		
	LR3	LRSpl - Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	
	LIQ1	Quantitative LCR information	Section 17 - 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 entered into force on 30 June 2013. These were updated by Regulation (EU) 876/2019 (CRR 2), later amended by Regulation (EU) 873/2020 and Directive 2013/36/EU as updated by Directive (EU) 878/2019 (CRD V), which transpose to the European Union the standards defined by the Basel Committee on Banking Supervision (so-called Basel 4 framework).

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 on the proposal of the European Supervisory Authorities.

In the national domain, the harmonised regulation is acknowledged 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 Disclosure to the Public Pillar 3 is also regulated by the "Template for Disclosure to the Public", approved annual 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 Banco BPM Group is therefore structured in light of the indications and guidelines on disclosure issued over time by the EBA and summarised in Bank of Italy's Circular 285/2013.

In particular, these refer to the following areas:

- EBA/GL/2014/14, on the relevance, exclusivity, confidentiality and frequency of the disclosure, pursuant to Articles 432, paragraphs 1, 2 and 433 of Regulation (EU) 575/2013 ("CRR");
- EBA/GL/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 provided to the market, the EBA prepared - in addition - specific implementing technical standards (EBA/ITS/2020/04) containing standard compilation formats and schemes for both the qualitative (tables) and quantitative parts (template). These standards are in force from 30 June 2021.

These are acknowledged in the Implementing Regulation (EU) 2021/637 of the Commission that establishes the implementing technical standards as regards the publication by entities of the information pursuant to Part Eight, titles II and III, of Regulation (EU) no. 575/2013 and which repeals Regulation (EU) no. 1423/2013 (disclosure of own fund requirements), Regulation (EU) 2015/1555 (disclosure on counter-cyclical capital buffer), Regulation (EU) 2016/200 (disclosure on leverage ratio) and Regulation (EU) 2017/2295 (disclosure relating to encumbered and unencumbered assets).

The qualitative and quantitative information as at 31 March 2022 based on the contents required by the regulations referenced above is presented below.

## Reference macroeconomic scenario

In the first quarter 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.

The conflict has not had and is not expected to have significant impacts on Banco BPM related to the Group's direct exposure to Russia and Ukraine. This is because said exposure is extremely limited, equal to less than 0.1% of total on-balance sheet assets and unsecured loans.

The most important recent regulatory provisions are outlined below:

- the confirmation, by the European Central Bank, of the existence of the exceptional circumstances for the exclusion of exposures to Central Banks from the measurement of the overall exposure from calculation of the leverage ratio until March 2022;
- the European Commission's approval of the fourth extension of the national state guarantee scheme to facilitate the securitisation of bad loans. The authorisation to make use of securitisations secured by Government bonds was granted to June 2022;

\*\*\*\*

In compliance with the aforementioned disclosure and frequency obligations, the present document is published on the website [www.bancobpm.it](http://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 31 March 2022

Own Funds and the capital ratios as at 31 March 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<sup>1</sup>.

Based on the provisions of Art. 26, paragraph 2 of Regulation (EU) no. 575/2013 of 26 June 2013 (CRR2), the inclusion of interim profits in Common Equity Tier 1 Capital (CET1) is subject to the prior permission of the competent authorities (the ECB), which requires these profits to be verified by the independent auditors.

In this regard, please note that the Banco BPM Group's consolidated equity and economic situation as at 31 March 2022 was not subject to auditing, designed to obtain the

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<sup>1</sup> More specifically, the data has been calculated by taking into consideration the current legislation and the interpretations issued prior to 5 May 2022, the date on which the Board of Directors approved the balance sheet and income statement as at 31 March 2022.

aforementioned authorisation. The capital data and ratios contained in this report therefore do not include the interim profit as at 31 March 2022, resulting from the Group's consolidated balance sheet and income statement approved by the Board of Directors on 5 May 2022.

As at 31 March 2022, own funds totalled € 12,448 million against weighted assets of € 64,336 million, mostly arising from credit and counterparty risks and, to a lesser extent, operational and market risks.

The Total Capital Ratio stood at 19.3%; the Group Tier 1 Ratio (Tier 1 Capital to RWAs) stood at 15.6%. The Common Equity Tier 1 Ratio (Common Equity Tier 1 to RWAs) was 13.9%.

Including the profit in the process of being accrued at the end of the first quarter, net of the estimated dividend payout, the Total Capital ratio would be 19.5%, the Tier 1 ratio would be 15.7%, while the Common Equity Tier 1 Ratio would be 14.0%.

## EU KM1 - Main metrics

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

\*\* data not comparable in previous periods

		31/03/2022	31/12/2021	30/09/2021	30/06/2021	31/03/2021
	<b>Own funds available (amounts)</b>					
1	Common Equity Tier 1 (CET1) Capital	8,913,965	9,387,387	9,317,176	9,419,371	9,321,228
2	Tier 1 Capital	10,006,797	10,563,723	10,493,512	10,595,708	10,497,815
3	Total Capital	12,448,069	12,524,298	12,445,939	12,664,145	12,207,979
4	Total risk exposure amount	64,335,921	63,931,231	66,247,795	68,693,070	68,402,501
	<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>					
5	Common Equity Tier 1 capital ratio (%)	13.86%	14.68%	14.06%	13.71%	13.63%
6	Tier 1 capital ratio (%)	15.55%	16.52%	15.84%	15.43%	15.35%
7	Total capital ratio (%)	19.35%	19.59%	18.79%	18.44%	17.85%
	<b>Additional own fund requirements to deal with risks other than risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>					
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 composed of CET1 capital (%)	1.27%	1.27%	1.27%	1.27%	1.27%
EU 7c	Of which composed of Tier 1 capital (%)	1.69%	1.69%	1.69%	1.69%	1.69%
EU 7d	Total SREP own fund requirements (%)	10.25%	10.25%	10.25%	10.25%	10.25%
	<b>Combined requirements of buffer and total capital requirement (as a percentage of risk-weighted exposure amount)</b>					
8	Capital conservation buffer requirement (%)	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 counter-cyclical capital buffer (%)	0.003%	0.003%	0.003%	0.003%	0.005%
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%	0.19%	0.19%	0.19%	0.19%
11	Combined capital buffer requirement (%)	2.75%	2.69%	2.69%	2.69%	2.70%
EU 11a	Total capital requirements (%)	13.00%	12.94%	12.94%	12.94%	12.95%
12	CET1 available after satisfying the total SREP own fund requirements (%)	5.11%	6.14%	5.46%	5.04%	4.90%
	<b>Leverage ratio</b>					
13	Amount of overall exposure	190,723,149	178,274,204	184,774,896	191,750,961	202,203,472
14	Leverage ratio (%)	5.25%	5.93%	5.68%	5.53%	5.19%
	<b>Additional own fund requirements to deal with risk of excessive leverage (as a percentage of measurement of total exposure)</b>					
EU 14a	Additional own fund requirements to deal with risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	Of which composed of CET1 capital (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.11%	3.12%	3.11%	3.11%	N/A
	<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of measurement of total exposure)</b>					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Total leverage ratio requirement (%)	3.11%	3.12%	3.11%	3.11%	N/A
	<b>Liquidity coverage ratio*</b>					
15	Total high-quality liquid assets (HQLA) (weighted value - average)	40,810,818	39,688,960	38,767,571	41,940,922	39,859,528
EU 16a	Cash outflows - total weighted value	23,939,084	23,317,502	23,171,164	17,705,682	10,072,774
EU 16b	Cash inflows - total weighted value	4,424,744	4,051,998	3,942,629	3,926,048	3,898,386
16	Total net cash outflows (corrected amount)	19,514,340	19,265,504	19,228,534	19,623,895	19,222,925
17	Liquidity coverage ratio (%)	209%	206%	201%	216%	209%
	<b>Net stable funding ratio**</b>					
18	Total available stable funding	154,091,470	151,599,799	149,109,564	151,038,990	
19	Total required stable funding	115,992,131	113,364,972	113,717,239	115,086,564	
20	NSFR ratio (%)	133%	134%	131%	131%	

# Own Funds

## **EU CCA Model: main characteristics of the instrument of regulatory capital and eligible liability instruments**

The tables on the features of equity instruments 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 within:

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

Amounts are shown in millions of euro.

## **Breakdown of Own Funds**

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

The breakdown of Own Funds as at 31 March 2022 is also presented. This uses the template for the publication of information on own funds, in accordance with Schedule VII of Implementing Regulation (EU) no. 637 of 15 March 2021, compiled according to the pertinent instructions in Schedule VIII.

## EU CC1 - Breakdown of regulatory capital

		Amounts	Source based on reference numbers/letters of the balance sheet within the scope of prudential consolidation
<b>Common Equity Tier 1 (CET1) Capital: instruments and reserves</b>			
1	Equity instruments and related share premium reserves	7,100,000	EU CC2 - EQUITY 170
	Of which instrument type 1	7,100,000	EU CC2 - EQUITY 170
	Of which instrument type 2	-	
	Of which instrument type 3	-	
2	Retained earnings	-	
3	Accumulated other comprehensive income (and other reserves)	4,336,419	EU CC2 - EQUITY 120 + EU CC2 - EQUITY 150 288.3 million share of 2021 profits not calculable
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484, paragraph 3 of the CRR and the related share premium accounts subject to phase out from CET1	-	
5	Non-controlling interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	EU CC2 - EQUITY 200.1
<b>6</b>	<b>Common Equity Tier 1 (CET1) Capital before regulatory adjustments</b>	<b>11,436,419</b>	
<b>Common Equity Tier 1 (CET1) Capital: regulatory adjustments</b>			
7	Additional write-downs (negative amount)	- 36,736	
8	Intangible assets (net of the related tax liabilities) (negative amount)	- 991,455	EU CC2 - ASSETS 70.2 + EU CC2 - ASSETS 100.1 and 100.3 + EU CC2 - LIABILITIES 60 b.1
10	Deferred tax assets depending on future profits other than that deriving from temporary differences (net of the related tax liabilities for which the conditions pursuant to Article 38, paragraph 3 of the CRR are fulfilled) (negative amount)	- 823,046	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	22,341	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 of the entity measured at fair value resulting from changes in own credit standing	27,727	EU CC2 - EQUITY 150.2 for -6.9 million (-20.8 million in Income Statement)
15	Defined-benefit pension fund assets (negative amount)	-	
16	Own CET1 instruments held by the entity directly, indirectly or synthetically (negative amount)	- 24,175	EU CC2 - EQUITY 180
17	CET1 instruments of subjects in the financial sector held directly, indirectly or synthetically, when those subjects have reciprocal cross holdings with the entity designed to artificially inflate the own funds of the entity (negative amount)	-	
18	CET1 instruments of subjects in the financial sector held by the entity directly, indirectly or synthetically, when the entity does not have a significant investment in these subjects (amount more than the threshold of 10% and net of eligible short positions) (negative amount)	-	
19	CET1 instruments of subjects in the financial sector held by the entity directly, indirectly or synthetically, when the entity has a significant investment in these subjects (amount more than the threshold of 10% and net of eligible short positions) (negative amount)	- 479,394	EU CC2 - ASSETS 70.1/1
EU-20a	Exposure amount of the following items which qualify for an RW of 1250%, where the entity opts for the deduction alternative	- 25,508	
EU-20b	Of which qualifying holdings outside the financial sector (negative amount)	-	

EU-20c	Of which securitisation positions (negative amount)	- 25,508	
EU-20d	Of which free deliveries (negative amount)	-	
21	Deferred tax assets that derive from temporary differences (amount higher than the threshold of 10% net of the related tax liabilities for which the conditions pursuant to Article 38, paragraph 3 of the CRR are fulfilled) (negative amount)	-	
22	Amount which exceeds the threshold of 17.65% (negative amount)	- 566,157	
23	Of which CET1 instruments of subjects in the financial sector held by the entity directly, indirectly or synthetically, when the entity has a significant investment in these subjects	- 293,770	EU CC2 - ASSETS 70.1/2
25	Of which deferred tax assets that derive from temporary differences	- 272,387	EU CC2 - ASSETS 110 b.1/2
EU-25a	Losses relative to the current year (negative amount)	-	EU CC2 - EQUITY 200.1
EU-25b	Foreseeable taxes relating to elements of CET1, with the exception of cases in which the entity consequently adjusts the amount of CET1 elements to the extent to which these taxes reduce the amount up to which these elements can be allocated to cover risks or losses (negative amount)	-	
27	Qualifying AT1 deductions that exceed the AT1 elements of the entity (negative amount)	-	
27a	Other regulatory adjustments	373,949	
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1) Capital</b>	- 2,522,455	
29	<b>Common Equity Tier 1 (CET1) Capital</b>	<b>8,913,965</b>	
<b>Additional Tier 1 (AT1) Capital: instruments</b>			
30	Equity instruments and related share premium reserves	1,092,832	
31	Of which: classified as equity under applicable accounting standards	1,092,832	EU CC2 - EQUITY 140
32	Of which: classified as liabilities under applicable accounting standards	-	
33	Amount of eligible items pursuant to Article 484, paragraph 4 of the CRR and related share premium reserves, subject to phase out from AT1	-	EU CC2 - LIABILITY 10.2
EU-33a	Amount of eligible items pursuant to Article 494-bis, paragraph 1 of the CRR, subject to phase out from AT1	-	
EU-33b	Amount of eligible items pursuant to Article 494-ter, paragraph 1 of the CRR, subject to phase out from AT1	-	
34	Eligible Tier 1 Capital included in consolidated Tier 1 Capital (including non-controlling interests not included in line 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries, subject to phase out	-	
36	<b>Additional Tier 1 (AT1) Capital before regulatory adjustments</b>	<b>1,092,832</b>	
<b>Additional Tier 1 (AT1) Capital: regulatory adjustments</b>			
37	Own AT1 instruments held by the entity directly, indirectly or synthetically (negative amount)	-	
38	AT1 instruments of subjects in the financial sector held directly, indirectly or synthetically, when those subjects have reciprocal cross holdings with the entity designed to artificially inflate the own funds of the entity (negative amount)	-	
39	AT1 instruments of subjects in the financial sector held directly, indirectly or synthetically, when the entity does not have a significant investment in these subjects (amount more than the threshold of 10% and net of eligible short positions) (negative amount)	-	
40	AT1 instruments of subjects in the financial sector held by the entity directly, indirectly or synthetically, when the entity has a significant investment in these subjects (net of eligible short positions) (negative amount)	-	
42	Qualifying T2 deductions that exceed the T2 elements of the entity (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	<b>Total regulatory adjustments to Additional Tier 1 (AT1) Capital</b>	-	
44	<b>Additional Tier 1 (AT1) Capital</b>	<b>1,092,832</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>10,006,797</b>	

Tier 2 (T2) instruments			
46	Equity instruments and related share premium reserves	2,427,632	EU CC2 - LIABILITY 10.1
47	Amount of eligible items pursuant to Article 484, paragraph 5 of the CRR and related share premium reserves, subject to phase out from T2 pursuant to Article 486, paragraph 4 of the CRR	-	
EU-47a	Amount of eligible items pursuant to Article 494-bis, paragraph 2 of the CRR, subject to phase out from T2	-	
EU-47b	Amount of eligible items pursuant to Article 494-ter, paragraph 2 of the CRR, subject to phase out from T2	-	
48	Eligible own-fund instruments included in consolidated T2 Capital (including non-controlling interests and AT1 instruments not included in line 5 or in line 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries, subject to phase out	-	
50	Write-downs of loans	144,399	
<b>51</b>	<b>Tier 2 (T2) Capital before regulatory adjustments</b>	<b>2,572,031</b>	
Tier 2 (T2) Capital: regulatory adjustments			
52	Own T2 instruments and subordinated loans held by the entity directly, indirectly or synthetically (negative amount)	-	
53	T2 instruments and subordinated loans of subjects in the financial sector held directly, indirectly or synthetically, when those subjects have reciprocal cross holdings with the entity designed to artificially inflate the own funds of the entity (negative amount)	-	
54	T2 instruments and subordinated loans of subjects in the financial sector held directly, indirectly or synthetically, when the entity does not have a significant investment in these subjects (amount more than the threshold of 10% and net of eligible short positions) (negative amount)	-	
55	T2 instruments and subordinated loans of subjects in the financial sector held by the entity directly, indirectly or synthetically, when the entity has a significant investment in these subjects (net of eligible short positions) (negative amount)	- 130,759	EU CC2 - ASSETS 40.1
EU-56a	Qualifying liability deductions that exceed the eligible liability elements of the entity (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
<b>57</b>	<b>Total regulatory adjustments to Tier 2 (T2) Capital</b>	<b>- 130,759</b>	
<b>58</b>	<b>Tier 2 (T2) Capital</b>	<b>2,441,272</b>	
<b>59</b>	<b>Total Capital (TC = T1 + T2)</b>	<b>12,448,069</b>	
<b>60</b>	<b>Total risk exposure amount</b>	<b>64,335,921</b>	
Capital ratios and requirements, including capital buffers			
61	Common Equity Tier 1 Capital	13.855%	
62	Tier 1 Capital	15.554%	
63	Total Capital	19.349%	
64	Total CET1 capital requirements of the entity	8.519%	
65	Of which capital conservation buffer requirement	2.500%	
66	Of which counter-cyclical buffer requirement	0.003%	
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%	
<b>68</b>	<b>Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after having satisfied the minimum capital requirements</b>	<b>5.113%</b>	

<b>Amounts less than the deduction thresholds (before risk weighting)</b>			
72	Own funds and eligible liabilities of subjects in the financial sector held directly or indirectly, when the entity does not have a significant investment in these subjects (amount less than the threshold of 10% and net of eligible short positions)	607,347	EU CC2 - ASSETS 20.1 + EU CC2 - ASSETS 40.2
73	CET1 instruments of subjects in the financial sector held directly or indirectly by the entity, when the entity has a significant investment in these subjects (amount less than the threshold of 17.65% and net of eligible short positions)	664,787	EU CC2 - ASSETS 70.1/3
75	Deferred tax assets that derive from temporary differences (amount less than the threshold of 17.65%, net of the related tax liabilities for which the conditions pursuant to Article 38, paragraph 3 of the CRR are fulfilled)	616,397	EU CC2 - ASSETS 110 b.1/3
<b>Maximums applicable for the inclusion of provisions in Tier 2 Capital</b>			
76	Value adjustments to receivables included in T2 in relation to exposures subject to the standardised approach (prior to application of the maximum)	-	
77	Maximum for inclusion of value adjustments to receivables in T2 in the context of the standardised approach	-	
78	Value adjustments to receivables included in T2 in relation to exposures subject to the internal ratings-based approach (prior to application of the maximum)	155,642	
79	Maximum for inclusion of value adjustments to receivables in T2 in the context of the internal ratings-based approach	144,399	
<b>Equity instruments subject to phase-out (applicable only between 1 January 2014 and 1 January 2022)</b>			
80	Current maximum on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to the maximum (excess over maximum after redemptions and maturities)	-	
82	Current maximum on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to the maximum (excess over maximum after redemptions and maturities)	-	
84	Current maximum on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to the maximum (excess over maximum after redemptions and maturities)	-	

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

By the deadline of 1 February 2018, Banco BPM informed the European Central Bank that it had exercised the option for the full application of the transitory arrangements envisaged by the new Article 473-bis of Regulation (EU) 575/2013, which mitigates over time the impact on own funds resulting from the application of the new impairment model introduced by accounting standard IFRS 9. The above-cited transitional arrangements envisage the option of including a positive component in Common Equity Tier 1 equivalent to a percentage of the increase made in provisions for expected credit losses as a result of applying IFRS 9. Said percentage decreases over time over a time-frame of five years from 2018 to 2022. The percentage share applicable to the period from 1 January 2022 until 31 December 2022 stands at 25%. From 1 January 2023 the impact from the first-time adoption of IFRS 9 will be fully recognised in the calculation of own funds.

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

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) 2020/873 in response to the COVID-19 pandemic, which extended and strengthened the transitional arrangements pursuant to art. 473 bis of the CRR.

The following Table IFRS9-FL 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 rule ("Phase in") and the counterpart balances calculated by applying the rule that will be fully applicable at the end of the transitional period ("Fully Phased").

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

		31/03/2022		31/12/2021		30/09/2021		30/06/2021		31/03/2021	
	<b>Capital available (amounts)</b>	<b>Phase-in</b>	<b>Fully Phased</b>	<b>Phase-in</b>	<b>Fully Phased</b>	<b>Phase-in</b>	<b>Fully Phased</b>	<b>Phase-in</b>	<b>Fully Phased</b>	<b>Phase-in</b>	<b>Fully Phased</b>
1	Common Equity Tier 1 (CET1) Capital	8,913,965	8,338,015	9,387,387	8,559,329	9,317,176	8,478,411	9,419,371	8,569,899	9,321,228	8,799,787
2	Tier 1 Capital	10,006,797	9,430,848	10,563,723	9,735,665	10,493,512	9,654,747	10,595,708	9,746,236	10,497,815	9,976,374
3	Total Capital	12,448,069	11,872,120	12,524,298	11,696,239	12,445,939	11,607,174	12,664,145	11,814,673	12,207,979	11,686,538
<b>Risk-weighted assets (amounts)</b>											
4	Total risk-weighted assets	64,335,921	64,171,289	63,931,231	63,728,820	66,247,795	66,041,367	68,693,070	68,482,642	68,402,501	68,329,589
<b>Capital ratios</b>											
5	Common Equity Tier 1 Capital (as a percentage of the risk exposure amount)	13.9%	13.0%	14.7%	13.4%	14.1%	12.8%	13.7%	12.5%	13.6%	12.9%
6	Tier 1 Capital (as a percentage of the risk exposure amount)	15.6%	14.7%	16.5%	15.3%	15.8%	14.6%	15.4%	14.2%	15.3%	14.6%
7	Total Capital (as a percentage of the risk exposure amount)	19.3%	18.5%	19.6%	18.4%	18.8%	17.6%	18.4%	17.3%	17.8%	17.1%
<b>Leverage ratio</b>											
8	Measurement of total exposure of the leverage ratio	190,723,149	190,147,199	178,274,204	177,446,146	184,774,896	183,936,131	191,750,961	190,901,489	202,203,472	201,506,368
9	Leverage ratio	5.2%	5.0%	5.9%	5.4%	5.7%	5.2%	5.5%	5.1%	5.2%	4.8%

At the reference date, the only effects that differentiate the data of the transitional arrangement from the fully phased data relate to the regulatory forecasts regarding the first-time application of IFRS 9. Therefore, in order to allow a homogeneous comparison, the Fully Phased 2021 data were re-stated to reflect solely said effects.

## Reconciliation between book value of Equity and Own Funds

		31/03/2022	31/12/2021
	Consolidated shareholders' equity	12,980,406	13,094,951
	Adjustments for companies that do not belong to the Banking Group	-22,656	-9,189
	Book value of equity (Banking Group)	12,957,750	13,085,762
	non-controlling interests	0	0
	reversal of own shares	24,175	8,159
	Income (loss) for the period not calculable	-164,338	-289,885
	Non-calculable valuation reserves	0	0
	Dividends	-288,336	0
	Equity instruments calculable in Additional Tier 1 Capital	-1,092,832	-1,092,832
	Prudential filter on sale of properties	0	0
<b>A.</b>	<b>Common Equity Tier 1 (CET1) Capital before the application of prudential filters</b>	<b>11,436,419</b>	<b>11,711,205</b>
	of which CET1 instruments subject to transitional provisions	0	0
<b>B.</b>	<b>CET1 prudential filters (+/-)</b>	<b>13,332</b>	<b>7,987</b>
<b>C.</b>	<b>CET1 before items to be deducted and before the effects of the transitional arrangement (A +/- B)</b>	<b>11,449,751</b>	<b>11,719,192</b>
<b>D.</b>	<b>Items to be deducted from CET1</b>	<b>-3,111,735</b>	<b>-3,159,863</b>
<b>E.</b>	<b>Transitional arrangement - Impact on CET1 (+/-), including non-controlling interests subject to transitional provisions</b>	<b>575,949</b>	<b>828,058</b>
<b>F.</b>	<b>Total Common Equity Tier 1 (CET1) Capital (C - D +/- E)</b>	<b>8,913,965</b>	<b>9,387,387</b>
<b>G.</b>	<b>Additional Tier 1 (AT1) Capital before items to be deducted and before the effects of the transitional arrangement</b>	<b>1,092,832</b>	<b>1,176,337</b>
	of which AT1 instruments subject to transitional provisions	0	83,504
<b>H.</b>	<b>Items to be deducted from AT1</b>	<b>0</b>	<b>0</b>
<b>I.</b>	<b>Transitional arrangement - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 by virtue of transitional provisions</b>	<b>0</b>	<b>0</b>
<b>L.</b>	<b>Total Additional Tier 1 (AT1) Capital (G - H +/- I)</b>	<b>1,092,832</b>	<b>1,176,337</b>
<b>M.</b>	<b>Tier 2 (T2) Capital before items to be deducted and before the effects of the transitional arrangement</b>	<b>2,572,031</b>	<b>2,119,197</b>
	of which T2 instruments subject to transitional provisions	0	0
<b>N.</b>	<b>Items to be deducted from T2</b>	<b>-130,759</b>	<b>-158,623</b>
<b>O.</b>	<b>Transitional arrangement - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 by virtue of transitional provisions</b>	<b>0</b>	<b>0</b>
<b>P.</b>	<b>Total Tier 2 (T2) Capital (M - N +/- O)</b>	<b>2,441,272</b>	<b>1,960,574</b>
<b>Q.</b>	<b>Total own funds (F + L + P)</b>	<b>12,448,069</b>	<b>12,524,298</b>

## CC2 - Reconciliation of regulatory capital with the balance sheet in the audited financial statements

		Balance sheet included in the published financial statements	As part of prudential consolidation	Reference
		At period end	At period end	
<b>Assets- Breakdown by asset class according to the balance sheet included in the published financial statements</b>				
10	CASH AND CASH EQUIVALENTS	-32,076,675	-31,928,781	
20	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	-6,376,824	-6,343,132	
20.1	of which: Own funds and eligible liabilities of subjects in the financial sector held directly or indirectly, when the entity does not have a significant investment in these subjects (amount less than the threshold of 10% and net of eligible short positions)		-336,629	EU CC1 72
30	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-12,142,742	-12,142,742	
30.1	of which: Own funds and eligible liabilities of subjects in the financial sector held directly or indirectly, when the entity does not have a significant investment in these subjects (amount less than the threshold of 10% and net of eligible short positions)		-74,641	EU CC1 72
40	FINANCIAL ASSETS MEASURED AT AMORTISED COST	-140,737,787	-140,896,606	
40.1	of which: T2 instruments and subordinated loans of subjects in the financial sector held by the entity directly, indirectly or synthetically, when the entity has a significant investment in these subjects		-130,759	EU CC1 55
40.2	of which: Own funds and eligible liabilities of subjects in the financial sector held directly or indirectly, when the entity does not have a significant investment in these subjects (amount less than the threshold of 10% and net of eligible short positions)		-198,473	EU CC1 72
50	HEDGING DERIVATIVES	-640,017	-639,859	
60	FAIR VALUE CHANGE OF FINANCIAL ASSETS SUBJECT TO MACRO HEDGING (+/-)	116,945	116,945	
70	INTERESTS IN ASSOCIATES AND JOINT VENTURES	-1,642,275	-1,703,934	
70.1	Interests in associates and joint ventures: significant influence - measured at equity	-1,603,899	-1,653,776	
70.1/1	of which: CET1 instruments of subjects in the financial sector held by the entity directly, indirectly or synthetically, when the entity has a significant investment in these subjects (amount more than the threshold of 10% and net of eligible short positions)		-475,531	EU CC1 19 (Fully Phased Value)
70.1/2	of which: CET1 instruments of subjects in the financial sector held by the entity directly, indirectly or synthetically, when the entity has a significant investment in these subjects (amount that exceeds the threshold of 17.65%)		-164,318	EU CC1 23 (Fully Phased Value)
70.1/3	of which: CET1 instruments of subjects in the financial sector held directly or indirectly by the entity, when the entity has a significant investment in these subjects (amount less than the threshold of 17.65% and net of eligible short positions)		-798,103	EU CC1 73 (Fully Phased Value)
70.2	Interests in associates and joint ventures: measured at equity, positive differences in shareholders' equity	38,376	-50,158	EU CC1 8
90	PROPERTY, PLANT AND EQUIPMENT	-3,289,516	-3,220,672	

		Balance sheet included in the published financial statements	As part of prudential consolidation	Reference
		At period end	At period end	
100	INTANGIBLE ASSETS	-1,214,470	-1,208,795	
100.1	Goodwill	-54,858	-51,100	EU CC1 8
100.2	Other intangible assets	-1,159,612	-1,157,695	
100.3	of which: intangible assets deducted from own funds		-1,012,903	EU CC1 8
110	TAX ASSETS	-4,531,796	-4,535,572	
110 a	a) current	-228,991	-228,781	
110 b	b) deferred	-4,302,805	-4,306,791	
110 b.1	Deferred - Other than Law 214/2011	-1,875,948	-1,879,934	
110 b.1/1	of which: deferred tax assets depending on future profits other than that deriving from temporary differences		-784,408	EU CC1 10 (Fully Phased Value)
110 b.1/2	of which: deferred tax assets that derive from temporary differences (amount that exceeds the threshold of 17.65%)		-109,793	EU CC1 25 (Fully Phased Value)
110 b.1/3	of which: deferred tax assets that derive from temporary differences (amount less than the threshold of 17.65% net of the related tax liabilities for which the conditions pursuant to Article 38, paragraph 3 of the CRR are fulfilled)		-533,270	EU CC1 75 (Fully Phased Value)
110 b.2	Deferred - Pursuant to Law 214/2011	-2,426,857	-2,426,857	
120	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	-204,472	-201,722	
130	130 b	-3,052,038	-3,043,588	
	<b>Total assets</b>	<b>-205,791,667</b>	<b>-205,748,458</b>	
<b>Liabilities - Breakdown by liability class according to the balance sheet included in the published financial statements</b>				
10	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	170,845,225	170,846,974	
10.1	of which: Tier 2 instruments and related share premium reserves		2,427,632	EU CC1 46
10.2	of which: amount of eligible items pursuant to Article 494-bis, paragraph 1 of the CRR, subject to phase out from AT1		-	EU CC1 EU-33
20	FINANCIAL LIABILITIES HELD FOR TRADING	13,748,439	13,748,366	
20.1	of which: Own funds and eligible liabilities of subjects in the financial sector held directly or indirectly, when the entity does not have a significant investment in these subjects (amount less than the threshold of 10% and net of eligible short positions)		2,395	EU CC1 72
30	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	1,639,086	1,639,086	
40	HEDGING DERIVATIVES	380,707	380,707	
50	FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN MACRO FAIR VALUE HEDGE PORTFOLIOS (+/-)	-412,465	-412,465	

		Balance sheet included in the published financial statements	As part of prudential consolidation	Reference
		At period end	At period end	
60	TAX LIABILITIES	282,016	269,152	
60.a	a) current	5,524	5,103	
60.b	b) deferred	276,492	264,049	
60.b.1	of which: deferred tax liabilities on goodwill and other intangible assets already offset as lower deductions of regulatory capital		122,706	EU CC1 8
70	LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	-	-	
80	OTHER LIABILITIES	5,163,363	5,151,446	
90	PROVISIONS FOR EMPLOYEE SEVERANCE PAY	314,504	312,440	
100	PROVISIONS FOR RISKS AND CHARGES	848,918	854,994	
	<b>Total liabilities</b>	<b>192,809,793</b>	<b>192,790,700</b>	
<b>Equity</b>				
120	VALUATION RESERVES	90,848	90,848	EU CC1 3
140	EQUITY INSTRUMENTS	1,092,832	1,092,832	EU CC1 31
150	RESERVES	4,543,096	4,533,907	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		22,341	EU CC1 11
150.2	of which: gains or losses on liabilities of the entity measured at fair value resulting from changes in own credit standing		-6,851	EU CC1 14
170	SHARE CAPITAL	7,100,000	7,100,000	EU CC1 1
180	OWN SHARES (-)	-24,175	-24,175	EU CC1 16
190	NON-CONTROLLING INTERESTS (+/-)	1,468	8	
200	PROFIT (LOSS) FOR THE YEAR	177,805	164,338	
200.1	of which: calculable profit		-	EU CC1 EU-5a
	<b>Total equity</b>	<b>12,981,874</b>	<b>12,957,758</b>	
	<b>Total liabilities and Equity</b>	<b>205,791,667</b>	<b>205,748,458</b>	

## Analysis of changes in total Own Funds in the first quarter of 2022

<i>(in thousands of euro)</i>	31/03/2022
<b>Common Equity Tier 1 (CET1) Capital</b>	
<b>Opening balance</b>	<b>9,387,387</b>
<b>CET1 instruments</b>	<b>-542,910</b>
Increase/decrease in reserves from measurements at FV through other comprehensive income	-250,512
Distribution of dividends	-
Net income for the period	-
Increase/decrease in equity	-16,016
Changes in other CET1 transitional elements	-252,109
Increase/decrease in other reserves	-24,273
Increase/decrease in non-controlling interests calculable in CET1	-
<b>Prudential filters</b>	<b>5,344</b>
Increase/decrease in regulatory value adjustments (prudential valuation)	-3,920
Increase/decrease in gains or losses on liabilities measured at fair value due to own credit standing	371
Increase/decrease in cash flow reserve	8,893
<b>Deductions</b>	<b>64,144</b>
Increase/decrease in intangible fixed assets (net of relative tax liabilities)	-7,530
Increase/decrease in significant investments in CET1 instruments of entities in the financial sector and tax assets from temporary differences exceeding the threshold	70,113
Increase/decrease in tax assets deriving from carrying tax losses forward	9,890
Increase/decrease in insignificant investments in CET1 instruments	-
Increase/decrease in excess of expected losses with respect to value adjustments (shortfall)	-
Increase/decrease in exposures deducted instead of weighted with a weighting factor of 1250%	8,328
Insufficient coverage of non-performing exposures	-
Other CET1 deductions due to art. 3 of the CRR	-
Closing balance	<b>8,913,965</b>
<b>Additional Tier 1 (AT1) Capital</b>	
<b>Opening balance</b>	<b>1,176,336</b>
<b>AT1 instruments</b>	<b>-83,504</b>
Increase/decrease in AT1 instruments	-83,504
Increase/decrease in non-controlling interests calculable in AT1	-
<b>Deductions</b>	<b>-</b>
Increase/decrease in elements to be deducted from AT1	-
<b>Closing balance</b>	<b>1,092,832</b>
<b>Tier 2 (T2) Capital</b>	
<b>Opening balance</b>	<b>1,960,574</b>
<b>T2 instruments</b>	<b>452,834</b>
Increase/decrease in T2 instruments and subordinated liabilities	373,443
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	79,391
<b>Deductions</b>	<b>27,864</b>
Increase/decrease in elements to be deducted from T2	27,864
<b>Closing balance</b>	<b>2,441,272</b>
<b>Total own funds</b>	<b>12,448,069</b>

Common Equity Tier 1 (CET1) posted a decrease of € 473.4 million during the period. This variation is considering by taking into account that, as outlined above, CET1 capital as at 31 March 2022 did not include the profit being accrued at the end of the quarter<sup>2</sup>. Including the aforementioned economic result net of the expected dividend pay-out, the CET1 as at 31 March 2022 amounted to € 9,010.6 million, marking a lower decrease of € 376.8 million compared to the figure at the start of the year, also calculated by including the profit for 2021.

The most significant components behind the variation are as follows:

- the negative change recorded in valuation reserves measured at FV through other comprehensive income (negative 250.5 million);
- the decline in the transitional impacts of IFRS 9 deriving from the application of Regulation 2017/2395, caused by the progressive reduction in the applicable rate (negative 252 million);
- the decrease in deductions for significant investments in CET1 instruments exceeding the threshold (positive 128 million) and the increase in deductions for tax assets deriving from temporary differences exceeding the threshold, net of associated tax liabilities (negative 57.7 million);

Additional Tier 1 Capital (AT1) recorded a decrease of € 83.5 million following the reimbursement of a hybrid capitalisation instrument admitted, until 31 December 2021, to the transitional “grandfathering” arrangement.

Tier 2 Capital (T2 ) recorded a net increase of € 481 million in the period, primarily due to the new issue of a calculable instrument for € 398 million and the increase in the excess of value adjustments with respect to expected losses (positive 79 million).

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<sup>2</sup> Excluding the profit being accrued, CET1 capital is influenced by the impacts of changes in balance sheet items, which constitute the components of deductions and/or prudential filters with a balancing entry recognised in the income statement. These impacts would be neutralised if the profit being accrued was considered in the calculation of the aggregate under review. By way of an example, increases in the book value of significant investments in entities in the financial sector (components of deductions) resulting from the update of the respective measurements at equity are considered.

# Capital requirements

## Disclosure relating to Pillar 1 capital adequacy

### The minimum requirements established by regulations

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

In February 2022, Banco BPM informed the market that it had received a notification from the European Central Bank of the prudential decision ("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 *Common Equity Tier 1 ratio requirement for 2022 of 8.52% on a consolidated basis*. This requirement includes:

- the Pillar 1 minimum requirement at 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;<sup>3</sup>
- a capital conservation buffer of 2.50%;
- the O-SII buffer<sup>1</sup> which is equal to 0.25% of the total risk-weighted exposures;
- the countercyclical capital buffer at 0.003%.

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

<b>Banco BPM Group's Capital Requirements - in terms of CET1 ratio</b>	<b>2022</b>
Pillar 1 regulatory minimum	4.500%
Pillar 2 requirement (P2R)	1.266 %
<b>Total SREP Capital Requirement (TSCR)</b>	<b>5.766 %</b>
Capital Conservation Buffer (CCB)	2.500%
Buffer for other systemically important institutions (O-SII)	0.250 %
Counter-cyclical capital buffer (CCyB) <sup>4</sup>	0.003%
<b>Overall Capital Requirement (OCR)</b>	<b>8.519 %</b>

As at 31 March 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%.

<sup>3</sup> See Article 104.1.a of the new CRD V directive, which officially entered into force on 30 June 2021.

<sup>4</sup> 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 counter-cyclical 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, market and operational risks. These requirements, in turn, arise from the sum of the individual requirements of the companies in the Group's prudential scope of consolidation, after removing the effects of intra-group transactions.

As at 31 March 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 internal advanced rating models. 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 in relation to the risk parameters used previously by the Group for Corporate and Retail customers. The new risk parameters, used in the reporting as of the first quarter of 2021, make provision for partial compliance with the new EBA Guidelines on the estimation of the PD and LGD parameters (EBA/GL/2017/16), of the downturn (EBA/GL/2019/03) and on 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 prudentiality margin (so-called "Margin of Conservatism or 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 businesses 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 additions 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 calculation 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 relating 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 31 March 2022 are presented as follows.

## Capital requirements and capital ratios of Banco BPM Group

Information	31/03/2022		31/12/2021	
	Weighted amounts	Requirements	Weighted amounts	Requirements
<b>B. Regulatory Capital Requirements</b>				
<b>B.1 Credit and Counterparty Risk</b>	<b>54,991,538</b>	<b>4,399,323</b>	<b>54,129,245</b>	<b>4,330,340</b>
1. Standard Approach	30,125,393	2,410,031	29,669,575	2,373,567
2. Internal models - Basic	-	-	-	-
3. Internal models - Advanced	24,066,571	1,925,326	23,488,148	1,879,051
4. Equity instruments - IRB approach	-	-	-	-
5. Securitisations	792,505	63,400	965,330	77,227
6. Pre-financed Contributions	7,069	566	6,192	495
<b>B.2 Credit valuation adjustment (CVA) risk</b>	<b>243,977</b>	<b>19,518</b>	<b>250,317</b>	<b>20,025</b>
<b>B.3 Settlement risk</b>	<b>2,602</b>	<b>208</b>	<b>1,234</b>	<b>99</b>
<b>B.4 Market risk</b>	<b>2,011,509</b>	<b>160,920</b>	<b>2,464,141</b>	<b>197,131</b>
1. Standard Approach	8,965	717	1,954	156
2. Internal models	2,002,544	160,203	2,462,186	196,975
3. Concentration risk	-	-	-	-
<b>B.5 Operational Risk</b>	<b>6,898,795</b>	<b>551,904</b>	<b>6,898,795</b>	<b>551,904</b>
1. Basic Approach	-	-	-	-
2. Standardised Approach	6,898,795	551,904	6,898,795	551,904
3. Advanced Approach	-	-	-	-
<b>B.6 Other calculation elements</b>	<b>187,500</b>	<b>15,000</b>	<b>187,500</b>	<b>15,000</b>
<b>B.7 Total Capital Requirements</b>	<b>64,335,921</b>	<b>5,146,873</b>	<b>63,931,231</b>	<b>5,114,499</b>
<b>C. Capital adequacy ratios (%)</b>				
<b>C.1 Common Equity Tier 1 Ratio</b>	<b>13.9%</b>		<b>14.7%</b>	
<b>C.2 Tier 1 Ratio</b>	<b>15.6%</b>		<b>16.5%</b>	
<b>C.3 Total Capital Ratio</b>	<b>19.3%</b>		<b>19.6%</b>	

### Qualitative disclosure on the counter-cyclical capital buffer

The imposition of additional capital buffers with respect to the regulatory minimums has the objective of giving banks high-quality capital resources to be used in moments of market tension to prevent dysfunctions of the banking system and avoid breakdowns in the loan disbursement process and to manage the risks deriving from the systemic importance at the global or domestic level of certain banks. In this context, the counter-cyclical capital buffer has the aim of protecting the banking sector in the stages of excessive growth of credit; in fact, its imposition, 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 descending phases of the cycle.

Entities have an obligation to hold a counter-cyclical capital buffer equal to their total exposure to risk multiplied by the specific counter-cyclical 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 quarterly the countercyclical ratio of our country and to monitor the congruity of the ratios applied by other countries, both EU and non-EU. Directive 2013/36/EU (CRD V) specifies that the specific counter-cyclical ratio of an entity is equal to the weighted average of the counter-cyclical ratios applied in the countries in which the significant exposures of the entity are situated.

It should be noted that, in a press release dated 17 December 2021, the Bank of Italy set the counter-cyclical ratio to be applied to exposures held with Italian counterparties at 0%.

The information detailed in subsequent 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 counter-cyclical capital buffer

10	Total risk exposure amount	64,335,921
20	Institution-specific counter-cyclical ratio	0.003%
<b>30</b>	<b>Institution-specific counter-cyclical capital buffer requirement</b>	<b>1,930</b>

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the counter-cyclical capital buffer

			General credit exposures		Relevant credit exposures - Market risk		Value of exposures to securitisation outside the trading book	Value of overall exposure
			Exposure value according to the standardised approach	Exposure value according to the IRB approach	Sum of long and short positions of exposures contained in the trading book according to the standardised approach	Exposure value in the trading book according to internal models		
010	<b>Breakdown by country:</b>							
	HK	HONG KONG	66	910	-	-	-	976
	NO	NORWAY	5,712	-	-	-	-	5,712
	SK	SLOVAKIA	6,760	-	-	-	-	6,760
	BG	BULGARIA	11	135	-	-	-	146
	CZ	CZECH REPUBLIC	3,808	491	-	-	-	4,299
	LU	LUXEMBOURG	214,593	1,846	-	-	-	216,439
			22,780,413	106,254,020	-	-	6,325,428	135,359,862
020	<b>Total</b>		<b>23,011,363</b>	<b>106,257,402</b>	<b>-</b>	<b>-</b>	<b>6,325,428</b>	<b>135,594,194</b>

			Own fund requirements				Amounts of risk-weighted exposures	Own fund requirements weighting factors (%)	Counter-cyclical ratio (%)
			Relevant credit exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Exposures to securitisation outside the trading book	Total			
010	<b>Breakdown by country:</b>								
	HK	HONG KONG	17	-	-	17	213	0.00%	1.00%
	NO	NORWAY	238	-	-	238	2,975	0.01%	1.00%
	SK	SLOVAKIA	541	-	-	541	6,763	0.02%	1.00%
	BG	BULGARIA	2	-	-	2	25	0.00%	0.50%
	CZ	CZECH REPUBLIC	168	-	-	168	2,100	0.01%	0.50%
	LU	LUXEMBOURG	21,029	-	-	21,029	262,863	0.57%	0.50%
			3,619,514	-	63,400	3,682,915	46,036,438	99.40%	0.00%
020	<b>Total</b>		<b>3,641,509</b>	<b>-</b>	<b>63,400</b>	<b>3,704,910</b>	<b>46,311,375</b>	<b>100.00%</b>	

### Capital requirement for Credit and Counterparty Risk (Standardised Approach)

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	31/03/2022	31/12/2021
Exposures to or guaranteed by central governments and central banks	322,672	316,383
Exposures to or guaranteed by regional governments or local authorities	4,943	2,596
Exposures to or guaranteed by public sector entities	30,674	29,659
Exposures to or guaranteed by multilateral development banks	-	-
Exposures to or guaranteed by international organisations	-	-
Exposures to or guaranteed by supervised intermediaries	378,478	370,470
Exposures to or guaranteed by businesses	559,841	537,592
Retail exposures	78,914	86,456
Exposures guaranteed by properties	22,029	21,109
Defaulted exposures	70,619	73,456
High-risk exposures	62,953	66,669
Exposures in the form of covered bank bonds	2,696	3,104
Short-term exposures to enterprises or supervised intermediaries	-	-
Exposures to undertakings for collective investment in transferable securities (UCITS)	242,998	223,750
Equity instrument exposures	238,878	256,190
Other exposures	394,336	386,133
<b>TOTAL CREDIT AND COUNTERPARTY RISK</b>	<b>2,410,031</b>	<b>2,373,567</b>

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

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	31/03/2022	31/12/2021
<b>Exposures to or guaranteed by businesses</b>		
Specialised loans	0	0
SMEs	577,636	562,572
Other businesses	733,662	697,886
<b>Retail exposures</b>		
Exposures guaranteed by residential properties: SMEs	79,584	77,983
Exposures guaranteed by residential properties: natural persons	266,545	271,007
Qualified retail revolving exposures	15,182	16,539
Other retail exposures: SMEs	213,756	213,229
Other retail exposures: natural persons	38,961	39,835
<b>TOTAL</b>	<b>1,925,326</b>	<b>1,879,051</b>

### Capital requirement for Counterparty Risk

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	31/03/2022	31/12/2021
<b>Counterparty Risk</b>	<b>139,188</b>	<b>139,644</b>

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	
	31/03/2022	31/21/2021
Credit Value Adjustment (CVA) risk	19,518	20,025

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

### Capital requirement for Credit Risk - Securitisations

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	31/03/2022	31/12/2021
SEC-SA securitisations	16,252	17,144
SEC-IRBA securitisations	47,148	51,909
SEC-ERBA securitisations	0	0
SEC-IAA securitisations	0	0
SEC-Other securitisations 1250%	0	8,174
<b>TOTAL</b>	<b>63,400</b>	<b>77,227</b>

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

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	31/03/2022	31/12/2021
Amount of exposure to risk for contributions to the guarantee fund of a CCP	566	495
<b>TOTAL</b>	<b>566</b>	<b>495</b>

### Capital requirement for Market Risk

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	31/03/2022	31/12/2021
<b>Market risks (position, exchange rate and commodity)</b>		
<b>- Standardised approach</b>	<b>717</b>	<b>156</b>
Position risk on debt instruments	-	-
Position risk on equity instruments	-	-
Exchange rate risk	-	-
Commodity risk	717	156
<b>- Internal models</b>	<b>160,203</b>	<b>196,975</b>
Internal models: total	160,203	196,975
<b>TOTAL MARKET RISKS</b>	<b>160,921</b>	<b>197,131</b>

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	31/03/2022	31/12/2021
<b>Settlement risk</b>	<b>208</b>	<b>99</b>
Positions included in regulatory trading book	208	99
Positions included in banking book	-	-

### EU MR1 - Market risk under the standardised approach

		RWAs
	<b>Outright products</b>	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Exchange rate risk	-
4	Commodity risk	8,965
	<b>Options</b>	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	<b>Total</b>	<b>8,965</b>

### Capital requirement for Operational Risk

REGULATORY PORTFOLIO	CAPITAL REQUIREMENT	
	31/03/2022	31/12/2021
Basic Approach	0	0
Standardised Approach	551,904	551,904
Advanced Approaches	0	0
<b>TOTAL OPERATIONAL RISK</b>	<b>551,904</b>	<b>551,904</b>

## EU OV1 - Synoptic framework of total risk exposure amounts

		Total risk exposure amounts (Total RWA)		Total own fund requirements
		31/03/2022	31/12/2021	31/03/2022
1	Credit risk (excluding CCR)*	52,639,613	51,599,676	4,211,169
2	Of which standardised approach	28,507,198	28,133,499	2,280,576
3	Of which foundation IRB approach (F-IRB)	-	-	-
4	Of which allocation approach	-	-	-
EU 4a	Of which equity instruments subject to simple weighting approach	-	-	-
5	Of which advanced IRB approach (A-IRB)	23,944,915	23,278,676	1,915,593
6	Counterparty risk (CCR)	1,990,897	2,002,056	159,272
7	Of which standardised approach	775,621	880,293	62,050
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	35,987	22,817	2,879
EU 8b	Of which credit value adjustment (CVA)	243,977	250,317	19,518
9	Of which other CCR	935,313	848,630	74,825
15	Settlement risk	2,602	1,234	208
16	Exposures to securitisations outside the trading book (after the cap)	1,111,360	1,180,079	88,909
17	Of which SEC-IRBA approach	589,352	648,860	47,148
18	Of which SEC-ERBA approach (including IAA)	-	-	-
19	Of which SEC-SA approach	203,152	214,297	16,252
EU 19a	Of which 1250% / deduction	318,855	316,923	25,508
20	Position, exchange rate and commodity risks (market risk)	2,011,509	2,464,141	160,921
21	Of which standardised approach	8,965	1,954	717
22	Of which IMA	2,002,544	2,462,186	160,203
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 factor)	3,328,432	3,415,452	266,275
<b>29</b>	<b>Total</b>	<b>64,654,776</b>	<b>64,145,981</b>	<b>5,172,382</b>

(\*) The figure relates only to credit risk. The associated components referred to counterparty risk (CCR), contributions to the guarantee fund of a central counterparty (CCP) and securitisation transactions are, therefore, excluded.

The amounts in line 24 fulfil the obligation to publish pursuant to paragraph 1) letter d) detail iii) and paragraph 2) of Article 437 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 same regulation and therefore not included in the grand total.

The OV1 template also shows evidence of the exposures to securitisations deducted from own funds with risk weighting of 1250%, as per EBA mapping.

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

	Amount of risk-weighted exposure	Capital requirement
<b>Amount of risk-weighted exposure at the end of the previous reporting period</b>	<b>23,278,676</b>	<b>1,862,294</b>
Asset size (+/-)	951,427	76,114
Asset quality (+/-)	- 285,219	- 22,818
Model updates (+/-)	-	-
Approach and policies (+/-)	-	-
Acquisitions and disposals (+/-)	-	-
Exchange rate fluctuations (+/-)	-	-
Other (+/-)	31	2
<b>Amount of risk-weighted exposure at the end of the reporting period</b>	<b>23,944,915</b>	<b>1,915,593</b>

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

	VaR	sVaR	IRC	Total RWAs	Total own fund requirements
<b>RWAs at the end of the previous period</b>	<b>223,482</b>	<b>1,475,042</b>	<b>763,662</b>	<b>2,462,186</b>	<b>196,975</b>
<i>Regulatory adjustment</i>	-16,863	315,962	230,870	529,969	42,398
<i>RWAs at the end of the previous quarter (close of business)</i>	240,345	1,159,080	532,792	1,932,217	154,577
Changes in risk levels	27,164	- 231,497	126,499	- 77,834	- 6,227
Model updates/changes					
Approach and policies					
Acquisitions and disposals					
Exchange rate fluctuations	2,175	- 4,380		-2,206	- 176
Other					
<i>RWAs at the end of the reporting period (close of business)</i>	269,683	923,202	659,291	1,852,177	148,174
<i>Regulatory adjustment</i>	- 15,189	153,496	12,060	150,367	12,029
<b>RWAs at the end of the reporting period</b>	<b>254,494</b>	<b>1,076,698</b>	<b>671,351</b>	<b>2,002,544</b>	<b>160,203</b>

## 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, market, interest rate, operational and other measured risks) are measured using statistic and quantitative methods generally relating to the VaR technique.

Banco BPM Group has opted for a level of probability (or confidence interval) of 99.90% (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 on the trading book (the default risk component is estimated with a 1-year holding period).

For the VaR component of market risk of the Banking Book, 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 the banking book equity instrument 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 made from a forward-looking perspective 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 quarterly - 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 company strategies and objectives can be pursued. The main results emerging from this specific monitoring exercise are periodically reported to the Bank's Corporate Bodies.

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

Furthermore, it conducts a periodic 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, from the Supervisory Authorities (ECB), a special exemption to application of the liquidity and funding requirements on an individual basis (LCR, ALMM, NSFR). In respect of this exemption, 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 31 March 2022, there were no significant exposures in currencies other than the euro;<sup>5</sup>

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<sup>5</sup> 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. This analysis is done making use of historical evidence as well as models developed internally and updated periodically.

In the first quarter 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 through 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 LCR information

		Total non-weighted amount (average)				Total weighted amount (average)			
EU 1a	Quarter ending on (DD/Month/YYYY)	Mar-22	Dec-21	Sept-21	Jun-21	Mar-22	Dec-21	Sept-21	Jun-21
EU 1b	Number of data points used to calculate the averages	12	12	12	12	12	12	12	12
HIGH QUALITY LIQUID ASSETS									
1	Total high quality liquid assets (HQLA)					40,811	39,689	38,768	37,424
CASH OUTFLOWS									
2	Retail deposits and deposits of small enterprises, of which	75,025	74,165	72,976	71,299	5,181	5,113	5,031	4,908
3	Stable deposits	55,213	54,752	53,582	51,975	2,761	2,738	2,679	2,599
4	Less stable deposits	19,747	19,339	19,186	18,914	2,370	2,323	2,299	2,254
5	Unsecured wholesale financing	30,246	30,134	30,277	29,754	13,326	13,098	13,450	13,670
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	6,651	6,793	5,786	4,225	1,562	1,597	1,363	999
7	Non-operational deposits (all counterparties)	23,487	23,224	24,201	25,240	11,656	11,385	11,796	12,383
8	Unsecured debt	108	117	291	289	108	117	291	289
9	Secured wholesale financing					1,322	982	702	554
10	Additional obligations	7,513	7,391	7,183	6,873	1,985	1,959	1,926	1,797
11	Outflows related to derivative exposures and other collateral obligations	1,014	1,007	970	920	1,014	1,007	970	920
12	Outflows related to the loss of financing on debt products	4	4	4	4	4	4	4	4
13	Credit and liquidity lines	6,495	6,380	6,209	5,949	967	948	952	873
14	Other contractual financing obligations	337	486	657	828	65	62	78	88
15	Other potential financing obligations	40,572	41,019	41,218	41,254	2,059	2,105	1,984	1,836
16	TOTAL CASH OUTFLOWS					23,939	23,318	23,171	22,854
CASH INFLOWS									
17	Secured loans (e.g. reverse repurchase agreements)	2,270	2,743	3,447	4,268	570	288	172	143
18	Inflows from fully performing exposures	1,553	1,544	1,523	1,571	1,045	1,046	1,028	1,063
19	Other cash inflows	13,679	13,319	13,371	13,688	2,810	2,718	2,743	2,805
EU-19a	(Difference between total weighted inflows and total weighted outflows deriving from transactions in third countries in which there are transfer restrictions or that are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from an associated specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	17,501	17,606	18,341	19,527	4,425	4,052	3,943	4,011
EU-20a	Total exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to a cap of 90%	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to a cap of 75%	17,429	17,534	18,303	19,527	4,425	4,052	3,943	4,011
TOTAL CORRECTED AMOUNT									
EU-21	LIQUIDITY RESERVE					40,811	39,689	38,768	37,424
22	TOTAL NET CASH OUTFLOWS					19,514	19,266	19,229	18,842
23	LIQUIDITY COVERAGE RATIO					209%	206%	201%	199%

The figures reported show how the average LCR level continued to remain permanently above the minimum regulatory requirement in the last 12 months. The trend in the LCR indicator continues to reflect the positive evolution in the Group's 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 € 40.8 billion, 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

Basel 3 prudential regulations introduced the Leverage Ratio from 1 January 2015. From 30 June 2021, the new Basel 4 regulations introduce, among other things, the obligation for the entity to respect the minimum requirement established by Article 92 of the CRR2 or, where the conditions are met, that set out in 429-bis (7) of the 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) of the 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 take corrective measures in its business plan, including selling assets at a loss, which could require recognising value adjustments on other assets as well."*

The leverage ratio is calculated as the intermediary's 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<sup>6</sup>, 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.

On 18 June 2021, the European Central Bank, in order to support the transmission of the monetary policy, confirmed the existence of exceptional circumstances for the exclusion of the exposures to Central Banks from the measurement of the overall exposure and from the calculation of the leverage ratio<sup>7</sup> and the leverage ratio minimum requirement to be respected was calculated in the "adjusted" version (equal to 3.11% at the reference date). As also referenced in the communication of the Bank of Italy of 30 June 2021, the exclusion applies from 28 June 2021 to 31 March 2022.

The leverage ratio was 5.25% as at March 2022, with reference to Tier 1 capital, calculated by taking transitional arrangements into account and not considering any exposures to central banks in the denominator.<sup>8</sup> Excluding the impacts of the temporary exclusion from the denominator of the exposures to central banks, the ratio would be 4,38%.

The ratio calculated using Tier 1 capital as a reference, determined by applying the provision in force and not considering any exposures to central banks in the denominator was 4.96%.<sup>9</sup>. Also considering the exposures to central banks, the ratio would sit at 4.14%.

The quantitative disclosure at 31 March 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.

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<sup>6</sup> The leverage ratio is included among the Strategic indicators in the Group's Risk Appetite Framework, hence its compliance with all of the defined thresholds is verified.

<sup>7</sup> The exclusion of the aforementioned exposures is permitted until 31 March 2022.

<sup>8</sup> 5.29%, pro-forma figure including the profit being accrued at the end of the first quarter, net of the presumed dividend pay-out component.

<sup>9</sup> 5.01%, pro-forma figure including the profit being accrued at the end of the first quarter, net of the presumed dividend pay-out component.

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

		<b>31/03/2022</b>
1	Total assets as per published financial statements	205,791,667
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	- 43,209
3	(Adjustment for securitised exposures that satisfy the operating requirements for recognition of the transfer of risk)	-
4	(Adjustment for the temporary exemption of exposures to central banks (if applicable))	- 37,788,933
5	(Adjustment for fiduciary assets recognised in the financial statements pursuant to the applicable accounting framework but excluded from the measurement of the overall exposure in compliance with Article 429-bis, paragraph 1, letter i) of the CRR)	-
6	Adjustment for standardised purchases and sales of financial assets subject to registration on the basis of the trading date	-
7	Adjustment for eligible centralised treasury operations	-
8	Adjustment for derivatives	- 2,294,487
9	Adjustment for securities financing transactions (SFTs)	2,646,037
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	23,483,855
11	(Correction for adjustments for the prudent assessment and specific and generic provisions that reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the measurement of the overall exposure in compliance with Article 429-bis, paragraph 1, letter c) of the CRR)	-
EU-11b	(Adjustment for exposures excluded from the measurement of the overall exposure in compliance with Article 429-bis, paragraph 1, letter j) of the CRR)	-
12	Other adjustments	- 1,071,782
13	<b>Amount of overall exposure</b>	<b>190,723,149</b>

## EU LR2 - LRCom - Harmonised disclosure on leverage ratio

		Leverage ratio exposures (CRR)	
		31/03/2022	31/12/2021
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	200,525,612	195,072,536
2	Increase for derivative collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables for cash variation margin provided in derivative transactions)	- 230,229	-274,702
4	(Adjustment for securities received as part of financing operations through securities that are recognised as assets)	-	-
5	(General credit risk adjustments of on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	- 2,513,445	-2,318,357
<b>7</b>	<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>197,781,938</b>	<b>192,479,478</b>
<b>Derivative exposures</b>			
8	Replacement cost associated with SA-CCR derivative transactions (i.e. net of eligible cash variation margin)	54,612	368,709
EU-8a	Derogation for derivatives: contribution to replacement costs within the framework of the simplified standardised method	-	-
9	Amounts of increases for potential future exposures associated with SA-CCR derivative transactions	1,146,033	1,048,313
EU-9a	Derogation for derivatives: contribution to future potential exposure within the framework of the simplified standardised method	-	-
EU-9b	Exposure determined with original exposure method	-	-
10	(Exempted CCP leg of client-cleared SFT exposure) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared SFT exposure) (simplified standardised method)	-	-
EU-10b	(Exempted CCP leg of client-cleared SFT exposure) (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)	-	-
<b>13</b>	<b>Total derivative exposures</b>	<b>1,200,645</b>	<b>1,417,022</b>
<b>SFT exposures</b>			
14	Gross SFT assets (with no recognition of netting), after adjusting for transactions recognised as sales	3,928,112	4,146,535
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	2,646,037	2,328,946
EU-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Article 429-sexies, paragraph 5, and Article 222 of the CRR.	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
<b>18</b>	<b>Total SFT exposures</b>	<b>6,574,149</b>	<b>6,475,481</b>
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposures at gross notional amount	64,461,531	59,925,732
20	(Adjustments for conversion to credit equivalent amounts)	- 41,505,891	-43,334,679
21	(Generic provisions deducted in calculating Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
<b>22</b>	<b>Off-balance-sheet exposures</b>	<b>22,955,640</b>	<b>16,591,053</b>
<b>Excluded exposures</b>			
EU-22a	(Exposures excluded from measurement of the overall exposure in compliance with Article 429-bis, paragraph 1, letter c) of the CRR)	-	-

		Leverage ratio exposures (CRR)	
EU-22b	(Exposures exempted in accordance with Article 429-bis, paragraph 1, letter j) of the CRR (on-balance sheet and off-balance sheet)	-	-
EU-22c	(Exposures of public development banks (or units) excluded - investments in the public sector)	-	-
EU-22d	(Exposures of public development banks (or units) excluded - subsidised loans)	-	-
EU-22e	(Exposures excluded deriving from pass-through of subsidised loans by an entity that is not a public development bank (or unit))	-	-
EU-22f	(Excluded guaranteed parts of exposures deriving from export credits)	- 290	- 328
EU-22g	(Surplus collateral deposited with excluded triparty agents)	-	-
EU-22h	(Services associated with a CSD of CSD/excluded entities in accordance with Article 429-bis, paragraph 1, letter o) of the CRR)	-	-
EU-22i	(Services connected to a CSD of designated entities in accordance with Article 429 bis, paragraph 1, letter p) of the CRR)	-	-
EU-22j	(Reduction in value of the exposure of pre-financing loans or interim loans)	-	-
(*)	(Exposures to the central bank exempted in accordance with art. 429 bis, paragraph 1, letter n), of the CRR)	- 37,788,933	-38,688,503
<b>EU-22k</b>	<b>(Total excluded exposures)</b>	<b>- 37,789,223</b>	<b>-38,688,830</b>
<b>Total capital and exposure measure</b>			
<b>23</b>	<b>Tier 1 Capital</b>	<b>10,006,797</b>	<b>10,563,723</b>
<b>24</b>	<b>Amount of overall exposure</b>	<b>190,723,149</b>	<b>178,274,204</b>
<b>Leverage ratio</b>			
25	Leverage ratio (%)	5.25%	5.93%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and subsidised loans) (%)	5.25%	5.93%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.38%	4.87%
26	Regulatory requirement for minimum leverage ratio (%)	3.11%	3.12%
EU-26a	Additional own fund requirements to deal with risk of excessive leverage (%)	0.00%	0.00%
EU-26b	Of which composed of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Total leverage ratio requirement (%)	3.11%	3.12%
<b>Decision regarding transitional arrangements and relevant exposures</b>			
EU-27b	Decision regarding transitional arrangements for the definition of the capital measure	transitional arrangement	transitional arrangement
<b>Information on average values</b>			
28	Average of daily values of assets gross of SFTs, after adjustments for sales accounting transactions and net of associated payables and receivables in cash	3,042,168	1,714,491
29	End of quarter value of assets gross of SFTs, after adjustments for sales accounting transactions and net of associated payables and receivables in cash	3,928,112	4,146,535
30	Overall exposure measurement (including the impact of any applicable temporary exemption of central bank reserves) including the average values of line 28 of assets gross of SFTs (after adjustments for sale accounting transactions and net of associated payables and receivables in cash)	189,837,205	175,842,160
30a	Overall exposure measurement (excluding the impact of any applicable temporary exemption of central bank reserves) including the average values of line 28 of assets gross of SFTs (after adjustments for sales accounting transactions and net of associated payables and receivables in cash)	227,626,138	214,530,663
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) including the average values of line 28 of assets gross of SFTs (after adjustments for sales accounting transactions and net of associated payables and receivables in cash)	5.27%	6.01%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) including the average values of line 28 of assets gross of SFTs (after adjustments for sales accounting transactions and net of associated payables and receivables in cash)	4.40%	4.92%

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

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

		Leverage ratio exposures (CRR)
EU-1	<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	<b>162,506,160</b>
EU-2	Trading book exposures	2,826,818
EU-3	Banking book exposures, of which	159,679,342
EU-4	Covered bonds	294,485
EU-5	Exposures treated as sovereign issuers	36,377,389
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereign issuers	745,582
EU-7	Exposures to institutions	8,915,588
EU-8	Exposures secured by mortgages on properties	36,304,344
EU-9	Retail exposures	16,639,741
EU-10	Exposures to enterprises	39,472,529
EU-11	Defaulted exposures	3,167,423
EU-12	Other exposures (e.g. equities, securitisations and assets other than receivables)	17,762,261

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

As at 31 March 2022, the exposures considered in calculating the denominator of the leverage ratio (€ 190.7 billion) show a total decrease of € 12.4 billion (6.98%) compared to 31 December 2021. The trend is attributable to the growth in balance sheet exposures (+€ 5.3 billion) and off-balance sheet assets (+€ 6.4 billion).

## 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 31 March 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 CRR II - Regulation (EU) no. 876/2019). He also points out 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 of the CRR II.

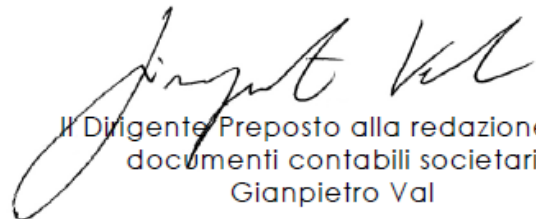
Milan, 24 May 2022

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 records contained in the corporate documents, books and accounting records.

Milan, 24 May 2022



Il Dirigente Preposto alla redazione dei  
documenti contabili societari  
Gianpietro Val