BPER:
Gruppo

PUBLIC DISCLOSURES AS AT 30 SEPTEMBER 2020

PILLAR 3

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

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Register of Banks no. 4932
Parent Company of the BPER Banca S.p.A. Banking Group
Registered in the Register of Banking Group 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
Modena Chamber of Commerce 222528 Share capital as at 28 October 2020 € 2,100,435,182.40
Member of the Interbank Deposit Protection Fund and of the National Guarantee Fund
Ordinary shares listed on the MTA market

Content

Introduction

Prudential rules for banks and investment companies contained in Regulation (EU) 575/2013 (CRR) and in the 2013/36/EU Directive (CRD IV) entered into force starting from 1 January 2014; these rules transpose the standards defined by the Basel Committee for Banking Supervision (so-called Basel 3 framework) into the European Union.
The regulatory framework is completed with the implementing measures contained in 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". This Circular transposes into national law:

- EBA/GL/2014/14 Guidelines on the relevance, exclusivity and confidentiality and frequency of disclosure in accordance with articles 432, paragraphs 1 and 2, and 433 of Regulation (EU) 575/2013;
- EBA GL/2016/11 Guidelines on disclosure requirements pursuant to part eight of Regulation (EU) 575/2013[1];
- EBA GL/2017/01 Guidelines on the LCR disclosure[2];
- EBA GL/2018/01 Guidelines on standard information pursuant to art. 473 bis of Regulation (EU) 575/2013;
- EBA/GL/2018/10 Guidelines on the disclosure of non-performing exposures subject to concession, which replace certain templates envisaged in EBA/GL/2016/11.

The framework regulation 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.
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 methods, giving banks significant discretion when determining capital requirements.
Public disclosures by institutions (Pillar 3) are governed directly by:

- CRR[3], Part 8 "Disclosure by entities" and Part 10, Title I, Chapter 3 "Transitional provisions on Own Funds";
- European Commission Regulations containing Regulatory or Implementing Technical Standards to regulate:

[1] *As an entity not of systemic importance, the BPER Banca Group provides solely the qualitative disclosures requested, supplying specific information about the governance of the Group without completing all the quantitative templates included in the guidelines; nevertheless, appropriate disclosures are made in this regard as well.*
[2] *The BPER Banca Group uses solely those lines in the templates that apply to entities not deemed to be of global systemic importance.*
[3] *On 7 June 2019 the Official Journal of the European Union published Regulation (EU) 2019/876, which amended Regulation (EU) 575/2013 (CRR). With certain exceptions, the Regulation will come into force on 28 June 2021.*

- standard forms for the publication of information concerning Own Funds (Regulation (EU) 1423/2013);
- the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on Own Funds (Regulation (EU) 2395/2017). The standard forms to be adopted are included in the EBA GL/2018/01 Guidelines;
- disclosure requirements on capital reserves (Regulation (EU) 1555/2015);
- standard forms for the publication of information on the indicators of systemic importance (Regulation (EU) 1030/2014);
- disclosures about encumbered and unencumbered assets (Regulation (EU) 2295/2017);
- standard forms for the publication of information on financial leverage (Regulation (EU) 200/2016).

This document, entitled "Public Disclosures at 30 September 2020 – 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 together with the Consolidated interim report on operations as at 30 September 2020 by publication in the institutional area of the Banks' website, as allowed by the relevant regulations.

Pursuant to art. 433 CRR, entities must consider the need to publish some or all of the information more often than once every year, having regard for the significant characteristics of their activities.
In particular, they must consider the need to publish more frequent information about their "Own Funds" (art. 437), "Capital requirements" (art. 438) and "Leverage ratio" (art. 451), as well as about other elements that are subject to rapid changes.

In view of the above regulations, the BPER Banca Group maintains transparency and continuity by publishing, together with the March and September quarterly reports, summary information about Own Funds, Capital Requirements and Financial Leverage, which is supplemented in the half-yearly report with further information about credit risks. The periodic reports also contain information about any elements subject to rapid changes, or that changed significantly during the reference period. At year end, to the extent relevant, the BPER Banca Group presents the full set of documents envisaged by the current regulatory framework.

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[4]);
- loans subject to forbearance measures applied in response to the Covid-19 crisis;
- new loans guaranteed by the State or another public body in response to the Covid-19 crisis.

[4] *These Guidelines were later amended by EBA/GL/2020/08 issued on 25 June 2020, which extended to 30 September the deadline by which the moratoria must be announced and applied (i.e. payment should be rescheduled).*

These detailed disclosures have been provided in “Public Disclosures as at 30 June 2020 – Pillar 3” document, which reference is made. In fact, no significant changes have occurred with respect to the disclosures already provided, such as to require an update within this document.

Regulation (EU) 873/2020 about certain rapid adjustments in response to the Covid-19 pandemic was published on the website of the Official Journal of the European Union on 26 June 2020, amending Regulations (EU) 575/2013 and (EU) 876/2019. The main amendments concerned:

- the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view 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;
- amendment of the offset mechanism to exclude temporarily certain exposures of the bank to central banks from the calculation of the leverage ratio;
- in the context of the standard method (bringing forward requirement of Regulation (EU) 876/2019 - CRR2 - to 27/06/2020), favourable prudential treatment of exposures deriving from loans against the assignment of one-fifth of salary or pension, loans to SMEs, loans to parties that manage infrastructure projects;
- deferral to 1 January 2023 of application of the leverage ratio reserve requirement (envisaged for G-SIIs).

With respect to the principal amendments introduced by Reg. (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 reserve requirement;
- in the context of the standard method 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 supported by 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 473 bis 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. For the purpose of calculating Own Funds as at 30 September 2020, the BPER Banca Group has decided not to make use of the aforementioned temporary treatments.

This document repeats part of the information already included in the Consolidated interim report on operations as at 30 September 2020 (approved by the Board of Directors of BPER Banca at the meeting held on 4 November 2020), to which reference is made for further information about risks and capital adequacy. Its content is also consistent with the reports used by Senior Management and the Board of Directors in the assessment and management of risks.

The preparation of "Public Disclosures as at 30 September 2020 – Pillar 3" document is based on the collaboration of 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 Certification from 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 approval by the Board of Directors of BPER Banca.

It should be noted that articles 441 (Indicators of systemic importance at world level), 454 (Use of advanced measurement methods for operational risk) and 455 (Use of internal models for market risk) of Regulation (EU) 575/2013 (CRR) do not apply.

All of the amounts shown in the document are expressed in thousands of euro, unless otherwise specified.

1. Own funds (art. 437 CRR)

1.1 Scope of application and regulations

The regulatory framework presented in the introductory part of this document essentially outlines a complete and organic prudential framework and is divided into three fundamental parts, which develop specific sections in an analytical manner:

- Part 1: it lays down the rules for implementing the provisions contained in CRD IV to be transposed into national law; more specifically, it details the provisions on authorisation to do business, cross-border operations and capital reserves.
- Part 2: it contains information on the European standards to be applied immediately, defining the guidelines for application and identifies and explains the so-called "national discretions" and how they are to be applied (it is worth noting in this regard the decisions taken by the national Supervisory Authority about the so-called "transitional arrangements").
- Part 3: it governs the topics and types of risk that are not subject to EU legislation, but which are considered essential to keep the domestic regulatory system in line with the standards established by international bodies.

1.2 The Bank's Own Funds

The BPER Banca Group also provides information on Own Funds in the Group interim report on operations as at 30 September 2020 which is included in the "Consolidated interim report on operations as at 30 September 2020", published on the Parent Bank's institutional website.

1.2.1 Main characteristics of the elements constituting Own Funds

The elements of Own Funds are:

- Common Equity Tier 1 - CET1;
- Additional Tier 1 - AT1;
- Tier 2 - T2.

CET1 and AT1 constitute Total Tier 1 Capital, which added to T2 leads to the determination of Own Funds.

Common Equity Tier 1 - CET1

Common Equity Tier 1 capital (CET1) is made up of positive and negative elements:

- Share capital and related share premiums;
- revenue reserves;
- positive and negative valuation reserves (from OCI);
- other reserves;
- CET1 instruments subject to transitional provisions (“grandfathering”);
- minority interests;
- prudential filters;
- deductions.

Prudential filters are positive or negative adjustments of CET1, their purpose being to stabilise the balance sheet aggregate of reference as much as possible, reducing the potential volatility. The prudential filters exclude from CET1 the valuation reserve generated by cash flow hedges and gains/losses arising from changes in own creditworthiness.
Deductions are negative elements of CET1 such as goodwill, intangible assets and other accounting items that directly reduce the Common Equity Tier 1 component.

On a fully phased basis, the equity instruments listed above have to meet clearly defined requirements (art. 28 CRR):

- the instruments must be fully paid up;
- they must be classified as equities for accounting purposes;
- they must have a perpetual duration, i.e. not have any maturity;
- they must not be subject to obligations in terms of remuneration;
- they must not be subject to distribution caps;
- any cancellation of distributions must not result in any kind of restriction on the issuer;
- they must be the first to absorb business losses as soon as they occur;
- they are the most subordinated instruments in the event of bankruptcy or liquidation of the entity in question;
- they must not enjoy any form of guarantee or contractual clause that can raise their level of seniority.

Additional Tier 1 – AT1

"Additional Tier 1 Capital" (AT1) consists of the following positive and negative elements:

- equity instruments and related share premiums;
- AT1 instruments subject to transitional provisions ("grandfathering");
- instruments issued by affiliates and included in AT1;
- deductions.

On a fully phased basis, the equity instruments listed above have to meet clearly defined requirements (art. 52 CRR):

- the instruments must be issued and fully paid up;
- the purchase of instruments cannot be funded by the entity, neither directly or indirectly;
- the capital receivable for these instruments is fully subordinated to the receivables of all unsubordinated creditors;
- the instruments are not hedged or covered by a guarantee that allows the receivable's ranking to be increased by the entity or its subsidiaries, parent company and any company that has close links with the entity;
- the instruments are not subject to any provision that allows the receivable's ranking to be increased in any other way;
- the instruments are perpetual;
- the provisions governing the instruments must not contain any incentive that encourages the entity to reimburse or repay the principal amount prior to maturity;
- if the instruments include one or more call or early repayment options, these may be exercised at the sole discretion of the issuer or obligor;
- the instruments cannot be repaid or repurchased or repaid in advance earlier than five years from the date of issue or assignment;

- the provisions governing the instruments must not indicate, expressly or implicitly, that they shall or may be redeemed, repurchased or repaid in advance by the entity in cases other than those of insolvency or liquidation;
- the provisions governing the instruments must not give the holder the right to accelerate future scheduled payments of interest or principal, except in the event of insolvency or liquidation;
- the level of payments of interest or dividends due on these instruments cannot be changed on the basis of the creditworthiness of the entity or its parent company.

At 30 September 2020, the AT1 category includes the convertible bond issued by BPER Banca with a nominal value of Euro 150,000,000, as well as certain instruments issued by Group companies that are held by minority investors.

Tier 2 - T2

Tier 2 capital *(T2)* consists of the following positive and negative elements:

- equity instruments, subordinated loans and related share premiums;
- T2 instruments subject to transitional provisions ("grandfathering");
- instruments issued by affiliates and included in T2;
- general adjustments;
- deductions.

On a fully phased basis, the equity instruments listed above have to meet clearly defined requirements (art. 63 CRR):

- the instruments must be issued and fully paid up;
- the assignment of the instrument cannot be funded by the entity, neither directly nor indirectly;
- the claim on the principal amount of the instruments must rank below any claim from eligible liabilities instruments;
- the instruments cannot be hedged, nor subject to any form of guarantee;
- these instruments should not be subject to any provision that increases their credit ranking;
- the instruments must have an original maturity of at least five years;
- the provisions governing these instruments must not contain any kind of incentives that encourage the entity to reimburse or repay the principal prior to maturity;
- in the event that the instruments include in their rules one or more call or early repayment options, they can only be exercised at the discretion of the issuer;
- the provisions do not give the holder the right to accelerate future scheduled payments, except in the event of the entity's insolvency or liquidation;
- these instruments can be reimbursed, also in advance, but only in that the event that the entity asks for prior authorisation from the competent authority, and not earlier than five years from the date of issue, except in the following cases:
  - the entity of reference replaces the above instruments with other instruments of Own Funds of equal or higher quality, at conditions that are sustainable considering its earning capacity,
  - the entity can demonstrate that it complies with the minimum capital requirements imposed by the regulations to the satisfaction of the competent authority.

At 30 September 2020, the *T2* instruments included the Group's subordinated loans covered by the grandfathering rules, since they were issued prior to the deadline of 31 December 2011 identified by the regulations, together with the "Banca popolare dell'Emilia Romagna Subordinated Tier II 4.25% 15/06/2015-15/06/2025 Callable", "BPER Banca Tier II 4.60% 15/12/2016-15/12/2026 Callable" and "BPER Banca EMTN Tier II 5.125% 31/05/2017 -31/05/2027 Callable" bonds.

Transitional arrangements

The regulatory provisions also provided for a transitional regime ("phased in") which allowed a gradual computability of the provisions presented in Bank of Italy Circular no. 285/2013 Section II. Of these in 2020 only the application of the rules of grandfathering remains.

On 12 December 2017, the European Parliament and the Council issued Regulation (EU) 2395/2017 "Transitional provisions to mitigate the impact of introducing IFRS 9 on Own Funds" which updates Regulation (EU) 575/2013 CRR, inserting a new article 473 *bis* "Introduction of IFRS 9", which offers banks the possibility to mitigate the impact on Own Funds in a transitional period of 5 years (from March 2018 to December 2022) by sterilizing the effect in CET1 of the change following the first application of IFRS 9 with the application of decreasing percentages over time.

The BPER Banca Group has chosen to adopt the so-called "static approach", applied to the impact resulting from comparison between the IAS 39 adjustments at 31 December 2017 and the IFRS 9 adjustments at 1 January 2018. On 30 January 2018, the Group formally communicated to the Supervisory Authority its decision to use the transitional regime for the gradual inclusion in regulatory capital of the provisions arising on application of IFRS 9.

From 2018, the banks that elected to apply the transitional arrangements, such as the BPER Banca Group, have in any case provided information to the market about: available capital, RWA, capital ratios and financial leverage ratio with and without application of the transitional provisions on IFRS 9 or similar expected credit losses, as provided for by the EBA Guidelines issued on 16 January 2018.

Regulation (EU) 873/2020 which amended Regulations (EU) 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the Covid-19 pandemic, changed the transitional formulas in art. 473 bis and also extended the transition period for a further two years. The BPER Banca Group has not made this election.

Specific regulatory requirements

The Supervisory rules introduced by Bank of Italy Circular 285/2013 require Italian banks belonging to banking groups to fully comply with the following minimum ratios for 2020:

- CET1 ratio of 4.5%;
- Tier 1 ratio of 6%;
- Total Capital ratio of 8%.

In addition to the mandatory requirements prescribed in the Regulations[5], the following capital reserves have also been added:

- Capital Conservation Buffer (CCB): this consists of Common Equity Tier 1, acting as an additional requirement of 2.5% from 1 January 2020 to 31 December 2020;
- Countercyclical Capital Reserve: this is also made up of Common Equity Tier 1 and must be accumulated in periods of economic growth against possible future losses on the basis of a specific coefficient established on a national basis. On 26 June 2020, the Bank of Italy, in its capacity as the designated authority for the adoption of macroprudential measures for the banking sector, published a document with which it set the Countercyclical Capital Buffer (CCyB) also for the third quarter of 2020 (relating to exposures to Italian counterparts) at 0%;
- Additional Reserves for so-called *Global & Other Systemically Important Institutions (G-SII & O-SII):* both consist of Common Equity Tier 1 and make direct reference to entities of particular importance at a global or national level. The buffer for G-SII can vary between a minimum level of 1% and a maximum of 3.5%, whereas the one for O-SII *buffer* only provides for a non-binding maximum threshold of 2%;
- Capital reserve for systemic risk: it is at least 1% of the related risk exposures and is established by each Member State; it is essentially used to mitigate the risk of non-cyclical macro-prudential long-term risk, i.e. to deal with the negative effects related to unexpected crises in the banking system.

The prudential requirements to be complied with on a consolidated basis as at 1 January 2020, as resulting from the SREP Decision of 2019 referred to in the ECB letter of 25 November 2019, are the following:

- Common Equity Tier 1 Ratio: of 9%, being the sum of the minimum requirement pursuant to art. 92 of Regulation (EU) 575/2013 (4.50%), plus the additional Pillar 2 requirement in accordance with art. 16 of Regulation (EU) 1024/2013 (P2R component equal to 2%), plus the capital conservation buffer in accordance with art. 129 of Directive 2013/36/EU as transposed into Italian national law (2.50%);
- Total Capital Ratio: of 12.50%, being the sum of the minimum requirement pursuant to art. 92 of Regulation (EU) 575/2013 (8.00%), plus the additional Pillar 2 requirement in accordance with art. 16 of Regulation (EU) 1024/2013 (P2R component equal to 2%), plus the capital conservation buffer in accordance with art. 129 of Directive 2013/36/EU as transposed into Italian national law (2.50%).

However, in order to support supervised banks in their lending to the real economy under the extraordinary circumstances linked to the spread of the Coronavirus (Covid-19), the ECB informed BPER Banca on 8 April 2020 (with effect from 12 March 2020) about a new method for holding the additional

[5] *The Group does not use capital ratios calculated differently from the CRR provisions.*

P2R (of 2%), being at least 56.25% of CET1 and 75% of T1. At 30 September 2020, the Common Equity Tier 1 Ratio requirement to be met was therefore equal to 8.125% Phased in and Fully Phased.

This requirement is also influenced by the additional Countercyclical Capital Reserve requirement specified for the BPER Banca Group of 0.003% at 30 September 2020, raising the overall minimum to 8.128%.

Conditions for the inclusion of interim or year-end earnings

With reference to Regulation (EU) 575/2013 (CRR), on 4 February 2015 the ECB issued a "Decision" published in the Official Journal of the European Union on 25 April 2015, that laid down the procedures to be followed by banks under its direct supervision (Regulation (EU) 468/2014) with regard to the inclusion in CET1 of interim or year-end earnings before a formal decision is taken confirming the result.
They can only be included (art. 26 CRR) with the prior approval of the Competent Authority, which in this case is the ECB, and it will only give approval if the following conditions are met:

- earnings must be checked and certified by the Independent Auditors;
- the Bank must provide a specific declaration about the earnings with particular reference to the accounting standards applied and the inclusion of foreseeable charges and dividends.

The "Decision" also provides a standard letter and certification form that the Banks have to use when asking for approval.

It should be noted that, pursuant to Article 26, paragraph 2 of Regulation (EU) no. 575/2013 (CRR), the financial and economic results as at 30 September 2020 are not subject to the verification of the allocation of the profit for the period in Common Equity Tier 1. The allocation of the profit for the period in CET1 is subject to the approval of the European Central Bank. The authorization process for the request for recognition of the result for the period has not yet begun and will be finalized with reference to the reporting date for regulatory purposes of December 2020.

1.2.2 Breakdown of Own Funds at 30 September 2020

	30.09.2020	31.12.2019
A. Common Equity Tier 1 capital (Common Equity Tier 1 - CET1) before the application of prudential filters	5,080,238	4,949,988
of which CET1 instruments subject to transitional provisions	-	-
B. Prudential filters for CET1 (+/-)	(5,927)	(7,229)
C. CET1 gross of items to be deducted and of transitional arrangements (A+/-B)	**5,074,311**	**4,942,759**
D. Items to be deducted from CET1	927,235	788,254
E. Transitional arrangements - Impact on CET1 (+/-), including minority interests subject to transitional provisions	656,149	674,302
F. Total Common Equity Tier 1 - CET1 (C-D+/-E)	**4,803,225**	**4,828,807**
G. Additional Tier 1 capital (AT1) gross of items to be deducted and of transitional arrangements	151,140	152,092
of which AT1 instruments subject to transitional provisions	-	-
H. Items to be deducted from AT1	-	-
I. Transitional arrangements - Impact on AT1 (+/-), including instruments issued by affiliates and included in AT1 following transitional provisions	**-**	**-**
L. Total Additional Tier 1 - AT1 (G-H+/-I)	**151,140**	**152,092**
M. Tier 2 capital (T2) gross of items to be deducted and of transitional arrangements	833,264	860,117
of which T2 instruments subject to transitional provisions	*287*	*255*
N. Items to be deducted from T2	1,002	1,102
O. Transitional arrangements - Impact on T2 (+/-), including instruments issued by affiliates and included in T2 following transitional provisions	-	-
P. Total Tier 2 (T2) (M-N+/-O)	**832,262**	**859,015**
Q. Total Own Funds (F+L+P)	**5,786,627**	**5,839,914**

Subordinated loans included in Tier 2 capital

Characteristics of subordinated liabilities	Interest rate	Step up	Maturity date	Currency	Original amount (in Euro)	Contribution to Own Funds (in thousands of Euro)
CASSA DI RISPARMIO DI BRA (*) Lower Tier II subordinated non-convertible bond 4.50%, 2011-2021	4.50%	NO	01.04.2021	Eur	7,000,000	287
Total bonds included in the scope of grandfathering					**7,000,000**	**287**
B.P.E.R. Tier II subordinated non-convertible bond 4.25%, 2015-2025 callable	4.25%	NO	15.06.2025	Eur	224,855,200	212,171
BPER Banca Tier II subordinated non-convertible bond 4.60%, 2016-2026 callable	4.60%	NO	15.12.2026	Eur	12,000,000	12,000
BPER Banca EMTN Tier II subordinated non-convertible bond 5.125%, 2017-2027 callable	5.125%	NO	31.05.2027	Eur	500,000,000	500,000
Total bonds not included in the scope of grandfathering					**736,855,200**	**724,171**
Total bonds					**743,855,200**	**724,458**

(*) Cassa di Risparmio di BRA was merged by absorption by BPER Banca on 27 July 2020.

For the Common Equity Tier 1 and Additional Tier 1 subordinated instruments, the information already present in Attachment II of the Implementing Regulation (EU) 1423/2013 of the European Commission of 20 December 2013 has not been repeated.

1.3 Method of reconciliation of the balance sheet

The following is the information presented according to the method of reconciliation of the balance sheet (Attachment I of Implementing Regulation (EU) 1423/2013 of the European Commission dated 20 December 2013).

At 30 September 2020 the BPER Banca Group adopted the consolidation methodology envisaged for prudential supervisory purposes. This approach was also applied when determining the financial disclosures to be made, thus aligning the two scopes of consolidation.

	Liabilities and shareholders' equity	Accounting and Prudential scope	Significant amounts for Own Funds purposes	Ref. Table "Transitional form for the publication of information on Own Funds"
10.	Financial liabilities at amortised cost	78,830,382	724,459	46 - 47
	c) Debt securities issued	4,634,703	724,459	46 - 47
	- Subordinated liabilities	748,462	724,459	46 - 47
120.	Valuation reserves	53,367	50,461	3 - 11
	of which mainly:			
	- Equity instruments measured at fair value through other comprehensive income	*14,786*	*14,786*	*3*
	- Financial assets (other than equities) measured at fair value through other comprehensive income	*18,754*	*18,754*	*3*
	- Cash-flow hedges	*(2,400)*	*(2,400)*	*3 - 11*
	- Actuarial gains (losses) on defined-benefit pension plans	*(159,291)*	*(159,291)*	*3*
	- Special revaluation laws	*178,612*	*178,612*	*3*
140.	Equity instruments	150,000	150,000	30
150.	Reserves	2,351,088	2,351,088	2 - 3
160.	Share premium reserve	1,002,722	1,002,722	1
170.	Share capital	1,565,596	1,565,596	1
180.	Treasury shares	(7,259)	(7,259)	16
190.	Minority interests	137,257	5,692	5
200.	Profit (Loss) for the period	200,619	104,679	5a
			5,947,438	

Assets	Accounting and Prudential scope	Significant amounts for Own Funds purposes	Ref. Table "Transitional form for the publication of information on Own Funds"
70. Equity investments	220,254	(22)	8
- goodwill included in the valuation of significant investments	22	(22)	8
100. Intangible assets	660,733	(660,733)	8
- goodwill	434,758	(434,758)	8
- other intangible assets	225,975	(225,975)	8
110. Tax assets:			
b) deferred	1,592,736	(144,665)	26
of which mainly:			
- *DTA that do not rely on future profitability*	*1,038,383*	-	*26*
- *Tax realignment of the same goodwill*	-	-	*26*
- *DTA that rely on future profitability and arise from temporary differences*	*510,934*	*(101,246)*	*22 - 25*
- *DTA that rely on future profitability and do not arise from temporary differences*	*43,419*	*(43,419)*	*10*
		(805,420)	

Other elements	Significant amounts for Own Funds purposes	Ref. Table "Transitional form for the publication of information on Own Funds"
Additional write-downs	(8,332)	7
Instruments issued by affiliates included in AT1	1,140	34
Instruments issued by affiliates included in T2	39,445	48
Other prudential filters	2,405	11-14
Shortfall	(38,753)	12
Excess	69,361	50
Deductions with 10% threshold	-	19
Deductions with 17.65% threshold	(51,673)	22-23
Adjustments due to transitional provisions of IFRS 9	656,149	26
Negative or positive elements - Others	(13,342)	26
Further write-downs to own instruments held by the institution	(11,791)	16 - 52
	644,609	
Total Own Funds as at 30 September 2020	**5,786,627**	

1.4 Model on the main features of equity instruments

The following is the information on the main characteristics of the equity instruments presented according to the model (Attachment II of Implementing Regulation (EU) 1423/2013 of the European Commission dated 20 December 2013).

1	Issuer	BPER Banca s.p.a.	Banco di Sardegna s.p.a.
2	Unique identifier	IT0000066123	IT0003132179
3	Governing law of the instrument	Italian law	Italian law
	Regulatory treatment		
4	Transitional CRR rules	Common equity tier 1 capital	Common equity tier 1 capital
5	Post-transitional CRR rules	Common equity tier 1 capital	Common equity tier 1 capital
6	Eligible at individual entity level/(sub-) consolidation/ individual entity and (sub-) consolidation	Individual entity and consolidated	Individual entity and consolidated
7	Instrument type	Ordinary shares - art. 28 CRR	Preference shares - art. 28 CRR
8	Amount recognised in regulatory capital (millions of Euro)	1,566	3
9	Nominal amount of the instrument (millions of Euro)	1,566	23
9a	Issue price	N/A	N/A
9b	Redemption price	N/A	N/A
10	Accounting classification	Shareholders' equity	Minority interests in consolidated affiliates
11	Original date of issuance	N/A	N/A
12	Perpetual or dated	N/A	N/A
13	Original maturity date	N/A	N/A
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	N/A	N/A
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
21	Existence of step up or other incentive to redeem	No	No
22	Non cumulative or cumulative	N/A	N/A
23	Convertible or non-convertible	N/A	N/A
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, fully or partially	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

1	Issuer	BPER Banca s.p.a.	BPER Banca s.p.a.
2	Unique identifier	IT0005108060	IT0005225427
3	Governing law of the instrument	Italian law	Italian law
	Regulatory treatment		
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at individual entity level/(sub-) consolidation/ individual entity and (sub-) consolidation	Individual entity and consolidated	Individual entity and consolidated
7	Instrument type	Bond - art. 62	Bond - art. 62
8	Amount recognised in regulatory capital (millions of Euro)	212	12
9	Nominal amount of the instrument (millions of Euro)	225	12
9a	Issue price	100	100
9b	Redemption price	100	100
10	Accounting classification	Liabilities - amortised cost	Liabilities - amortised cost
11	Original date of issuance	15/06/2015	15/12/2016
12	Perpetual or dated	At maturity	At maturity
13	Original maturity date	15/06/2025	15/12/2026
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	15/12/2020 redemption price at par	15/12/2021 redemption price at par
16	Subsequent call dates, if applicable	date ex-dividend (15 June and 15 December)	date ex-dividend (15 June and 15 December)
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed	Fixed
18	Coupon rate and any related index	4.25% Half-yearly	4.60% Half-yearly
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non cumulative or cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, fully or partially	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

1	Issuer	BPER Banca s.p.a.	Cassa di Risparmio di Bra s.p.a. (*)
2	Unique identifier	XS1619967182	IT0004699044
3	Governing law of the instrument	Italian law	Italian law
	Regulatory treatment		
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Ineligible
6	Eligible at individual entity level/(sub-) consolidation/ individual entity and (sub-) consolidation	Individual entity and consolidated	Individual entity and consolidated
7	Instrument type	Bond - art. 62	Bond - art. 62 - 484 CRR
8	Amount recognised in regulatory capital (millions of Euro)	500	-
9	Nominal amount of the instrument (millions of Euro)	500	7
9a	Issue price	100	100
9b	Redemption price	100	100
10	Accounting classification	Liabilities - amortised cost	Liabilities - amortised cost
11	Original date of issuance	31/05/2017	01/04/2011
12	Perpetual or dated	At maturity	At maturity
13	Original maturity date	31/05/2027	01/04/2021
14	Issuer call subject to prior supervisory approval	Yes	No
15	Optional call date, contingent call dates and redemption amount	31/05/2022 redemption price at par	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Floating and then fixed	Fixed
18	Coupon rate and any related index	5.125% until May 2022 Yearly	4.5% Half-yearly
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non cumulative or cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	No	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, fully or partially	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

(*) Cassa di Risparmio di BRA was merged by absorption by BPER Banca on 27 July 2020.

1	Issuer	BPER Banca s.p.a.
2	Unique identifier	IT0005380263
3	Governing law of the instrument	Italian law
	Regulatory treatment	
4	Transitional CRR rules	Additional Tier 1
5	Post-transitional CRR rules	Additional Tier 1
6	Eligible at individual entity level/(sub-) consolidation/ individual entity and (sub-) consolidation	Individual entity and consolidated
7	Instrument type	Bond - art. 52
8	Amount recognised in regulatory capital (millions of Euro)	150
9	Nominal amount of the instrument (millions of Euro)	150
9a	Issue price	120
9b	Redemption price	100
10	Accounting classification	Shareholders' equity
11	Original date of issuance	25/07/2019
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	25/07/2029 redemption price at par
16	Subsequent call dates, if applicable	Each Interest Payment Date following the First Reset Date
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed and then floating
18	Coupon rate and any related index	8.75% until the first Reset Date Yearly
19	Existence of a dividend stopper	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non cumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger(s)	Optioned by the owner and contractual recognition of Bail in - Italian Law
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	The conversion ratio is established by dividing each individual bond, with a nominal value of Euro 250,000, by the conversion price, which at the time of issue of the POC AT1 was established at Euro 4.20, except for adjustments that may intervene from time to time as provided in the Regulations.
27	If convertible, mandatory or optional conversion	Optional conversion
28	If convertible, specify instrument type convertible into	Common Equity Tier 1 capital
29	If convertible, specify issuer of instrument it converts into	BPER Banca s.p.a.
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write-down of nominal value in the event that the CET1 of BPER Banca or the BPER Banca Group falls below 5.125%
32	If write-down, fully or partially	Fully or partially
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	In the event that a profit of BPER Banca or of the BPER Banca Group is registered, the issuer may decide to revalue the nominal value within the limits of the Original Principal Amount.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior compared to Equity
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

1.5 Model for the publication of information on Own Funds

The following information on Own Funds is presented according to the model (Attachment IV of Implementing Regulation (EU) 1423/2013 of the European Commission dated 20 December 2013).

	Model for the publication of information on Own Funds	
	COMMON EQUITY TIER 1 (CET1) CAPITAL: INSTRUMENTS AND RESERVES	
1	Capital instruments and related share premium accounts	2,568,318
	of which: Ordinary shares	2,568,318
2	Retained earnings	1,772,797
3	Accumulated other comprehensive income (and other reserves)	628,752
3a	Funds for general banking risk	-
4	Amount of qualifying items referred to in Article 484 (3) and related share premium accounts subject to phase out from CET1	-
5	Minority interests (amount allowed in consolidated CET1)	5,692
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	104,679
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**5,080,238**
	COMMON EQUITY TIER 1 (CET1) CAPITAL : REGULATORY ADJUSTMENTS	
7	Additional value adjustments (negative amount)	(8,332)
8	Intangible assets (net of the related tax liability) (negative amount)	(660,754)
9	Empty set in the EU	-
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(43,419)
11	Fair value reserves related to gains or losses on cash flow hedges	2,400
12	Negative amounts resulting from the calculation of expected loss amounts	(38,753)
13	Any increase in equity that results from securitised assets (negative amount)	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	5
15	Defined-benefit pension funds assets (negative amount)	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(18,048)
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-

18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
20	Empty set in the EU	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-
20b	of which: qualifying holdings outside the financial sector (negative amount)	-
20c	of which: securitisation positions (negative amount)	-
20d	of which: free deliveries (negative amount)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(30,590)
22	Amount exceeding the 15% threshold (negative amount)	(122,329)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	(51,673)
24	Empty set in the EU	-
25	of which: deferred tax assets arising from temporary differences	(70,656)
25a	Losses for the current financial year (negative amount)	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-
26	Regulatory adjustments applied to Common Equity Tier 1 capital in relation to the amounts subject to the pre-CRR treatment (*)	642,807
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(277,013)**
29	**Common Equity Tier 1 (CET1) capital**	**4,803,225**

(*) Principally includes adjustments due to the FTA transitional arrangements for IFRS 9 totalling Euro 656,149 thousand.

ADDITIONAL TIER 1 (AT1) CAPITAL: INSTRUMENTS		
30	Capital instruments and related share premium accounts	150,000
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	Amount of qualifying items referred to in article 484 (4) and related share premium accounts subject to phase out from AT1	-
34	Qualifying Tier 1 capital included in consolidated AT1 (including minority interests not included in row 5) issued by subsidiaries and held by third parties	1,140
35	of which: instruments issued by subsidiaries subject to phase out	-
36	**Additional Tier 1 (AT1) capital: before regulatory adjustments**	**151,140**
ADDITIONAL TIER 1 CAPITAL (AT1): REGULATORY ADJUSTMENTS		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	-
41	Empty set in the EU	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**
44	**Additional Tier 1 (AT1) capital**	**151,140**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**4,954,365**

TIER 2 CAPITAL (T2): INSTRUMENTS AND PROVISIONS		
46	Capital instruments and related share premium accounts	724,171
47	Amount of qualifying items referred to in article 484 (5) and related share premium accounts subject to phase out from T2	287
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	39,445
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Impairment losses for credit risk	69,361
51	**Tier 2 (T2) capital before regulatory adjustments**	**833,264**
TIER 2 (T2) CAPITAL : REGULATORY ADJUSTMENTS		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(1,002)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holding with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
56	Empty set in the EU	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(1,002)**
58	**Tier 2 (T2) capital**	**832,262**
59	**Total capital (TC = T1 + T2)**	**5,786,627**
60	**Total risk weighted assets**	**33,618,188**

CAPITAL RATIOS AND BUFFERS		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	14.29%
62	Tier 1 (as a percentage of total risk exposure amount)	14.74%
63	Total capital (as a percentage of total risk exposure amount)	17.21%
64	Institution specific capital buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer, expressed as a percentage of risk exposure amount)	8.128%
65	of which: capital conservation buffer requirement	2.500%
66	of which: countercyclical buffer requirement	0.003%
67	of which: systemic risk buffer requirement	-
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	6.16%
69	[not relevant in EU legislation]	-
70	[not relevant in EU legislation]	-
71	[not relevant in EU legislation]	-
AMOUNTS BELOW THE THRESHOLDS FOR DEDUCTION (BEFORE RISK WEIGHTING)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	190,722
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	314,479
74	Empty set in the EU	-
75	Deferred tax assets arising from temporary differences (amount below the 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	430,000
APPLICABLE CAPS ON THE INCLUSION OF PROVISIONS IN TIER 2		
76	Impairment losses for credit risk included in T2 in respect of exposures subject to the standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of impairment losses for credit risk in T2 under the standardised approach	-
78	Impairment losses for credit risk included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	79,740
79	Cap for inclusion of impairment losses for credit risk in T2 under internal ratings-based approach	69,361
CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS (ONLY APPLICABLE BETWEEN 1 JAN 2014 AND 1 JAN 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	287
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	432

2. Capital requirements (art. 438 CRR)

In compliance with the indications provided by the "Supervisory Provisions for Banks" (Bank of Italy Circular 285/2013 and subsequent updates), intermediaries are obliged to define a process (ICAAP) *"for calculating what is an adequate level of total capital, both current and prospective, to cope with all of the significant risks that the Group is or might be exposed to, considering the risks that have to be taken into account for the calculation of First Pillar capital requirements, as well as those that are not taken into account"* and the process should be linked to the Risk Appetite Framework (RAF).

In line with supervisory guidance and international best practice concerning controls and governance, BPER Banca Group has implemented a capital adequacy assessment macro process that is an integral part of its Risk Appetite Framework, which is kept aligned and in compliance with the Group's strategic and management policies.

In full compliance with the regulatory and supervisory requirements, the BPER Banca Group's ICAAP macro process considers all significant risks identified in the Group Risk Map, it incorporates future regulatory and economic assessments, uses appropriate methodologies and is known and shared by the internal structures.

Responsibility for the complex management macro process, which helps to determine strategies and the current operating decisions taken by Group Banks and Companies, lies with the Corporate Bodies and involves various Parent Company structures. In particular:

- the Board of Directors of the Parent Company, which is the body responsible for the macro process in accordance with its function of strategic supervision of the Group as a whole, approves the general guidelines of the ICAAP macro process with particular reference to individual risk measurement/assessment methodologies and to the measurement of capital requirements and total capital, ensuring its consistency with the RAF and guaranteeing it is promptly updated to reflect changes in strategic and operating guidelines, in the operating environment, in the organisational structure, as well as in applicable external regulations, delegating powers to the Bodies in charge of its execution;
- the Chief Executive Officer, in accordance with his own particular function and with the support of the Risks Committee with advisory functions in the area of risk management and ICAAP, implements the ICAAP process, making sure that it complies with the strategic guidelines and that it is consistent with the RAF;
- the Board of Statutory Auditors, in accordance with its control function, monitors compliance with regulatory requirements concerning the capital adequacy assessment process.

The ICAAP macro process can be broken down into various processes, each of which is explained briefly below:

- *set-up of the process:* this governs the provision of all control units and recurring and non-recurring activities of the ICAAP management macro process, designed to keep it efficient and up to par over time;
- *measurement and assessment of individual risks:* with reference to the significant risks/entities identified in the "Group Risk Map", the process concerns the measurement/assessment of risks from a regulatory and economic perspective based on the related methodologies;
- *measurement of capital requirements and total capital:* the process involves measuring total internal capital in a regulatory and economic perspective;

- *determination of total economic capital and reconciliation with Own Funds:* the process involves determining overall economic capital, reconciling it with own funds;
- *self-assessment*: the process entails self-assessment analysis of the ICAAP management macro process aimed at identifying areas for improvement, including aspects related to risk measurement and systems for their mitigation and control;
- *preparation of the ICAAP report to be sent to the Supervisory Authority*: the process involves preparing the ICAAP Report for the ECB, getting it approved by the Parent Company's Board of Directors and sending it to the ECB.

Consistent with the requirements of the reference regulation for the Risk Appetite Framework of the Group, the component dedicated to capital adequacy is particularly important.
In particular, in addition to the regulatory capital ratios (CET1 Ratio, Total Capital Ratio and Leverage Ratio), the certain specific Pillar 2 capital adequacy parameters are considered - from an economic perspective, the components (own and risk capital) are calculated in the manner defined in the "Group regulation for the ICAAP macro process".
In accordance with the guidance provided in the Bank of Italy's Circular 285/2013, the periodic reporting of capital adequacy forms part of the macro process of managing the RAF, as well as of the process of preparing the ICAAP Report for the Supervisory Authority.

BPER Banca and its Banking Group are among the major European banks supervised directly by the ECB[6].
Consistent with the European SSM (Single Supervisory Mechanism), BPER Banca has organised a process of constant discussion and alignment with the ECB that includes the provision of detailed periodic information flows in response to requests from the Joint Supervisory Team (JST).

On 26 November 2019, after completing the 2019 annual SREP prudential review and evaluation process[7], BPER Banca received from the ECB that included notification of the latest prudential requirements to be met on a consolidated basis pursuant to art. 16 of Regulation (EU) 1024/2013. Based on the outcome of the SREP performed, the ECB decided that BPER Banca should maintain the following consolidated minimum capital ratios from 1 January 2020:

- Common Equity Tier 1 Ratio: of 9%, being the sum of the minimum requirement pursuant to art. 92 of Regulation (EU) 575/2013 (4.50%), plus the additional Pillar 2 requirement in accordance with art. 16 of Regulation (EU) 1024/2013 (P2R component equal to 2%), plus the capital conservation buffer in accordance with art. 129 of Directive 2013/36/EU as transposed into Italian national law (2.5%);
- Total Capital Ratio: of 12.50%, being the sum of the minimum requirement pursuant to art. 92 of Regulation (EU) 575/2013 (8.00%), plus the additional Pillar 2 requirement in accordance with art. 16 of Regulation (EU) 1024/2013 (P2R component equal to 2%), plus the capital conservation buffer in accordance with art. 129 of Directive 2013/36/EU as transposed into Italian national law (2.50%).

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[6] *Regulation (EU) 1024 of 15 October 2013 assigned specific tasks to the European Central Bank (ECB) regarding the prudential supervision of banks in cooperation with the national Supervisory Authorities of the participating countries, within the Single Supervisory Mechanism (SSM). The ECB accepted the tasks assigned by this Regulation on 4 November 2014; they are performed with assistance from the Bank of Italy, in the manner envisaged in Regulation (EU) 468/2014 of 16 April 2014. The ECB works closely with the various European Authorities including the European Banking Authority (EBA), as it has to perform its functions in compliance with EBA regulations.*
[7] *As required by CONSOB Communication 6 of 15 March 2019.*

In addition, with effect from 12 March 2020 due to the emergency linked to the spread of Covid-19, the ECB announced a series of measures and flexible options for banks:

- operating with temporarily smaller capital conservation buffers;
- this was followed by a letter dated 8 April 2020 stating that the additional 2% Pillar 2 Requirement must be at least 56.25% satisfied by CET1 instruments and at least 75% by T1 (effectively revising the composition of the requirement assigned in the 2019 SREP Letter and lowering the minimum CET1 to 8.125%).
- a communication dated 13 May 2020 ("Taking a pragmatic approach to SREP") highlited a pragmatic approach which envisages keeping Pillar 2 requirements and Pillar 2 guidance stable for the most part of banks, which should help reinforce the positive impact of the capital relief measures above mentioned.

In accordance with regulations for the prudential supervision of banks, failure to comply with the CET1 Ratio and Total Capital Ratio minimum requirements would lead to limitations on the distribution of earnings and the need to adopt a plan for the conservation of capital.
The ECB has confirmed that the Italian Group banks and the Luxembourg bank must constantly meet the requirements for Own Funds and liquidity on the basis of Regulation (EU) 575/2013, of national legislation enabling Directive 2013/36/EU, and of any applicable national liquidity requirement, in compliance with article 412 paragraph 5 of Regulation (EU) 575/2013.

These quantitative capital objectives were accompanied by the following qualitative requests to be sent to the ECB, related principally to the achievement of the targets established in the Business Plan and the management of the Non-Performing Exposures (NPEs).
Specifically, the ECB made a recommendation to BPER Banca to implement, for regulatory purposes, a gradual adjustment of the coverage for the stock of non-performing loans outstanding at 31 March 2018 until full coverage is achieved, with the following objectives:

1) achieving minimum 50% coverage of secured NPEs outstanding for more than 7 years by the end of 2020, with a linear increase towards full coverage by the end of 2025;
2) achieving minimum 60% coverage of unsecured NPEs outstanding for more than 2 years by the end of 2020, with a linear increase towards full coverage by the end of 2024. These requirements were confirmed in the ECB letter dated 26 November 2019.

The measures and flexibilities activated by the ECB starting from March 2020, with subsequent amendments, to tackle the Covid-19 emergency include a 12-month extension of the deadline for sending the ECB an operating plan and adjusted NPE strategy. This extra time will make it possible to recognise and estimate better the effects of the Covid-19 pandemic on the quality of lending and implementation of the strategy.
BPER Banca operates continuously, defining and implementing the appropriate measures to comply with the Authority's requests within the prescribed deadlines.

Between January and September 2020, it should be noted that:

- further work was carried out to align internal models with the new definition of default, which was implemented for the purpose of classifying credit exposures from 8 October 2019, following authorisation from the Supervisory Authorities on 19 September 2019;
- a Remedy Plan was sent to the Supervisory Authority in response to the findings raised in the final Decision Letter received in March 2020 regarding the "Targeted Review of Internal Models"

(TRIM, which commenced in 2018 and was completed in March 2019); following this, a new Large Corporate PD model was released for use in the calculation of capital requirements with effect from the Supervisory Reports dated 31 March 2020;

- an application was sent to the Supervisory Authority in March 2020 for permission to apply the advanced AIRB methodology to the credit exposures originated by the former Unipol Banca, which was absorbed by BPER Banca in November 2019;
- the IFRS 9 credit risk models were updated following the introduction of the new Large Corporate model and the new reference macro-economic scenario;
- an application was sent to the Supervisory Authority on 29 July 2020 for permission to apply the advanced AIRB methodology to the credit exposures originated by the former Cassa di Risparmio di Saluzzo, which was absorbed by BPER Banca on 27 July 2020;
- in order to comply with the requirements of the Resolution Authority, the information set requested by the Authority was updated by preparing and sending the Working Technical Notes and templates (Liability Data Report, Additional Liability Data Report, Critical Function Template, Financial Market Infrastructure Template and CIR Template). In addition, considering the contents of the Working Priorities 2020, the Resolvability Work Programme sent to the Authorities contains the actions envisaged in 2020 in the context of the resolution planning cycle 2020. A first draft of the IMF contingency plan was also prepared and the activities involved in updating the bail-in playbook were begun. In the Recovery area, updating began on the 2020 Recovery Plan, which has to be sent to the Supervisory Authority by the end of December 2020.

2.1 Capital adequacy

The following table shows the amounts of capital that are absorbed by credit and counterparty, market and operational risks, as well as the levels reached by the CET 1 Ratio, Tier 1 Ratio and Total Capital Ratio.

Table: EU OV1 – Overview of risk-weighted assets (RWA)

	RWA		Minimum capital requirements
	30.09.2020	31.12.2019	30.09.2020
Credit risk (excluding CCR)	**26,974,414**	**28,132,187**	**2,157,953**
Of which using the standardised approach	15,414,193	15,918,923	1,233,135
Of which using the foundation IRB approach	-	-	-
Of which using the advanced IRB approach	11,560,221	12,213,264	924,818
Of which equity instruments with IRB based on the simple weighting method or with the Internal Model Approach (IMA)	-	-	-
CCR	**290,215**	**238,113**	**23,217**
Of which market value method	182,396	157,170	14,591
Of which original exposure	-	-	-
Of which using the standardised approach	*182,396*	*157,170*	*14,591*
Of which using the internal model method (IMM)	-	-	-
Of which amount of the risk exposure for contributions to the deposit guarantee scheme of a central counterparty (CCP)	61	97	5
Of which CVA	107,758	80,846	8,621
Regulation risk	-	-	-
Exposures to securitisations included in the banking book (taking into account the ceiling)	**287,796**	**156,068**	**23,024**
Of which using the IRB approach	-	-	-
Of which using the IRB supervisory formula approach (SFA)	-	-	-
Of which using the internal assessment approach (IAA)	-	-	-
Of which using the standardised approach	287,796	156,068	23,024
Market risk	**456,859**	**616,474**	**36,549**
Of which using the standardised approach	456,859	616,474	36,549
Of which using IMA	-	-	-
Large exposures	-	-	-
Operational risk	**4,028,217**	**4,032,854**	**322,257**
Of which using the basic indicator approach	-	-	-
Of which using the standardised approach	4,028,217	4,032,854	322,257
Of which using the advanced approach	-	-	-
Amounts below the deduction thresholds (subject to a 250% risk weighting factor)	**1,555,374**	**1,512,087**	**124,430**
Adjustments for the application of the minimum threshold	-	-	-
Total	**33,592,875**	**34,687,783**	**2,687,430**

The above table does not show the RWA relating to "Other calculation elements", which amount to Euro 25,313 thousand, with a requirement of Euro 2,025 thousand.

Capital requirements	30.09.2020		
	Unweighted amounts	Weighted amounts	Requirements
Credit and counterparty risk	92,047,067	29,000,041	2,320,003
-Standardised approach	52,807,938	17,439,820	1,395,185
-Advanced internal models	39,239,129	11,560,221	924,818
Credit down-rating risk			8,621
Market risk			36,549
-Standardised approach			36,549
-Internal models			-
Operational risk			322,257
-Basic indicator approach			-
-Standardised approach			322,257
-Advanced models			-
Other elements for the calculation			2,025
Total precautionary requirements			2,689,455
CET 1 Ratio			14.29%
Tier 1 Ratio			14.74%
Total Capital Ratio			17.21%

Capital requirements	31.12.2019		
	Unweighted amounts	Weighted amounts	Requirements
Credit and counterparty risk	82,668,440	29,957,609	2,396,609
-Standardised approach	42,693,078	17,744,345	1,419,548
-Advanced internal models	39,975,362	12,213,264	977,061
Credit down-rating risk			6,468
Market risk			49,318
-Standardised approach			49,318
-Internal models			-
Operational risk			322,628
-Basic indicator approach			-
-Standardised approach			322,628
-Advanced models			-
Other elements for the calculation			2,679
Total precautionary requirements			2,777,702
CET 1 Ratio			13.91%
Tier 1 Ratio			14.35%
Total Capital Ratio			16.82%

The above capital requirement has been calculated on a Phased In basis.

Summary

Solvency ratios (%)	30.09.2020	31.12.2019
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	14.29%	13.91%
Tier 1 ratio (T1 Ratio) - Phased in	14.74%	14.35%
Total Capital Ratio (TC Ratio) - Phased in	17.21%	16.82%
Common Equity Tier 1 Ratio (CET1 ratio) - Fully Phased	12.38%	12.01%

As part of the 2019 SREP process, the ECB assigned the BPER Banca Group a minimum capital ratio in terms of Common Equity Tier 1 Ratio of 9%.
The ECB informed BPER Banca on 8 April 2020 (with effect from 12 March 2020) about a new method for holding the Pillar 2 Requirement (of 2%) and at 30 September 2020 the minimum Common Equity Tier 1 Ratio to be satisfied is 8.125% Phased in and Fully Phased.
This requirement is also influenced by the additional Countercyclical Capital Reserve specific requirement for the BPER Banca Group of 0.003% at 30 September 2020, raising the overall minimum to 8.128%.
The excess buffer under the transitional arrangements is equal to 616 bps (Euro 2,072 million of CET1 Phased in).

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

On 30 January 2018 the BPER Banca Group formally communicated to Supervisory Authority its decision to make use of transitional arrangement to mitigate the impact of IFRS 9 on Own Funds.
The BPER Banca Group chosed to adopt the so-called "static approach" to be applied to the impact from comparing the IAS 39 adjustments at 31 December 2017 and the IFRS 9 adjustments at 1 January 2018.

Below we provide information on: available capital, RWA, capital ratios and financial leverage ratio with and without application of the transitional provisions on IFRS 9 or similar expected credit losses, as provided for by the EBA Guidelines issued on 11 August 2020 (EBA/GL/2020/12). The latter amends EBA/GL/2018/01 adopted in Bank of Italy Circular 285/2013.

The BPER Banca Group has chosed not to adopt temporary treatment pursuant to art. 468 of Regulation (EU) 575/2013, amended by Regulation (EU) 876/2019 (CRR2) and Regulation (EU) 873/2020 (about certain rapid adjustments in response to the Covid-19 pandemic).
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.

IFRS 9 Model/Article 468 – FL: Attachment I - Comparison of own funds and capital ratios and leverage ratio of entities with and without the application of transitional provisions for IFRS 9 or similar expected credit losses, with and without the application the application of temporary treatment in accordance with Article 468 of the CRR

		30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	4,803,225	4,773,562	4,576,534	4,828,807	4,541,504
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,147,076	4,117,413	3,920,385	4,154,505	3,898,282
3	Tier 1 capital	4,954,365	4,925,356	4,728,441	4,980,899	4,694,453
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,298,216	4,269,207	4,072,292	4,306,597	4,051,231
5	Total capital	5,786,627	5,758,897	5,583,787	5,839,914	5,585,226
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,130,191	5,102,578	4,927,468	5,165,357	4,941,494
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	33,618,188	33,820,055	33,655,116	34,721,277	34,655,366
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	33,500,193	33,698,035	33,530,017	34,579,423	34,566,214
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	14.29%	14.11%	13.60%	13.91%	13.10%
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	12.38%	12.22%	11.69%	12.01%	11.28%
11	Tier 1 (as a percentage of risk exposure amount)	14.74%	14.56%	14.05%	14.35%	13.55%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.83%	12.67%	12.15%	12.45%	11.72%
13	Total capital (as a percentage of risk exposure amount)	17.21%	17.03%	16.59%	16.82%	16.12%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.31%	15.14%	14.70%	14.94%	14.30%
	Leverage ratio					
15	Leverage ratio total exposure measure	93,226,411	88,107,072	82,334,328	82,011,914	83,548,681
16	Leverage ratio	5.314%	5.590%	5.743%	6.073%	5.619%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.616%	4.852%	4.953%	5.252%	4.848%

The change in the Phased In CET1 ratio from 13.91% at 31 December 2019 to 14.29% at 30 September 2020 mainly reflects the lower capital contribution of the Phased In IFRS 9 (following reduction of the transitional rate to 70% for 2020 from 85% in 2019).

3. Countercyclical Capital Reserve (art. 440 CRR)

The imposition of additional capital reserves with respect to the regulatory minimum is designed to give banks high quality assets to be used in times of market tension to prevent malfunctions of the banking system and to avoid interruptions in the disbursement of credit, as well as to cope with the risks deriving from the systemic importance of certain banks at a global or domestic level. Against this backdrop, the countercyclical capital buffer is intended to protect the banking sector in times of excessive credit growth.

Below is the disclosure relating to the "Countercyclical Capital Reserve", prepared on the basis of the applicable ratios at 30 September 2020 and of the Commission Delegated Regulation (EU) 2015/1555 of 28 May 2015 which supplements Regulation (EU) 575/2013 of the European Parliament and Council (the Capital Requirements Regulation or CRR) as regards the regulatory technical standards for the publication of information on the compliance of banks that are obliged to hold a countercyclical capital buffer pursuant to article 440 of the CRR. As set out in article 140 paragraph (1) of Directive 2013/36/EU (CRD IV), the bank's specific countercyclical buffer consists of the weighted average of the countercyclical ratios that apply in the countries where the relevant credit exposures are located.
The CRD IV obliges the designated national authorities to activate an operational framework for defining the countercyclical capital buffer ratio (CCyB) from 1 January 2016. The coefficient is subject to revision every three months. The European legislation was implemented in Italy with the Bank of Italy's Circular no. 285 which contains specific rules on CCyB. In a communication dated 26 June 2020, the Bank of Italy decided after analysing the reference indicators to maintain the countercyclical ratio (for exposures to Italian counterparties) at 0% during the third quarter of 2020, in line with previous quarters.

Relevant credit exposures include all exposure classes other than those referred to in art. 112, letter from a) to f), Regulation (EU) no. 575/2013. The following portfolios are effectively excluded: exposures to central governments or central banks; exposures to regional governments or local authorities; exposures to public sector entities; exposures to multilateral development banks; exposures to international organisations; exposures to institutions.

With reference to 30 September 2020:

- the capital ratios at individual country level have been set, using the methods briefly explained above, generally at 0%, with the exception of the following countries: Norway (1%), Hong Kong (1%), the Czech Republic (0.5%), the Slovak Republic (1%), Bulgaria (0.5%) and Luxembourg (0.25%);
- at a consolidated level, BPER Banca's specific countercyclical ratio is equal to 0.003%.

Table 2 - Amount of Countercyclical Capital Reserve specific for the Entity

	30.09.2020	31.12.2019
Total amount of risk exposure	33,618,188	34,721,276
The bank's specific countercyclical ratio	0.003%	0.018%
The bank's specific countercyclical capital requirement	975	6,250

4. Leverage (art. 451 CRR)

The Basel 3 prudential regulation (BCBS) introduced the leverage ratio from 1 January 2015, in order to contain the accumulation of financial leverage within the banking system, thus avoiding destabilising deleveraging processes and strengthening capital requirements with a simple supplementary parameter not based on risk.

Financial leverage ratio:

- defined as the ratio of Tier 1 capital to the total exposure of the banking group (total exposure to all assets and off-balance sheet elements not deducted from Tier 1 capital);
- expressed as a percentage with a regulatory Pillar 1 minimum of 3% (approved by the European Parliament on 16 April 2019);
- calculated quarterly;
- monitored at both separate and banking group level.

The following tables show the calculation of the leverage ratio, according to the provisions of Regulation (EU) 575/2013 (CRR), as currently amended. Changes in this indicator are monitored on a quarterly basis, both at an individual level (for the legal entities of the Group subject to these regulations) and at a consolidated level.

Capital and total exposures	30.09.2020	31.12.2019
Tier 1 capital - Fully Phased	4,298,216	4,306,597
Tier 1 capital - Phased in	4,954,365	4,980,899
Total leverage ratio exposures - Fully Phased	93,110,169	81,993,608
Total leverage ratio exposures - Phased in	93,226,411	82,011,914
Leverage ratio	**30.09.2020**	**31.12.2019**
Leverage ratio - Fully Phased	4.616%	5.252%
Leverage ratio - Phased in	5.314%	6.073%

Some qualitative information are provided below as required by the LRQua Model provided for by Regulation (EU) 200/2016.

Description of the factors that had an impact on the leverage ratio during the reporting period

Leverage ratio - Phased in fell by 76 bps during the period from 31 December 2019, to 5.314% at 30 September 2020.

This was principally due to changes in both aggregates: Tier 1 Capital decreased and the overall exposure increased with respect to the situation at 31 December 2019. In particular, in addition to the effects induced by the first-time application of IFRS 9:

- for Tier 1 Capital: see the section of this document on Own Funds for an analysis of the reduction in the level of capitalisation and its composition;
- for Total Leverage Ratio Exposures: see the following tables in this section for more information on the composition and related change.

Description of the processes used to manage the risk of excessive leverage

The risk of excessive leverage is treated as an analytical dimension and not as a specific risk, in accordance with the logic adopted for the RAF and recovery plan, by assessing the current and future values of the indicator, which is comprised in the set of indicators with which the BPER Banca Group assesses its capital adequacy.

The Leverage Ratio is included in the RAF and, accordingly, is subject to the related control mechanisms and processes. Compliance with the limits is reported quarterly to the Risks Committee and the Board of Directors.

Quantitative information

The following tables show the calculation of the leverage ratio, according to the provisions of Regulation (EU) 2016/200.

The leverage ratio is presented in accordance with the transitional arrangements for calculating Tier 1 capital.

LRSum Model - Summary of the reconciliation between accounting assets and exposures of the leverage ratio

		Applicable amounts	
		30.09.2020	**31.12.2019**
1	Total assets as per published financial statements	88,617,989	79,033,498
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with article 429 (paragraph 13) of Regulation (EU) no. 575/2013 "CRR")	-	-
4	Adjustment for derivative financial instruments	79,475	80,707
5	Adjustment for securities financing transactions (SFTs)	94,480	81,602
6	Adjustment for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet exposures)	5,338,640	3,709,867
EU-6a	(Adjustment for intercompany exposures excluded from the leverage ratio exposure measure in accordance with article 429 (paragraph 7) of Regulation (EU) no. 575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with article 429 (paragraph 14) of Regulation (EU) no. 575/2013)	-	-
7	Other adjustments	(904,173)	(893,760)
8	**Total leverage ratio exposure - Phased in**	**93,226,411**	**82,011,914**

The model reconciles the total exposure (ratio denominator) with the book values, pursuant to art. 451, paragraph 1, letter b) of the CRR.

LRCom Model - Harmonised disclosure on the leverage ratio

		Leverage ratio exposure	
	Cash exposures (excluding derivatives and SFTs)	30.09.2020	31.12.2019
1	Cash items (excluding derivatives, SFTs and fiduciary assets, but including collaterals)	88,104,892	78,377,326
2	(Asset amounts deducted in determining Tier 1 capital)	(904,173)	(893,760)
3	**Total cash exposures (excluding derivatives, SFTs and fiduciary assets) (sum of rows 1 and 2)**	**87,200,719**	**77,483,566**
	Derivative exposures	30.09.2020	31.12.2019
4	Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	79,152	64,997
5	Add-on amounts for potential future exposures associated with all derivatives transactions (mark-to-market method)	79,475	80,707
EU-5a	Exposure determined under original exposure method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	**Total derivative exposures (sum of rows from 4 to 10)**	**158,627**	**145,704**

(cont.)

	Securities Financing Transaction (SFT) exposures	30.09.2020	31.12.2019
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	433,945	591,175
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk exposure for SFT assets	94,480	81,602
EU-14a	Derogation for SFTs: counterparty credit risk exposure in accordance with article 429 ter (paragraph 4) and 222 of Regulation (EU) no. 575/2013	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	**Total Securities Financing Transaction (SFT) exposures (sum of rows from 12 to 15a)**	**528,425**	**672,777**
	Other off-balance sheet exposures	30.09.2020	31.12.2019
17	Off-balance sheet exposures at gross notional amount	16,524,564	22,267,044
18	(Adjustments for conversion to credit equivalent amounts)	(11,185,924)	(18,557,177)
19	**Total Other off-balance sheet exposures (sum of rows 17 and 18)**	**5,338,640**	**3,709,867**
	(Exposures exempted in accordance with article 429, paragraphs 7 and 14, of Regulation (EU) no. 575/2013 (on and off balance sheet))	30.09.2020	31.12.2019
EU-19a	(Intercompany exposures exempted (solo basis) in accordance with article 429 (paragraph 7) of Regulation (EU) no. 575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with article 429 (paragraph 14) of Regulation (EU) no. 575/2013 (on and off balance sheet))	-	-
	Capital and total exposures	30.09.2020	31.12.2019
20	**Tier 1 capital**	**4,954,365**	**4,980,899**
21	**Total leverage ratio exposures (sum of rows 3, 11, 16, 19, EU-19a and EU-19b)**	**93,226,411**	**82,011,914**
	Leverage ratio	30.09.2020	31.12.2019
22	**Leverage ratio**	**5.31%**	**6.07%**
	Option of transitional arrangement and amount of eliminated fiduciary elements	30.09.2020	31.12.2019
EU-23	Options of transitional arrangement for the definition of the capital measurement	Transitional	Transitional
EU-24	Amount of eliminated fiduciary elements in accordance with article 429 (paragraph 11) of Regulation (EU) no. 575/2013	-	-

The model reports the financial leverage indicator at 30 September 2020, the comparison with the prior year and analysis of the total exposure into the principal categories, as required by art. article 451, paragraph 1, letters a), b), c) of the CRR.

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

		Leverage ratio exposure	
		30.09.2020	31.12.2019
EU-1	**Total cash exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**88,104,892**	**78,377,326**
EU-2	Trading book exposures	118,304	130,747
EU-3	Banking book exposures, of which:	87,986,588	78,246,579
EU-4	*covered bonds*	*3,129,342*	*2,752,677*
EU-5	*exposures treated as sovereigns*	*26,385,843*	*16,840,752*
EU-6	*exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	*422,135*	*477,675*
EU-7	*institutions*	*5,908,325*	*6,127,449*
EU-8	*secured by mortgages of immovable properties*	*17,564,258*	*17,647,378*
EU-9	*retail exposures*	*8,588,078*	*8,967,195*
EU-10	*corporates*	*18,047,938*	*17,428,504*
EU-11	*exposures at default*	*2,367,634*	*2,883,648*
EU-12	*other exposures (e.g. equity instruments, securitisations, and other non-credit obligation assets)*	*5,573,035*	*5,121,301*

For exposures other than Derivatives and SFTs, the model shows the distribution by counterparty on a comparative basis, in accordance with art. article 451, paragraph 1, letter b) of the CRR.

Certification 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 2020 – Pillar 3" agrees with the underlying accounting entries, records and documentation.

Modena, 26 November 2020

The Manager responsible for preparing the
Company's financial reports

Marco Bonfatti