BPER:
Gruppo

PUBLIC DISCLOSURES AS AT 31 MARCH 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.

BPER Banca S.p.A.
Head office in Via San Carlo 8/20, Modena, Italy
Tel. 059/2021111 – Fax 059/2022033
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, since 7 August 1992
http://www.bper.it, https://istituzionale.bper.it;
E-mail: bpergroup@bper.it – Certified e-mail (PEC): bper@pec.gruppobper.it
Company belonging to the BPER Banca VAT GROUP VAT no. 03830780361
Tax Code, VAT number and Modena Companies Register no. 01153230360
Modena Chamber of Commerce 222528 Share capital as at 31/12/2019 € 1,561,883,844.00
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 on 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, Part 8 "Disclosure by entities" and Part 10, Title I, Chapter 3 "Transitional provisions on own funds";
- European Commission Regulations containing Regulatory and Implementing Technical Standards to regulate:
  - standard forms for the publication of information concerning Own Funds (Regulation (EU) 1423/2013);

[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.*

- the transitional arrangements for mitigating the impact of the introduction of IFRS 9 (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 as at 31 March 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 31 March 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.

Considering 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.

It repeats part of the information already included in the Consolidated interim report on operations as at 31 March 2020 (approved by the Board of Directors of BPER Banca at the meeting held on 6 May 2020), to which reference is made for further information about risks and capital adequacy.

Certain elements used in its preparation are the same as those used in the Internal Capital Adequacy Assessment Process (last approved ICAAP Report).
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 "Public Disclosures as at 31 March 2020 – 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 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.

On 7 June 2019 the Official Journal of the European Union published Regulation (EU) 2019/876, which has amended Regulation (EU) 575/2013 (CRR) with regard to the requirements for own funds and eligible liabilities. With certain exceptions, the Regulation will come into force on 28 June 2021.

1.2 The Bank's Own Funds

The BPER Banca Group provides information about its Own Funds in the Group interim report on operations, which accompanies the “Consolidated interim report on operations as at 31 March 2020” published in the institutional area of the 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 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 - ATI

"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 31 March 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 and have been subjected to transitional arrangements: specifically, they comprise the preferred and savings shares issued by Banco di Sardegna s.p.a. that are still outstanding.

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 31 March 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 Section II of the Circular no. 285/2013 of Bank of Italy. Of these in 2020 only the application of the rules of grandfathering remain.

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 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, banks adopting the transitional regime, like the BPER Banca Group, have disclosed information to the market about their available capital, RWA, capital ratios and leverage ratio, with or without applying the transitional provisions of IFRS 9 or similar expected credit losses, according to the EBA guidelines issued on 12 January 2018.

Specific regulatory requirements

The Supervisory rules introduced by Circular no. 285/13 of Bank of Italy 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[3], the following reserves have 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 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 20 December 2019, 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 first quarter of 2020 (relating to exposures to Italy counterparts) as 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

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

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 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 EU Regulation 575/2013 (4.50%), plus the additional Pillar 2 requirement in accordance with art. 16 of EU Regulation 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 national law (2.50%);
- Total Capital Ratio: of 12.50%, being the sum of the minimum requirement pursuant to art. 92 of EU Regulation 575/2013 (8.00%), plus the additional Pillar 2 requirement in accordance with art. 16 of EU Regulation 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 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 P2R (of 2%), being at least 56.25% of CET1 and 75% of T1. At 31 March 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 0.006% at 31 March 2020, raising the overall minimum to 8.131%.

Conditions for the inclusion of interim or year-end earnings

With reference to EU Regulation 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 (EU Regulation 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.

Pursuant to art. 26, para. 2, of Regulation (EU) 575/2013 (CRR), the economic and financial position at 31 March 2020 was not subjected to the audit of profit for the purpose of inclusion in CET 1, as the Group has not elected to make that inclusion.

1.2.2 Breakdown of Own Funds at 31 March 2020

	31.03.2020	31.12.2019
A. Common Equity Tier 1 capital (Common Equity Tier 1 - CET1) before the application of prudential filters	**4,904,544**	**4,949,988**
of which CET1 instruments subject to transitional provisions	-	-
B. Prudential filters for CET1 (+/-)	(5,136)	(7,229)
C. CET1 gross of items to be deducted and of transitional arrangements (A+/-B)	**4,899,408**	**4,942,759**
D. Items to be deducted from CET1	979,023	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)	**4,576,534**	**4,828,807**
G. Additional Tier 1 capital (AT1) gross of items to be deducted and of transitional arrangements	**151,907**	**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)	**151,907**	**152,092**
M. Tier 2 capital (T2) gross of items to be deducted and of transitional arrangements	**856,405**	**860,117**
of which T2 instruments subject to transitional provisions	*170*	*255*
N. Items to be deducted from T2	**1,059**	**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)	**855,346**	**859,015**
Q. Total Own Funds (F+L+P)	**5,583,787**	**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)
CARISPAQ (*) Lower Tier II subordinated non-convertible bond, 2010-2020	FR	NO	30.09.2020	Eur	25,000,000	170
Total bonds included in the scope of grandfathering					**25,000,000**	**170**
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	224,855
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**	**736,855**
Total bonds					**761,855,200**	**737,025**

(*) Entity merged for absorption into BPER Banca on 27 May 2013.

The information about Common Equity Tier 1 and Additional Tier 1 subordinated equity instruments already contained in Attachment II to 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 the EU Implementing Regulation 1423/2013 of the European Commission dated 20 December 2013).

At 31 March 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 levels 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	71,100,285	737,025	46 - 47
	c) Debt securities issued	5,435,528	737,025	46 - 47
	- Subordinated liabilities	766,665	737,025	46 - 47
120.	Valuation reserves	(71,110)	(74,190)	3 - 11
	of which mainly:			
	- Equity instruments measured at fair value through other comprehensive income	(25,009)	(25,009)	3
	- Financial assets (other than equities) measured at fair value through other comprehensive income	(85,379)	(85,379)	3
	- Cash-flow hedges	(3,283)	(3,283)	3 - 11
	- Actuarial gains (losses) on defined-benefit pension plans	(146,912)	(146,912)	3
	- Special revaluation laws	186,393	186,393	3
140.	Equity instruments	150,000	150,000	30
150.	Reserves	2,405,697	2,405,697	2 - 3
160.	Share premium reserve	1,002,722	1,002,722	1
170.	Share capital	1,561,884	1,561,884	1
180.	Treasury shares	(7,259)	(7,259)	16
190.	Minority interests	135,791	8,431	5
200.	Profit (Loss) for the period	6,082	-	5a
			5,784,310	

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	225,358	(8,193)	8
	- goodwill included in the valuation of significant investments	8,193	(8,193)	8
100.	Intangible assets	660,791	(660,791)	8
	- goodwill	434,758	(434,758)	8
	- other intangible assets	226,033	(226,033)	8
110.	Tax assets:			
	b) deferred	1,603,830	(167,364)	26
	of which mainly:			
	- DTA that do not rely on future profitability	1,050,221	-	26
	- tax realignment of the same goodwill	-	-	26
	- DTA that rely on future profitability and arise from temporary differences	510,762	(124,517)	22 - 25
	- DTA that rely on future profitability and do not arise from temporary differences	42,847	(42,847)	10
			(836,348)	

Other elements	Significant amounts for Own Funds purposes	Ref. Table "Transitional form for the publication of information on Own Funds"
Additional write-downs	(8,419)	7
Instruments issued by affiliates included in AT1	1,907	34
Instruments issued by affiliates included in T2	50,053	48
Other prudential filters	3,283	11-14
Shortfall	(44,039)	12
Excess	69,327	50
Deductions with 10% threshold	-	19
Deductions with 17.65% threshold	(58,422)	22-23
Adjustments due to transitional provisions of IFRS 9	656,149	26
Negative or positive elements - Others	(19,904)	26
Further write-downs to own instruments held by the institution	(14,110)	16 - 52
	635,825	
Total Own Funds as at 31 March 2020	**5,583,787**	

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 the EU Implementing Regulation 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	Additional Tier 1 capital a portion of the issue has been reclassified under Tier 2 capital
5	Post-transitional CRR rules	Common equity tier 1 capital	Additional 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. 52 CRR
8	Amount recognised in regulatory capital (millions of Euro)	1,562	0
9	Nominal amount of the instrument (millions of Euro)	1,562	4
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	Banco di Sardegna s.p.a.	Cassa di Risparmio della provincia dell'Aquila s.p.a. (*)
2	Unique identifier	IT0001005070	IT0004642465
3	Governing law of the instrument	Italian law	Italian law
	Regulatory treatment		
4	Transitional CRR rules	Additional Tier 1 capital a portion of the issue has been reclassified under Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Additional Tier 1 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	Savings share - art. 52 CRR	Bond - Art. 62 - 484 CRR
8	Amount recognised in regulatory capital (millions of Euro)	0	0
9	Nominal amount of the instrument (millions of Euro)	20	25
9a	Issue price	N/A	100
9b	Redemption price	N/A	100
10	Accounting classification	Minority interests in consolidated affiliates	Liabilities - amortised cost
11	Original date of issuance	N/A	30/09/2010
12	Perpetual or dated	N/A	At maturity
13	Original maturity date	N/A	30/09/2020
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	30/03/2016 redemption price at par
16	Subsequent call dates, if applicable	N/A	date ex-dividend (30 March e 30 September)
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	N/A	6-month Euribor + 200 bps Half-yearly
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non cumulative or cumulative	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)	N/A	Senior
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

(*) Entity merged by absorption into BPER on 27 May 2013.

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)	225	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.	BPER Banca s.p.a.
2	Unique identifier	XS1619967182	IT0005380263
3	Governing law of the instrument	Italian law	Italian law
	Regulatory treatment		
4	Transitional CRR rules	Tier 2 capital	Additional Tier 1
5	Post-transitional CRR rules	Tier 2 capital	Additional Tier 1
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. 52
8	Amount recognised in regulatory capital (millions of Euro)	500	150
9	Nominal amount of the instrument (millions of Euro)	500	150
9a	Issue price	100	120
9b	Redemption price	100	100
10	Accounting classification	Liabilities - amortised cost	Shareholders' equity
11	Original date of issuance	31/05/2017	25/07/2019
12	Perpetual or dated	At maturity	Perpetual
13	Original maturity date	31/05/2027	N/A
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	31/05/2022 redemption price at par	25/07/2029 redemption price at par
16	Subsequent call dates, if applicable	N/A	Each Interest Payment Date following the First Reset Date
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Floating and then fixed	Fixed and then floating
18	Coupon rate and any related index	5.125% until May 2022 Yearly	8.75% until the first Reset Date Yearly
19	Existence of a dividend stopper	No	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Fully discretionary
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	Convertible
24	If convertible, conversion trigger(s)	N/A	Optioned by the owner and contractual recognition of Bail in - Italian Law
25	If convertible, fully or partially	N/A	Fully
26	If convertible, conversion rate	N/A	The conversion ratio is established by dividing each individual bond, with a nominal value of € 250,000, by the conversion price, which at the time of issue of the POC AT1 was established at € 4.20, except for adjustments that may intervene from time to time as provided in the Regulations.
27	If convertible, mandatory or optional conversion	N/A	Optional conversion
28	If convertible, specify instrument type convertible into	N/A	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	N/A	BPER Banca s.p.a.
30	Write-down features	No	Yes
31	If write-down, write-down trigger(s)	N/A	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	N/A	Fully or partially
33	If write-down, permanent or temporary	N/A	Temporary
34	If temporary write-down, description of write-up mechanism	N/A	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	Senior compared to Equity
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

1	Issuer	Cassa di Risparmio di Bra s.p.a.
2	Unique identifier	IT0004699044
3	Governing law of the instrument	Italian law
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Ineligible
6	Eligible at individual entity level/(sub-) consolidation/ individual entity and (sub-) consolidation	Individual entity and consolidated
7	Instrument type	Bond - art. 62 - 484 CRR
8	Amount recognised in regulatory capital (millions of Euro)	0
9	Nominal amount of the instrument (millions of Euro)	7
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Minority interests in consolidated affiliates
11	Original date of issuance	01/04/2011
12	Perpetual or dated	At maturity
13	Original maturity date	01/04/2021
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	4.5% Half-yearly
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Non cumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, fully or partially	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior
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 is the information on Own Funds presented according to the model (Attachment IV of the EU Implementing Regulation no. 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	2,564,606
	of which: Ordinary shares	2,564,606
2	Retained earnings	1,807,258
3	Accumulated other comprehensive income (and other reserves)	524,249
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)	8,431
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**4,904,544**
COMMON EQUITY TIER 1 (CET1) CAPITAL : REGULATORY ADJUSTMENTS		
7	Additional value adjustments (negative amount)	(8,419)
8	Intangible assets (net of the related tax liability) (negative amount)	(668,983)
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)	(42,847)
11	Fair value reserves related to gains or losses on cash flow hedges	3,283
12	Negative amounts resulting from the calculation of expected loss amounts	(44,039)
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	-
15	Defined-benefit pension funds assets (negative amount)	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(20,310)
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)	(47,893)
22	Amount exceeding the 15% threshold (negative amount)	(135,047)
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	(58,422)
24	Empty set in the EU	-
25	of which: deferred tax assets arising from temporary differences	(76,625)
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 (*)	636,245
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(328,010)**
29	**Common Equity Tier 1 (CET1) capital**	**4,576,534**

(*) 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	1,907
35	of which: instruments issued by subsidiaries subject to phase out	-
36	**Additional Tier 1 (AT1) capital: before regulatory adjustments**	**151,907**
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 istitution 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**	**151,907**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**4,728,441**

TIER 2 CAPITAL (T2): INSTRUMENTS AND PROVISIONS		
46	Capital instruments and related share premium accounts	736,855
47	Amount of qualifying items referred to in article 484 (5) and related share premium accounts subject to phase out from T2	170
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	50,053
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Impairment losses for credit risk	69,327
51	**Tier 2 (T2) capital before regulatory adjustments**	**856,405**
TIER 2 (T2) CAPITAL : REGULATORY ADJUSTMENTS		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(1,059)
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**	**(1,059)**
58	**Tier 2 (T2) capital**	**855,346**
59	**Total capital (TC = T1 + T2)**	**5,583,787**
60	**Total risk weighted assets**	**33,655,116**

CAPITAL RATIOS AND BUFFERS		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.60%
62	Tier 1 (as a percentage of total risk exposure amount)	14.05%
63	Total capital (as a percentage of total risk exposure amount)	16.59%
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)	8.131%
65	of which: capital conservation buffer requirement	2.500%
66	of which: countercyclical buffer requirement	0.006%
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)	5.47%
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)	199,353
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)	312,856
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)	410,333
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)	114,836
79	Cap for inclusion of impairment losses for credit risk in T2 under internal ratings-based approach	69,327
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	170
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	256

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 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 total capital requirements and total internal 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 (capital and risk components) 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.

On 25 November 2019, after completing the annual 2019 SREP prudential review and evaluation process, BPER Banca received from the ECB the 2019 SREP Letter, which included notification of the latest decision on prudential requirements to be met on a consolidated basis pursuant to art. 16 of EU Regulation 1024/2013. Based on the outcome of prudential review and evaluation process 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 EU Regulation 575/2013 (4.50%), plus the additional Pillar 2 requirement in accordance with art. 16 of EU Regulation 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 national law (2.5%);
- Total Capital Ratio: of 12.50%, being the sum of the minimum requirement pursuant to art. 92 of EU Regulation 575/2013 (8.00%), plus the additional Pillar 2 requirement in accordance with art. 16 of EU Regulation 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 national law (2.50%).

The ECB letter dated 8 April 2020 stated that the additional P2R can be covered not just by CET1, but also by at least 56.25% CET1 instruments and at least 75% by AT1 (effectively revising the composition of the requirement assigned in the 2019 SREP Letter), thus lowering the minimum CET1 to 8.125%.
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.

On 12 March 2020, after announcing a series of flexible options for banks to tackle the situation associated with the Covid-19 emergency, the ECB also authorised banks to make temporary use of their capital conservation buffers in order to provide further support for the economy.

In addition to the above-mentioned changes to the quantitative requirements, the measures and flexibility allowed by the ECB to tackle the Covid-19 emergency include a 6-month extension for compliance with the qualitative requirements assigned in the SREP Letter and the remedy plans prepared in response to the on-site inspections carried out by the ECB.

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 EU Regulation 575/2013.

These quantitative capital objectives are accompanied by qualitative ECB reporting requirements, relating principally to the achievement of the targets established in the Business Plan and the management of the Non-Performing Exposures (NPE).

Finally, in the SREP *decision* context, the ECB invited BPER Banca to consider the regulatory expectations announced by the regulator on 11 July 2018 in relation to exposures classified as Non-Performing Exposures (NPEs), aimed at ensuring constant progress in reducing pre-existing risks in the euro area and achieving the same level of coverage for the stocks and flows of NPLs over a medium-term horizon. The ECB then announced that it would interact with each bank to define supervisory expectations on an individual basis, considering the main financial characteristics of individual banks and a benchmark of comparable banks. In this context, the ECB made a recommendation to BPER Banca to implement a gradual adjustment of the coverage for the stock of non-performing loans outstanding at 31 March 2018 until full coverage is achieved
1) by 2025 for the guaranteed NPEs with an age of more than 7 years and
2) by the end by 2024 for unsecured NPEs with an age of more than 2 years.
Non-performing loans classified as such from 1 April 2018 onwards are treated in the Addendum to the ECB Guidelines on NPEs.
BPER Banca operates continuously, defining and implementing the appropriate measures to comply with the Authority's requests within the prescribed deadlines.

In the first quarter of 2020:
- 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 matters 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 risk models were updated following introduction of the new Large Corporate model and the new reference macroeconomic scenario;

- with regard to Resolution planning, the 2020 Working Technical Notes were prepared and sent to the SRB as part of work to collect the set of qualitative and quantitative information requested by the Resolution Authority;
- in the ICAAP and ILAAP areas, the 2020 Packages were prepared and sent to the JST prior to the established deadline of 30 April 2020;
- given the uncertainties caused by the Covid-19 emergency, the EBA and ECB have deferred the regulatory stress test until 2021, so that banks can concentrate on the continuity of their primary activities and customer support.

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 and Tier 1 Ratio and the Total Capital Ratio.

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

	RWA		Minimum capital requirements
	31.03.2020	31.12.2019	31.03.2020
Credit risk (excluding CCR)	**27,177,032**	**28,132,187**	**2,174,163**
Of which using the Standardised approach	15,622,603	15,918,923	1,249,808
Of which using the Foundation IRB approach	-	-	-
Of which using the Advanced IRB approach	11,554,429	12,213,264	924,354
Of which equity instruments with IRB based on the simple weighting method or with the Internal Model Approach (IMA)	-	-	-
CCR	**290,017**	**238,113**	**23,201**
Of which market value method	181,817	157,170	14,545
Of which original exposure	-	-	-
Of which using the standardised approach	*181,817*	*157,170*	*14,545*
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)	263	97	21
Of which CVA	107,937	80,846	8,635
Regulation risk	-	-	-
Exposures to securitisations included in the banking book (taking into account the ceiling)	**146,622**	**156,068**	**11,730**
Of which using the IRB approach	-	-	-
Of which with the IRB supervisory formula method (SFA)	-	-	-
Of which with the internal assessment approach(IAA)	-	-	-
Of which using the standardised approach	146,622	156,068	11,730
Market risk	**511,005**	**616,474**	**40,880**
Of which using the standardised approach	511,005	616,474	40,880
Of which with IMA	-	-	-
Large exposures	-	-	-
Operational risk	**4,028,217**	**4,032,854**	**322,257**
Of which with the basic indicator approach	-	-	-
Of which using the standardised approach	4,028,217	4,032,854	322,257
Of which with the advanced approach	-	-	-
Amounts below the deduction thresholds (subject to a 250% risk weighting factor)	**1,470,353**	**1,512,087**	**117,629**
Adjustments for the application of the minimum threshold	-	-	-
Total	**33,623,246**	**34,687,783**	**2,689,860**

The above table does not show the RWA relating to "Other calculation elements", which amount to Euro 31,870 thousand, with a requirement of Euro 2,550 thousand.

Capital requirements	31.03.2020		
	Unweighted amounts	Weighted amounts	Requirements
Credit and counterparty risk	**84,373,749**	**28,976,087**	**2,318,087**
-Standardised approach	44,936,942	17,421,658	1,393,733
-Advanced internal models	39,436,807	11,554,429	924,354
Credit down-rating risk			**8,635**
Market risk			**40,880**
-Standardised approach			40,880
-Internal models			-
Operational risk			**322,257**
-Basic indicator approach			-
-Standardised approach			322,257
-Advanced models			-
Other elements for the calculation			**2,550**
Total precautionary requirements			**2,692,409**
CET 1 Ratio			**13.60%**
Tier 1 Ratio			**14.05%**
Total Capital Ratio			**16.59%**

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 capital requirement shown is calculated with the Phased In method.

Summary

Solvency ratios (%)	31.03.2020	31.12.2019
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	13.60%	13.91%
Tier 1 ratio (T1 Ratio) - Phased in	14.05%	14.35%
Total Capital Ratio (TC Ratio) - Phased in	16.59%	16.82%
Common Equity Tier 1 Ratio (CET1 ratio) - Fully Loaded	12.07%	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 additional P2R (of 2%); accordingly, at 31 March 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 requirement specified for the BPER Banca Group of 0.006% at 31 March 2020, raising the overall minimum to 8.131%.
The excess buffer under the transitional arrangements is equal to 547 bps (Euro 1,841 million CET1 Phased in).
The Common Equity Tier1 Ratio Fully Loaded is estimated without the effects of the current transitional arrangements and including the results for the period, to the extent not allocated for dividends, and the expected absorption of the deferred tax assets recognised on the FTA of IFRS 9.

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

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 12 January 2018 (EBA/GL/2018/01) transposed in the Circular no. 285/2013 of Bank of Italy.

IFRS 9-FL. 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

		31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	4,576,534	4,828,807	4,541,504	4,356,558	4,335,729
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,920,385	4,154,505	3,898,282	3,737,485	3,716,657
3	Tier 1 capital	4,728,441	4,980,899	4,694,453	4,382,414	4,361,337
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,072,292	4,306,597	4,051,231	3,763,342	3,742,265
5	Total capital	5,583,787	5,839,914	5,585,226	5,266,359	5,247,175
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,927,468	5,165,357	4,941,494	4,646,776	4,627,593
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	33,655,116	34,721,277	34,655,366	30,402,689	30,459,040
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	33,530,017	34,579,423	34,566,214	30,318,910	30,372,048
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.60%	13.91%	13.10%	14.33%	14.24%
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	11.69%	12.01%	11.28%	12.33%	12.24%
11	Tier 1 (as a percentage of risk exposure amount)	14.05%	14.35%	13.55%	14.42%	14.32%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.15%	12.45%	11.72%	12.41%	12.32%
13	Total capital (as a percentage of risk exposure amount)	16.59%	16.82%	16.12%	17.32%	17.23%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.70%	14.94%	14.30%	15.33%	15.24%
	Leverage ratio					
15	Leverage ratio total exposure measure	82,334,328	82,011,914	83,548,681	71,549,438	72,546,665
16	Leverage ratio	5.743%	6.073%	5.619%	6.125%	6.012%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.953%	5.252%	4.848%	5.257%	5.156%

The change in the phased in CET1 ratio from 13.91% at 31 December 2019 to 13.60% at 31 March 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 31 March 2020 and of the EU Commission's Delegated Regulation 2015/1555 of 28 May 2015 which supplements the EU Regulation no. 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 20 December 2019, the Bank of Italy decided after analysing the reference indicators to maintain the countercyclical ratio (for exposures to Italian counterparties) at 0% during the first quarter of 2020, in line with previous quarters.

With reference to 31 March 2020:

- the capital ratios at individual country level have been set, using the methods explained above, generally at 0%, with the exception of the following countries: Norway (1.0%), Hong Kong (1%), Czech Republic (1.75%), Slovak Republic (1.5%), Lithuania (1%), Germany (0.25%), Ireland (1%), Bulgaria (0.5%) and Luxembourg (0.25%);
- at a consolidated level, BPER Banca's specific countercyclical ratio is equal to 0.006%.

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

	31.03.2020	31.12.2019
Total amount of risk exposure	33,655,116	34,721,276
The bank's specific countercyclical ratio	0.006%	0.018%
The bank's specific countercyclical capital requirement	2,019	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	31.03.2020	31.12.2019
Tier 1 capital - Fully Phased	4,072,292	4,306,597
Tier 1 capital - Phased in	4,728,441	4,980,899
Total leverage ratio exposures - Fully Phased	82,218,086	81,993,608
Total leverage ratio exposures - Phased in	82,334,328	82,011,914
Leverage ratio	**31.03.2020**	**31.12.2019**
Leverage ratio - Fully Phased	4.953%	5.252%
Leverage ratio - Phased in	5.743%	6.073%

A number of qualitative indicators are provided below, as required by the LRQua model envisaged in Regulation (EU) 2016/200.

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

The transitional financial leverage coefficient fell by 33 bps during the period from 31 December 2019, to 5.743% at 31 March 2020.

This was principally due to changes in both aggregates: T1 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 Tier1 Capital: see the section of this document on Own Funds for an analysis of the reduction in 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 Rratio is included in the RAF and, accordingly, is subject to the related control mechanisms. Compliance with the limits is quarterly reported to the Risks Committee and the Board of Directors.

Quantitative information

The following tables shows 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	
		31.03.2020	31.12.2019
1	Total assets as per published financial statements	80,099,316	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	77,892	80,707
5	Adjustment for securities financing transactions (SFTs)	101,305	81,602
6	Adjustment for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet exposures)	3,003,042	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	(947,227)	(893,760)
8	**Total leverage ratio exposure - Phased in**	**82,334,328**	**82,011,914**

The model reconciles the total exposure (ratio denominator) with the book values, pursuant to article 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)	**31.03.2020**	**31.12.2019**
1	Cash items (excluding derivatives, SFTs and fiduciary assets, but including collaterals)	79,874,703	78,377,326
2	(Asset amounts deducted in determining Tier 1 capital)	(947,227)	(893,760)
3	**Total cash exposures (excluding derivatives, SFTs and fiduciary assets) (sum of rows 1 and 2)**	**78,927,476**	**77,483,566**
	Derivative exposures	**31.03.2020**	**31.12.2019**
4	Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	82,768	64,997
5	Add-on amounts for potential future exposures associated with all derivatives transactions (mark-to-market method)	77,892	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)**	**160,660**	**145,704**

(cont.)

	Securities Financing Transaction (SFT) exposures	31.03.2020	31.12.2019
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	141,845	591,175
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk exposure for SFT assets	101,305	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)**	**243,150**	**672,777**
	Other off-balance sheet exposures	**31.03.2020**	**31.12.2019**
17	Off-balance sheet exposures at gross notional amount	17,260,470	22,267,044
18	(Adjustments for conversion to credit equivalent amounts)	(14,257,428)	(18,557,177)
19	**Total Other off-balance sheet exposures (sum of rows 17 and 18)**	**3,003,042**	**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))	**31.03.2020**	**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	**31.03.2020**	**31.12.2019**
20	**Tier 1 capital**	**4,728,441**	**4,980,899**
21	**Total leverage ratio exposures (sum of rows 3, 11, 16, 19, EU-19a and EU-19b)**	**82,334,328**	**82,011,914**
	Leverage ratio	**31.03.2020**	**31.12.2019**
22	**Leverage ratio**	**5.74%**	**6.07%**
	Option of transitional arrangement and amount of eliminated fiduciary elements	**31.03.2020**	**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 ratio at 31 March 2020, the comparison with the prior year and analysis of the total exposure into the principal categories, as required by 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	
		31.03.2020	31.12.2019
EU-1	**Total cash exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**79,874,703**	**78,377,326**
EU-2	Trading book exposures	104,260	130,747
EU-3	Banking book exposures, of which:	79,770,443	78,246,579
EU-4	*covered bonds*	*2,922,761*	*2,752,677*
EU-5	*exposures treated as sovereigns*	*18,710,663*	*16,840,752*
EU-6	*exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	*464,340*	*477,675*
EU-7	*institutions*	*6,601,083*	*6,127,449*
EU-8	*secured by mortgages of immovable properties*	*17,506,832*	*17,647,378*
EU-9	*retail exposures*	*8,849,589*	*8,967,195*
EU-10	*corporates*	*17,196,187*	*17,428,504*
EU-11	*exposures at default*	*2,795,372*	*2,883,648*
EU-12	*other exposures (eg. Equity instruments, securitisations, and other non-credit obligation assets)*	*4,723,616*	*5,121,301*

For exposures other than derivatives and SFTs, the model reports the distribution by counterparty on a comparative basis, in accordance with 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 31 March 2020 – Pillar III" agrees with the underlying accounting entries, records and documentation.

Modena, 28 May 2020

The Manager responsible for preparing the Company's financial reports

Marco Bonfatti