BPER: Gruppo

PUBLIC DISCLOSURE AS AT 30 SEPTEMBER 2022

PILLAR 3

The present document is the English translation of the Italian Public Disclosure – Pillar 3 prepared for and used in Italy, and has been translated only for the convenience of international readers.

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Parent Company of the BPER Banca S.p.A. Banking Group
Registered in the Register of Banking Groups with ABI code 5387.6
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Company belonging to the BPER Banca VAT Group VAT no. 03830780361
Tax Code and Modena Companies Register no. 01153230360
C.C.I.A.A. Modena Chamber of Commerce 222528 Share capital Euro 2,104,315,691.40
Member of the Interbank Deposit Protection Fund and of the National Guarantee Fund
Ordinary shares listed on the regulated Euronext market

Contents

Introduction

Prudential rules for banks and investment companies contained in Regulation (EU) no. 575/2013 of 26 June 2013 (Capital Requirements Regulation, CRR) as later amended and in the 2013/36/EU Directive (Capital Requirements Directive, CRD IV) and subsequent amendments; these rules transpose the standards defined by the Basel Committee for Banking Supervision (so-called Basel 3 framework) into the European Union.

On 7 June 2019 the Official Journal of the European Union published Regulation (EU) no. 2019/876 of 20 May 2019, (also known as Capital Requirements Regulation II, CRR II) which amended Regulation (EU) no. 575/2013 (CRR). Subject to certain exceptions, the CRR2 Regulation applies from 28 June 2021. The main changes introduced relate to the change in the frequency of disclosure and the quantitative information to be incorporated in the submission. With regard to the formal policy that the institution must adopt, clarification has been provided in Article 431:

- the management body or senior management shall put in place and maintain internal processes, systems and controls to verify that the institutions' disclosures are appropriate and in compliance with the requirements laid down in the CRR;
- information to be disclosed shall be subject to the same level of internal verification as that applicable to the management report included in the institution's consolidated financial report;
- one member of the management body or senior management shall attest in writing that the relevant institution has made the disclosures required in accordance with the formal policies and internal processes, systems and controls.

The regulatory framework is completed with the implementing measures contained in the Regulatory or Implementing Technical Standards (RTS and ITS) adopted by the European Commission on the proposal of the European Supervisory Authorities.

The harmonised legislation has been transposed into national law through the Bank of Italy Circular 285 of 17 December 2013 and subsequent updates entitled "Supervisory Instructions for Banks".

The regulatory framework is designed to strengthen the banks' capacity to absorb shocks deriving from financial and economic tensions, regardless of their origin, to improve risk management and governance, as well as to strengthen transparency and disclosure to the market. The function of the Third Pillar (Pillar 3) - market discipline - is to integrate with the minimum capital requirements (First Pillar) and the prudential control process (Second Pillar). It aims to encourage market discipline by identifying a set of disclosure transparency requirements that allow operators to have fundamental information on Own Funds, the scope of recognition, exposure and risk assessment processes and, consequently, on the capital adequacy of intermediaries. These requirements are particularly relevant in the present situation, where the current provisions, when adequate and permissible, rely extensively on internal risk assessment methods, giving banks significant discretion when determining capital requirements.

Public disclosures by institutions (Pillar 3) are governed directly by:

- CRR, Part Eight "Disclosure by Institutions" and Part Ten (art. 473a), Title I, Chapter 3 "Transitional provisions for disclosure of own funds" as amended by Regulation (EU) 2019/876 (CRR II);
- European Commission Regulations containing Regulatory and Implementing Technical Standards to regulate:

- standard templates and tables for the public disclosure by institutions of the information referred to in Part Eight of the CRR and subsequent updates (Regulation (EU) no. 637/2021 and Regulation (EU) no. 631/2022);
- the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on Own Funds (Regulation (EU) no. 2395/2017). The standard templates to be adopted are included in the EBA GL/2018/01 Guidelines, as amended by the EBA/GL/2020/02 guidelines on measures to address the Covid-19 crisis.
- uniform formats for the disclosure of the indicator values used to identify systemically important institutions (Regulation (EU) no. 1030/2014).[1];

On 2 June 2020, the EBA (European Banking Authority) published Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis (EBA/GL/2020/07). These Guidelines require the provision of information about:

- loans subject to “moratoria” that fall within the scope of application of the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (EBA/GL/2020/02[2]);
- loans subject to forbearance measures applied in response to the Covid-19 crisis;
- new loans guaranteed by the State or another Public Entity in response to the Covid-19 crisis.

On 26 June 2020, Regulation (EU) no. 873/2020 of 24 June 2020 (CRR “quick fix”) was published on the website of the Official Journal of the European Union. This regulation, amending Regulation (EU) no. 575/2013 and Regulation (EU) no. 876/2019), introduces rapid solutions in response to the Covid-19 pandemic. The main changes concerned:

- the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in light of the Covid-19 pandemic;
- extension of the IFRS 9 transition period for a further two years and the possibility for banks that previously decided to apply or not apply the transitional arrangements to reverse that decision at any time during the new transitional period;
- favourable prudential treatment of non-performing exposures deriving from Covid-19 that are covered by public guarantees given by Member States;
- modification of the offsetting mechanism to temporarily exclude certain exposures of to central banks from the calculation of the bank’s leverage ratio;
- in the context of the standardised approach, favourable prudential treatment of exposures deriving from loans against the transfer of one-fifth of the borrowers’ salary or pension, loans to SMEs, loans to parties that manage infrastructure projects;
- deferral to 1 January 2023 of the date of application for the leverage ratio buffer requirement (envisaged for G-SIIs).

With respect to the principal amendments introduced by Regulation (EU) 2020/873, the BPER Banca Group:

- has not applied the extension of the IFRS 9 transitional arrangements;
- not being a G-SII, is not affected by the deferral of the leverage ratio buffer requirement;

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[1] *This Regulation does not apply to the BPER Banca Group as art. 441 of Regulation (EU) no. 575/2013 is not applicable to it.*

[2] *These Guidelines were amended by the subsequent EBA/GL/2020/08 issued on 25 June 2020, which extend to 30 September 2020 the date by which a legislative or non-legislative moratorium on loan repayments that complies with the characteristics set out in EBA/GL/2020/02 may be applied to the debtor.*

- in the context of the standardised approach for calculating the capital requirement, has adopted the new methodology for calculating the SME supporting factor;
- has recognised that State guarantees mitigate the risk relating to new exposures that benefit from them, to the extent of the tranches covered.

On 11 August 2020 EBA published Guidelines (EBA/GL/2020/12) amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on Own Funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic. As reported above, for the purpose of calculating Own Funds at 30 September 2022, the BPER Banca Group decided not to make use of these transitional provisions.

On 15 March 2021 the Official Journal of the European Union published Regulation (EU) 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Part Eight of the CRR as later amended, repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295. The disclosure formats, templates and tables take into account the principle of proportionality depending on the differences in size and complexity between institutions. For the purposes of current legislation, the BPER Banca Group, as at 30 September 2022, is considered a large institution[3].

On 23 April 2021 the Official Journal of the European Union published Regulation (EU) n. 2021/763[4] laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council and Directive 2014/59/EU of the European Parliament and of the Council with regard to the supervisory reporting and public disclosure of the minimum requirement for own funds and eligible liabilities.

On 13 April 2022, Commission Implementing Regulation (EU) 2022/631 was published in the Official Journal of the European Union to amend the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of exposures to interest rate risk on positions not held in the trading book. The Implementing Regulation introduces into Regulation (EU) 637/2021 Article 16a, governing the qualitative and quantitative disclosure requirements to be published in accordance with Article 448 of the CRR. The BPER Banca Group has published the required disclosures[5] on interest rate risk exposures on positions not held in the trading book in line with the content proposed in the afore-mentioned consultation paper since the half-year disclosure for 2022.

This document, entitled "Public Disclosure as at 30 September 2022 – Pillar 3", has been prepared by BPER Banca, Parent Company, on a consolidated basis with reference to the scope of consolidation used for supervisory purposes.

As required by art. 433 CRR, it is made available in conjunction with -or as soon as possible after- the date of publication of the Consolidated interim report on operations as at 30 September 2022, or as early

[3] *With total consolidated assets exceeding Euro 30 billion.*
[4] *Title II "Public disclosure by institutions" art. 10 will enter into force on 1 January 2024.*
[5] *Disclosure already made as at 31 December 2021 in accordance with Implementing Technical Standards EBA/ITS/2021/07 of 10 November 2021.*

as possible after said date, by publication in the institutional area of the Banks' website, as allowed by the relevant regulations.

Based on Article 433 of the CRR, institutions shall publish the information required under Titles II and III in the manner set out in Article 433a and using the templates set out in Regulation (EU) No 637/2021 and Regulation (EU) no. 631/2022.

The “Public Disclosure as at 30 September 2022 – Pillar 3” document was prepared on a collaborative basis by the various bodies and internal organisations involved in the governance and performance of processes, consistent with the duties assigned to them in the internal regulations of the BPER Banca Group.

The document is accompanied by the:

- Declaration of the Manager responsible for preparing the Company’s financial reports, pursuant to para. 2 of art. 154-bis - Consolidated Finance Law (TUF) and is subjected to the approval of the Board of Directors of BPER Banca.
- Joint Declaration of the CEO and the Manager responsible for preparing the Company’s financial reports in order to comply with the disclosure requirements laid down in art. 431, paragraph 3.

It should be noted that articles 437a[6] (disclosure of own funds and eligible liabilities), 441[7] (Indicators of global systemic importance), 447 (disclosure of key metrics) letter h)[8], 454 (Use of the advanced measurement approaches to operational risk) and 455 (Use of Internal Market Risk models) of Regulation (EU) 575/2013 (CRR) as later amended do not apply.

All of the amounts shown in the document are expressed in thousands of Euro, unless otherwise specified. Any misalignment between data referring to the same items in the tables of this document only depends on rounding.

It is recalled that the acquisition of the Carige Group by the BPER Banca Group was finalised on 3 June 2022. Therefore, figures reported in this Public Disclosure are inclusive of the new entities that entered the BPER Banca Group’s scope of consolidation with effect from 30 June 2022.

In light of the general macro-economic and sectoral framework, which is still affected by major uncertainty due to the evolution of the Covid-19 pandemic and related containment measures, as well as by the Russia-Ukraine conflict and consequent international sanctions, as at the Public Disclosure date of 30 September 2022, it is not possible to rule out that the main risks highlighted in this document may change depending on the future scenarios in which the BPER Banca Group will operate.

[6] *The BPER Banca Group not being a G-SII.*
[7] *The BPER Banca Group not being a G-SII.*
[8] *The BPER Banca Group not being a G-SII.*

Reference to the regulatory requirements of CRR Part VIII

The following table reports the location of the information provided to the market on a quarterly basis in accordance with European regulatory requirements including, in particular, CRR Part 8 as later amended, in force as at 30 September 2022, along with requirements not applicable to the BPER Banca Group at the reporting date.

Articles CRR	chapter Pillar 3
art. 431, 432	Introduction
art. 437a	Not applicable
art. 438 (*)	1. General disclosure requirements 3. Credit risk: disclosure of the IRB approach
art. 441	Not applicable
art. 447 (**)	1. General disclosure requirements
art. 451a	2. Liquidity risk
art. 454	Not applicable
art. 455	Not applicable
art. 473a	1. General disclosure requirements

(*) Although Article 438 (d) of the CRR generally covers the different risk categories whose main results are shown quarterly in Template EU 0V1, reference to this article has not been made explicit for operational risk in the instructions for completion of the operational risk disclosure templates of Regulation (EU) 637/2021.

(**) Article 447 h), introduced by Regulation (EU) 2019/876 does not apply, as the BPER Banca Group is not a G-SII.

Additionally, Commission Implementing Regulation (EU) 2021/763, laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council and Directive 2014/59/EU of the European Parliament and of the Council with regard to the supervisory reporting and public disclosure of the minimum requirement for own funds and eligible liabilities, shall apply from 1 January 2024, as the BPER Banca Group is not a G-SII.

With regard to article 449a, Regulation (EU) 2019/876 of 20 May 2019 requires that from 28 June 2022 “large institutions which have issued securities that are admitted to trading on a regulated market of any Member State, as defined in point (21) of Article 4(1) of Directive 2014/65/EU, shall disclose information on ESG risks, including physical risks and transition risks, as defined in the report referred to in Article 98(8) of Directive 2013/36/EU”. In this regard, on 24 January 2022 the document EBA/ITS/2022/01 “Final Report - Final draft implementing technical standards on prudential disclosures on ESG risks in accordance with Article 449a CRR” was published, which requires the first disclosure to be annual with the reference date being 31 December 2022 and semi-annual thereinafter.

The following table shows the location of the quarterly disclosure requirements laid down in Regulation (EU) 2021/637 as later amended within the scope of the Pillar 3 Disclosure document as at 30 September 2022. The reasons why individual templates are deemed not applicable to the BPER Banca Group are also reported, if applicable.

code	title	chapter Pillar 3
EU KM1	Key metrics template	01. General disclosure requirements
EU OV1	Overview of total risk exposure amounts	01. General disclosure requirements
EU LIQ1	Quantitative information of LCR	02. Liquidity risk
EU LIQB	Qualitative information on LCR, which complements template EU LIQ1	02. Liquidity risk
EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	03. Credit risk: disclosure of the IRB approach
EU CCR7(1)	RWEA flow statements of CCR exposures under the IMM	Exposures to counterparty credit risk
EU MR2-B(2)	RWEA flow statements of market risk exposures under the IMA	Market risk

(1) No internal models are applied to exposures subject to CCR.
(2) No internal models are used for market risk.

The disclosure requirement applicable as at 30 September 2022 is not directly governed by Regulation (EU) 2021/637, but rather by the EBA/GL/2018/01 guidelines, as amended by the EBA/GL/2020/02 guidelines in the context of the measures applied in response to the Covid-19 crisis and is presented in Chapter 1 ‘General Disclosure Requirements’, which includes template 'IFRS9 - FL: Comparison of institutions’ own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs”.

1. General disclosure requirements

For further details on the BPER Banca Group's risk management objectives and policies, governance, approach to capital adequacy and liquidity assessment processes, please refer to Chapter 1 of the Pillar 3 Public Disclosure as at 31 December 2021.

1.1 Key metrics of the BPER Banca Group

Based on the requirements of Article 447 CRR II (Disclosure of key metrics), the table shows the key capital and risk metrics of the BPER Banca Group.

Template EU KM1 - Key metrics

		a	b	c	d	e
		30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	6,986,499	7,114,211	6,369,628	6,576,227	6,656,567
2	Tier 1 capital	7,138,096	7,265,833	6,520,070	6,726,680	6,807,169
3	Total capital	8,695,146	8,424,861	7,669,251	7,781,971	7,864,573
Risk-weighted exposure amounts						
4	Total Risk exposure amount	53,947,766	53,664,192	45,150,362	45,340,544	45,314,284
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	12.95%	13.26%	14.11%	14.50%	14.69%
6	Tier 1 ratio (%)	13.23%	13.54%	14.44%	14.84%	15.02%
7	Total capital ratio (%)	16.12%	15.70%	16.99%	17.16%	17.36%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.61%	2.30%	2.30%	2.00%	2.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.47%	1.29%	1.29%	1.13%	1.13%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.96%	1.73%	1.73%	1.50%	1.50%
EU 7d	Total SREP own funds requirements (%)	10.61%	10.30%	10.30%	10.00%	10.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.008%	0.004%	0.004%	0.004%	0.003%
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-	-	-
11	Combined buffer requirement (%)	2.508%	2.504%	2.504%	2.504%	2.503%
EU 11a	Overall capital requirements (%)	13.12%	12.80%	12.80%	12.50%	12.50%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.27%	5.40%	8.31%	8.88%	5.31%

Continued: Template EU KM1 - Key metrics

		a	b	c	d	e
		30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021
Leverage ratio						
13	Total exposure measure	166,196,211	165,809,184	140,198,067	140,241,921	138,791,266
14	Leverage ratio (%)	4.29%	4.38%	4.65%	4.80%	4.90%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	32,718,317	32,598,669	32,674,893	31,407,744	28,057,846
EU 16a	Cash outflows - Total weighted value	18,888,096	18,457,710	18,382,125	18,290,414	16,613,992
EU 16b	Cash inflows - Total weighted value	3,294,397	3,041,629	2,871,582	2,648,140	2,363,606
16	Total net cash outflows (adjusted value)	15,593,699	15,416,081	15,510,543	15,642,274	14,250,386
17	Liquidity coverage ratio (%)	210.948%	212.369%	211.610%	200.619%	195.923%
Net Stable Funding Ratio						
18	Total available stable funding	112,872,792	114,798,917	104,189,445	104,918,674	102,830,060
19	Total required stable funding	85,846,439	87,526,944	75,022,167	73,630,848	74,847,392
20	NSFR ratio (%)	131.482%	131.158%	138.878%	142.493%	137.386%

Template EU OV1 – Overview of total risk exposure amounts

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		30.09.2022	30.06.2022	30.09.2022
1	Credit risk (excluding CCR)	46,206,765	45,868,010	3,696,541
2	*Of which standardised approach*	*27,501,665*	*27,259,715*	*2,200,133*
3	*Of which the Foundation IRB (F-IRB) approach*	*2,050,693*	*1,763,561*	*164,055*
4	*Of which slotting approach*	*136,343*	*141,177*	*10,907*
EU 4a	*Of which equities under the simple riskweighted approach*	-	-	-
5	*Of which the Advanced IRB (A-IRB) approach*	*16,502,566*	*16,686,971*	*1,320,205*
6	Counterparty credit risk - CCR	379,950	409,345	30,396
7	*Of which standardised approach*	*180,316*	*216,665*	*14,425*
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	*21,024*	*18,973*	*1,682*
EU 8b	*Of which credit valuation adjustment - CVA*	*106,362*	*83,349*	*8,509*
9	*Of which other CCR*	*72,248*	*90,358*	*5,780*
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	152,964	158,675	12,237
17	*Of which SEC-IRBA approach*	-	-	-
18	*Of which SEC-ERBA (including IAA)*	*9,224*	*10,651*	*738*
19	*Of which SEC-SA approach*	*42,513*	*49,207*	*3,401*
EU 19a	*of which 1 250 %*	*101,227*	*98,817*	*8,098*
20	Position, foreign exchange and commodities risks (Market risk)	907,227	927,300	72,578
21	*Of which standardised approach*	*907,227*	*927,300*	*72,578*
22	*Of which IMA*	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	6,300,860	6,300,860	504,069
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*6,300,860*	*6,300,860*	*504,069*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	2,532,863	2,580,762	202,629
29	Total	53,947,766	53,664,190	4,315,821

Figures in column c) are 8% of the amounts posted in each row of column a).
The above table includes the RWAs relating to "Other elements for the calculation", amounting respectively to a total of Euro 15,498 thousand and Euro 16,586 thousand as at 30 September 2022 and 30 June 2022.

Deductions relating to significant and non-significant investments in a financial sector entity and deferred tax assets that are dependent on future profitability and arise from temporary differences only

apply to amounts above certain CET1 thresholds; amounts below the thresholds for deduction are subject to a 250% risk weight.
As at 30 September 2022, the BPER Banca Group exceeds the threshold exemptions from deduction from Common Equity Tier 1 items under Article 48 of the CRR.

Credit and counterparty risk-weighted assets in 3Q 2022 were up by approximately Euro 305 million compared to the previous quarter.
The key drivers of this trend include:

- an increase in the exposures treated under the standardised approach (+ Euro 184 million in RWAs), resulting in an increase in units of investment funds and collective investment undertakings, an increase in deferred tax assets and an increase in exposures to banks;
- an increase in exposures treated under the AIRB approach (+ Euro 98 million in RWAs) with specific reference to the "Other Assets" portfolio.
- finally, an increase in CVA is observed, which is exclusively attributable to the higher fair value due to changes in the interest rates.

1.2 Transitional provisions aimed at mitigating the impact of the introduction of IFRS 9 on Own Funds (art. 473a CRR)

On 30 January 2018, the Group formally communicated to the Supervisory Authority its decision to use the transitional regime to phase in the impact of provisions arising from the application of IFRS 9 in regulatory capital.
The BPER Banca Group elected to apply the “static approach” to the impact arising from a reconciliation of impairment losses under IAS 39 as at 31 December 2017 to impairment losses under IFRS 9 as at 1 January 2018. For further details, please see Paragraph “Transitional arrangements” in the Chapter “Own Funds” of the Public Disclosure document as at 31 December 2021.

Below we provide information on: available capital, RWAs, capital ratios and financial leverage ratio with and without application of the transitional provisions on IFRS 9 and analogous expected credit losses, as provided for by the EBA Guidelines issued on 16 January 2018 (EBA/GL/2018/01). These Guidelines were amended by the EBA/GL/2020/12 guidelines issued on 11 August 2020 on measures to address the Covid-19 crisis.

The BPER Banca Group did not avail itself of the extension of the IFRS 9 transitional arrangements as provided for in Regulation (EU) No. 873/2020 (as regards certain adjustments in response to the Covid-19 pandemic). Therefore, the Group’s calculation methods in accordance with Article 473a of the CRR remain those set out in point b) of paragraph 7.

The BPER Banca Group has chosen not to apply the temporary treatment referred to in Article 468 of Regulation (EU) no. 575/2013, as amended by Regulation (EU) no. 876/2019 (CRR II) and by Regulation (EU) no. 873/2020. Therefore, Own Funds and capital and leverage ratios fully take into account the impact of unrealised gains and losses measured at fair value through other comprehensive income, without the need to publish any further information required by the EBA/GL/2020/12 Guidelines.

Template IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

		30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	6,986,499	7,114,211	6,369,628	6,576,227	6,656,567
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,753,345	6,881,057	6,136,474	6,108,075	6,188,415
3	Tier 1 capital	7,138,096	7,265,833	6,520,070	6,726,680	6,807,169
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,904,942	7,032,679	6,286,916	6,258,528	6,339,017
5	Total capital	8,695,146	8,424,861	7,669,251	7,781,971	7,864,573
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,461,992	8,191,707	7,436,097	7,313,819	7,396,421
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	53,947,766	53,664,192	45,150,362	45,340,544	45,314,284
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	53,906,784	53,622,881	45,109,251	45,253,699	45,237,592
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	12.95%	13.26%	14.11%	14.50%	14.69%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.53%	12.83%	13.60%	13.50%	13.68%
11	Tier 1 (as a percentage of risk exposure amount)	13.23%	13.54%	14.44%	14.84%	15.02%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.81%	13.12%	13.94%	13.83%	14.01%
13	Total capital (as a percentage of risk exposure amount)	16.12%	15.70%	16.99%	17.16%	17.36%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.70%	15.28%	16.49%	16.16%	16.35%
	Leverage ratio					
15	Leverage ratio total exposure measure	166,196,211	165,809,184	140,198,067	140,241,921	138,791,266
16	Leverage ratio	4.295%	4.382%	4.651%	4.796%	4.905%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.156%	4.242%	4.486%	4.470%	4.570%

2. Liquidity risk

Liquidity Coverage Ratio (LCR)

Quantitative information on the BPER Banca Group's Liquidity Coverage Ratio (LCR), disclosed in compliance with the European regulatory framework, is provided below.
Values are calculated as the unweighted average of end-of-month observations in the twelve months preceding the end of each quarter.

Template EU LIQ1 - Quantitative information of LCR

		a	b	c	d	e	f	g	h
Scope of consolidation: (solo/consolidated)		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2022	30.06.2022	31.03.2022	31.12.2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					32,718,317	32,598,669	32,674,893	31,407,744
CASH OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	70,288,226	67,134,531	65,047,013	61,808,253	4,754,960	4,547,544	4,403,816	4,199,379
3	*Stable deposits*	*53,944,627*	*51,512,094*	*50,038,709*	*47,624,713*	*2,697,232*	*2,575,605*	*2,501,935*	*2,381,236*
4	*Less stable deposits*	*16,343,599*	*15,622,437*	*15,008,304*	*14,183,540*	*2,057,728*	*1,971,939*	*1,901,881*	*1,818,143*
5	Unsecured wholesale funding	24,470,102	24,412,666	24,658,064	24,676,788	11,593,855	11,685,763	11,863,780	12,057,906
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*556,991*	*543,570*	*529,551*	*514,073*	*139,133*	*135,849*	*131,426*	*127,558*
7	*Non-operational deposits (all counterparties)*	*23,821,424*	*23,801,890*	*24,062,176*	*24,083,833*	*11,363,035*	*11,482,708*	*11,666,066*	*11,851,515*
8	*Unsecured debt*	*91,687*	*67,206*	*66,337*	*78,882*	*91,687*	*67,206*	*66,288*	*78,833*
9	Secured wholesale funding					324,263	284,391	257,886	208,136
10	Additional requirements	3,055,527	2,988,813	2,995,698	3,270,061	531,082	464,795	469,204	492,727
11	*Outflows related to derivative exposures and other collateral requirements*	*465,189*	*501,342*	*613,640*	*678,436*	*310,561*	*257,186*	*279,465*	*295,114*
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	*2,590,338*	*2,487,471*	*2,382,058*	*2,591,625*	*220,521*	*207,609*	*189,739*	*197,613*
14	Other contractual funding obligations	656,644	456,411	380,625	371,568	656,601	456,369	380,582	371,527
15	Other contingent funding obligations	33,267,102	33,279,892	33,221,233	31,699,616	1,027,335	1,018,848	1,006,857	960,739
16	TOTAL CASH OUTFLOWS					18,888,096	18,457,710	18,382,125	18,290,414

(continued)

Scope of consolidation: (solo/consolidated)		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	30.09.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2022	30.06.2022	31.03.2022	31.12.2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	64,660	40,502	95,371	91,840	4,465	2,808	563	-
18	*Inflows from fully performing exposures*	*2,204,885*	*2,050,134*	*1,940,639*	*1,728,700*	*1,405,540*	*1,316,601*	*1,253,228*	*1,107,632*
19	Other cash inflows	8,762,706	8,178,896	7,685,918	7,311,199	1,884,392	1,722,220	1,617,791	1,540,508
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	11,032,251	10,269,532	9,721,928	9,131,739	3,294,397	3,041,629	2,871,582	2,648,140
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*11,032,251*	*10,269,532*	*9,721,928*	*9,131,739*	*3,294,397*	*3,041,629*	*2,871,582*	*2,648,140*
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					32,718,317	32,598,669	32,674,893	31,407,744
22	TOTAL NET CASH OUTFLOWS					15,593,699	15,416,081	15,510,543	15,642,274
23	LIQUIDITY COVERAGE RATIO					210.948%	212.369%	211.610%	200.619%

The average value of the LCR during the quarter is broadly in line with the value registered in the previous reporting period.

Table EU LIQB: on qualitative information on LCR, which complements template EU LIQ1

The following table shows the information required under Article 451a(2) CRR.

Row number	Qualitative Information
a)	**Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time**
	As illustrated in template EU LIQ1, over the last 12 months, the BPER Banca Group has maintained an average LCR of 210.9%, which is significantly greater than the current minimum regulatory requirement (100%) and was substantially stable during the quarter. Net cash outflows are obtained by applying to liabilities and assets the coefficients set out in the regulatory framework or in Delegated Regulation (EU) 61/2015, thereby estimating the potential liquidity inflows and outflows in a stressed scenario characterised by both systematic and idiosyncratic components. More specifically, the main component of cash outflows includes retail deposits, wholesale funding and contingent funding obligations resulting from the use of revocable credit facilities.

b)	**Explanations on the changes in the LCR over time** The BPER Banca Group's Liquidity Coverage Ratio (LCR) is calculated according to the European regulatory requirements in force and reported periodically to the relevant Supervisory Authority. In 2019, the 'additional outflows for other products and services' (referred to in row 15 of the EU LIQ1 template 'Other contingent funding obligations'), assessed on the basis of guidance provided in Delegated Regulation (EU) 2015/61 (Article 23), were revised to reflect the guidance received from the ECB at the end of May 2019.
c)	**Explanations on the actual concentration of funding sources** Funding concentration risk may arise when sources of funding are concentrated on a limited number of counterparties, the significance of which may give rise to liquidity problems in the event of deposit withdrawal. The BPER Banca Group operates with the objective of maintaining a diversified funding profile in terms of borrowers, products, maturities and currencies. The BPER Banca Group's liquidity and funding risk governance provides for the regular monitoring of operational and regulatory funding concentration metrics, by type of counterparty and product.
d)	**High-level description of the composition of the institution`s liquidity buffer** The average stock of total high-quality liquid assets that can be immediately converted into cash amounts to Euro 32.7 billion and consists mainly of excess European Central Bank reserves and government bonds, which together account for 95% of the total liquidity buffer.
e)	**Derivative exposures and potential collateral calls** The BPER Banca Group engages in derivative contracts with both central counterparties and third parties (OTC). The risk factors underlying these contracts may, depending on changes in market conditions, affect future derivative exposures, thereby impacting the BPER Banca Group's liquidity position following collateral calls in the form of cash or other liquid collateral. The method of calculation of potential liquidity absorption, corresponding to additional collateral needs resulting from the impact of an adverse market scenario, is based on the Historical Look Back Approach, which focuses on net collateral outflows.
f)	**Currency mismatch in the LCR** Under the EU regulatory framework, an institution shall monitor and report currencies when they are material, i.e. if the foreign currency-denominated liabilities are equal to or higher than 5% of the institution's total liabilities. The BPER Banca Group's liabilities are mainly denominated in euro and, at 30 September 2022 the Group had no exposures in foreign currencies defined as material according to EU regulatory guidelines.
g)	**Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile** Intraday liquidity risk arises when a bank does not have sufficient funds to meet its payment and settlement obligations on a timely basis during the business day. Intraday liquidity management therefore aims to ensure the Group's ability to meet its expected or unexpected payment and settlement obligations on an ongoing basis during its opening hours. Maintaining a sustainable funding gap between cash inflows and outflows during the day is an essential condition for the pursuit of business as usual in the banking industry. The BPER Banca Group's intraday liquidity risk is monitored using the tools defined by the Basel Committee on Banking Supervision (BCBS - Monitoring tools for intraday liquidity management", April 2013). To cover intraday liquidity risk, an immediately available buffer of unencumbered assets is held for the Group to meet expected and unexpected payment and settlement obligations on a timely basis.

3. Credit risk: disclosure of the IRB approach

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

		Quarter closing as at 30.09.2022
		Risk weighted exposure amount
		a
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**18,591,709**
2	Asset size (+/-)	121,674
3	Asset quality (+/-)	(21,588)
4	Model updates (+/-)	-
5	Methodology and policy (+/-)	-
6	Acquisitions and disposals (+/-)	(2,193)
7	Foreign exchange movements (+/-)	-
8	Other (+/-)	-
9	**Risk weighted exposure amount as at the end of the reporting period**	**18,689,602**

In the third quarter of 2022 risk weighted exposures in the context of the application of the advanced approach (A-IRB) amounted to Euro 18,690 million, attributable for Euro 11,186 million to exposures to Corporate counterparties, for Euro 5,453 million to exposures to Retail counterparties and for Euro 2,051 million to assets other than loans.
The quarterly change of + Euro 98 million, is attributable to the following dynamics:

- - Euro 165 million for the decrease in exposures to customers;
- + Euro 287 million following the increase in assets other than loans;
- - Euro 22 million for the improvement of the portfolio risk profile;
- - Euro 2 million subsequent to the completion of the bulk disposals of non-performing loans.

Certification on disclosure requirements pursuant to Part Eight, para. 3 of art. 431 of Regulation (EU) 575/2013 dated 26 June 2013 and subsequent additions and amendments

Certification on disclosure requirements pursuant to Part Eight, para. 3 of art. 431 of Regulation (EU) 575/2013 dated 26 June 2013 and subsequent additions and amendments

The undersigned

- Piero Luigi Montani, as Chief Executive Officer,
- Marco Bonfatti, as the Manager responsible for preparing the company's financial report,

of BPER Banca S.p.A.,

ATTEST

that, having considered the requirements of para. 3 of art. 431 of Regulation (EU) 575/2013 dated 26 June 2013 and subsequent additions and amendments, the information provided pursuant to the aforementioned Part Eight have been prepared in accordance with the formal policy and processes, systems and internal controls.

Modena, 30 November 2022

Signed by
Piero Luigi Montani

Chief Executive Officer

Signed by
Marco Bonfatti

The Manager responsible for preparing
the company's financial reports

Declaration of the Manager responsible for preparing the company's financial reports

Declaration of the Manager responsible for preparing the company’s financial reports

The Manager responsible for preparing the company’s financial reports, Marco Bonfatti, certifies, pursuant to para. 2 of art. 154-bis of Decree 58/1998 (Consolidated Financial Law) that the accounting information contained in this document “Public Disclosures as at 30 September 2022 - Pillar 3” agrees with the underlying accounting entries, records and documentation.

Modena, 30 November 2022

Signed by
Marco Bonfatti

The Manager responsible for preparing the
company’s financial reports