

Annual report 2022

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The present document is the English translation of the Italian Financial Statements (consolidated and separate), prepared for and used in Italy, and has been translated only for the convenience of international readers. Financial Statements were prepared using International Reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cash flows according to accounting principles and practices other than IAS/IFRS.

This document, prepared in PDF format to make the Financial Statements (consolidated and separate) easier to read, does not constitute compliance with the requirements set out in Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 (the - "European Single Electronic Format (ESEF) Regulation"). For these purposes, an XHTML format has been developed and is available on the corporate website of BPER Banca <https://istituzionale.bper.it>

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

Shareholders' Meeting

Modena, 26 April 2023

Agenda

In the ordinary session:

- 1) 2022 Financial Statements:
 - a) Financial Statements as at 31 December 2022, Reports of the Board of Directors, of the Board of Statutory Auditors and of the Independent Auditors; related and ensuing resolutions.
Presentation of the consolidated financial statements as at 31 December 2022 and the 2022 consolidated non-financial statement;
 - b) Allocation of 2022 profit and dividend payout; related and ensuing resolutions.
- 2) Supplementary fees paid to Deloitte & Touche s.p.a., the company responsible for auditing the accounts for the period 2017-2025, based on a reasoned proposal by the Board of Statutory Auditors; related and ensuing resolutions.
- 3) Remuneration:
 - a) Report on Remuneration Policy and Compensation Paid, comprising:
 - a1) remuneration policies of the BPER Banca s.p.a. Group for 2023; related and ensuing resolutions (binding);
 - a2) compensation paid in 2022; related and ensuing resolutions (not binding).
 - b) Incentive plan based on financial instruments pursuant to art. 114-bis of Legislative Decree no. 58 of 24 February 1998; related and ensuing resolutions;
 - c) Authorisation to purchase and dispose of treasury shares to service the 2023 MBO incentive scheme, the 2022-2025 Long-Term Incentive (LTI) Plan (as last approved by the Shareholders' Meeting of 5 November 2022), in addition to any severance payments due; related and ensuing resolutions.

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Directors and officers of the Parent Company at the date of approval of the financial statements

Board of Directors

Chair:	Flavia Mazzearella
Deputy chair:	Riccardo Barbieri
Chief Executive Officer:	Piero Luigi Montani
Directors:	Elena Beccalli Monica Cacciapuoti (*) Silvia Elisabetta Candini Maria Elena Cappello Cristiano Cincotti Gianfranco Farre Alessandro Robin Foti Roberto Giay Gianni Franco Papa Marisa Pappalardo Monica Pilloni Elisa Valeriani

Board of Statutory Auditors

Chair:	Daniela Travella
Standing Auditors:	Patrizia Tettamanzi Carlo Appetiti (**)
Alternate Auditors:	Sonia Peron Andrea Scianca

General Management

General Manager:	Piero Luigi Montani
Deputy General Managers (**):	Gian Luca Santi Elvio Sonnino

Manager responsible for preparing the Company's financial reports

Manager responsible for preparing the Company's financial reports:

Marco Bonfatti

Independent Auditors

Deloitte & Touche S.p.A

(*) Monica Cacciapuoti was appointed as a member of the Board of Directors by the Ordinary Shareholders' Meeting of BPER Banca held on 5 November 2022, replacing Director Gian Luca Santi, who resigned previously effective from 8 September 2022. Monica Cacciapuoti will remain in office, similarly to the other members of the Board of Directors, until the Shareholders' Meeting called to approve the financial statements for the year 2023.

(**) Carlo Appetiti was appointed as Standing auditor by the Ordinary Shareholders' Meeting of BPER Banca held on 27 July 2022, replacing the auditor Paolo De Mitri, who resigned previously effective from 6 June 2022. Carlo Appetiti will remain in office, similarly to the other members of the Board of Directors, until the Shareholders' Meeting called to approve the financial statements for the year 2023.

(***) Gian Luca Santi was appointed as Deputy General Manager effective from 1 October 2022. In particular, Gian Luca Santi was a member of the Company's Board of Directors, a role he stepped down from effective from 8 September 2022.

Stefano Rossetti left the office of Deputy General Manager due to retirement, effective from 31 December 2022. In consideration of the above, General Management is composed of 2 Deputy General Managers.

Message from the Chair to the Shareholders' Meeting

Shareholders,

the Financial Statements we are presenting today for your approval relate to a year, 2022, replete with new developments, and which saw the Bank grow in terms of customers, branches, assets, business segments and regional presence, but above all in terms of the awareness of the role it can play domestically for the benefit of the country and all its regions.

In 2022, we completed the integration of the Carige Group, in observance of the timings and the commitments disclosed to the market.

This was a challenging and complex transaction which required the commitment of the Group's personnel at all levels, to whom I offer my heartfelt thanks.

However, it was, above all, a successful transaction, which has enabled us to further expand our presence in the strategic areas of the country and substantially increase the size of the Group: the BPER Banca Group today ranks third among listed Italian banking groups in terms of deposit amounts and customer base (numbering more than 5 million).

The year 2022 also coincided with a further and important phase of development of the Bank, whose lines of action were defined in the Business Plan for the 2022-2025 four-year period, approved last June by the Board of Directors.

The guidelines of the Plan and the projects contained therein aim to:

- consolidate and rationalise the size of the Group at domestic level;
- complete the de-risking process;
- boost the Group's competitiveness and profitability;
- ensure a profound digital and technological transformation, accompanied by the usual focus on human capital and the values of corporate social responsibility;
- continue with the process of incorporating environmental, social and governance issues in business processes, to create shared and sustainable long-term value.

It is along these lines that we are taking steps to reach the important objectives identified in the Plan, which we monitor continuously and report on annually.

The year 2022 closed with a significant profit, sizeable improvement in asset quality, also due to de-risking transactions, and the confirmation of a high capital strength, which today allow us to propose a dividend to the Shareholders' Meeting that is double that of the previous year. All this has been achieved in a complex macroeconomic context, characterised by high inflation, price tensions and the persistence of the Russian-Ukrainian conflict.

Also in 2022, we confirmed our long-established attitude of ensuring we are close to families and businesses, with a special focus on strengthening our product factories and the digitalisation processes, for the benefit of our customers.

Attention continued to be focussed on sustainability issues, with important investments to disseminate and align its culture within the entire Group; fully aware of the commitments undertaken internationally, we have taken concrete steps in terms of reducing our environmental impacts, supporting customers in the ecological transition, talent development, attention to inclusion and management of diversity.

The significant efforts we've made and the results we've achieved in the ESG domain have been recognised by two leading international rating agencies, which we'll provide details of in the 2022 Sustainability Report.

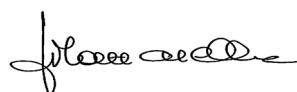
A robust capital position and solid credit quality enable our Group to deal with the uncertainty of the current macroeconomic scenario, even though the international growth forecasts for 2023 show some encouraging signs: a lot of work lies ahead to better integrate people, professional skills and cultures, further strengthening the presence of the Bank and the Group at national level.

We will need to face new challenges, but based on these positive premises and leveraging the principles of responsibility, loyalty and competence which have always been our hallmark, I am certain that we'll be able to achieve the challenging targets we've set.

Thank you very much for your attention.

Flavia Mazzarella

The Chair



2022 CONSOLIDATED FINANCIAL STATEMENTS

Directors' Report on Group Operations

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1. The macroeconomic context

1.1 Background

Following the robust post-pandemic recovery observed in 2021, the global economy recorded a widespread and gradual slowdown last year. Various factors contributed to the slowdown in growth; among these, the most important concerned the spread of the new variant of COVID-19 called Omicron, which in the first months of the year caused an unprecedented increase in the number of infections, the geopolitical frictions in Eastern Europe, culminating in the invasion of Ukraine by Russia, and the change of tone of global monetary policy. Against the backdrop of a trend in inflation that proved to be anything but temporary, and which rose on average at a clearly sharper rate than the previous few decades, the main Central Banks actually launched a process of normalisation of interest rates in conjunction with the gradual withdrawal of monetary stimulus, a major contributing factor of the progressive deterioration in financial conditions on a global scale. In addition, the macroeconomic picture was deflated by the lockdowns associated with the Chinese “zero COVID-19” policy, which not only inevitably impacted the Chinese economy, but had a marked impact on the performance of the other main macro-areas, based on the close interdependence which today connects China to the rest of the world. Lastly, especially in Europe, the effects of the energy crisis grew even more intense, which impacted the production and industrial system in the area and household purchasing power. Based on the most recent projections of the World Bank (Global Economic Prospects, published in January 2023), global GDP should have recorded growth of 2.9% y/y in 2022.

Comments on the main macro-areas are provided below.

In the United States, growth has disappointed initial estimates, recording a significant slowdown compared to the pace of expansion observed in the second half of 2021. In the first two quarters, GDP actually reported a decline, registering a “technical recession” which did not, however, have much of an impact on consumption and investments. Initially, the spread of Omicron variant also negatively impacted the United States, exacerbating an already very tense situation on the supply front and penalising services related activities. All this was set against the backdrop of economic policies at a turning point both on a fiscal and particularly on a monetary level. In fact, in order to stem constantly rising inflation, starting in March, the Federal Reserve commenced a process of interest rate hikes with an intensity and speed rarely seen over the years, which brought the cost of borrowing from the 0%-0.25% range in January to the 4.25%-4.50% range in December. In addition, from 1 June, the FED kicked off the process of reducing its balance sheet. The US Central Bank maintained constantly decisive and tough rhetoric, stressing the primary objective of bringing the rate of inflation back as close to the target as possible. As regards the trend in consumer prices, in the second half of the year, the general data (“headline”) effectively showed signs of deceleration: thanks to the crucial contribution from energy components, which fell significantly, the rate of inflation went from +9.1% y/y, with the peak reached in June, to +6.5% y/y in December. The “core” data (not including the most volatile components), however, did not exhibit the same trend, so much so that the change with respect to the start of the year was insignificant (from 6% y/y in January to 5.7% in December). The resilience of core inflation was one of the main reasons that prompted the FED to maintain its restrictive stance throughout 2023, but the US Central Bank’s actions were also supported by an economy that, quite unexpectedly, despite remaining well below its potential, showed healthy signs of stability. Although in given sectors, like real estate, the squeeze brought about by the monetary policy implemented by the FED was actually felt, US GDP nonetheless was positive in both the third and fourth quarters, thanks to the solidity of the job market and the consequent recovery in private consumption. According to the latest projections of the World Bank, US growth for the whole of 2022 was 1.9% y/y.

In the Eurozone, the economic trend recorded a highly stable trajectory, with a rate of GDP growth which, on a quarterly basis, remained generally modest. Year on year, the estimates of the World Bank nonetheless put growth in the Euro area above 3% y/y for the whole of 2022. The cycle was initially impacted, also in the Eurozone, by restrictions on mobility, adopted to contain the wave of infections from COVID-19 observed in the early part of the year; the topic rapidly faded into the background, overtaken by the deterioration in the geo-political climate. The Russian invasion of Ukraine has in fact generated a reaction from Western countries (especially those belonging to the NATO bloc), which have enacted heavy sanctions against Moscow. These measures have naturally produced a drastic deterioration in Russia’s growth estimates, but at the same time they have inevitably generated uncertainty as to what the effects on the rest of the world’s economies might be, and in particular for Europe, which, due to its geographical proximity and trade relations, has been the most vulnerable macro area to the impacts of the crisis. In addition to the impact on trade, European countries have also suffered second degree effects through higher energy prices, which have reduced the disposable income of households, weighed heavily on production activity, and contributed decisively to the constant acceleration in consumer prices, so much so that inflation in the euro area rose from +5% y/y as at December 2021 to 9.2% y/y at the end of the year. The main problem concerned the price of TTF gas negotiated in Amsterdam, the benchmark used for the quotation of European gas (and, consequently, a fundamental component in determining the price of electricity), which in conjunction with the interruption to supplies of Russian gas, recorded new all-time highs, posing serious risks regarding inventory building and a possible rationing of consumption. The emergency then partially subsided in the last few months of the year, with raw material prices falling considerably - albeit still well above historic averages - thanks in particular to the extraordinarily mild climate recorded throughout large parts of Europe. The trend observed

in consumer prices involved a decisive change of stance of the ECB which, in July, kick-started the process of monetary normalisation. The rate on deposits, in negative territory until the central part of last year, rose from -0.50% in June to 2.00% in December, when the European Central Bank also announced the gradual reduction in the purchase of securities from March 2023. Again in July, the ECB also presented the TPI (Transmission Protection Instrument), a tool designed to ensure that the monetary policy stance is transmitted as smoothly as possible across all euro area countries.

Still on the subject of monetary policies, and looking at Europe as a whole, the restrictive approach of the ECB was also imitated by other major central institutions on the continent, from the Bank of England to Swiss SNB, confirming how the "inflation" problem is absolutely widespread.

As regards Italy, the economy has more or less followed the trend of the entire Eurozone, settling on absolutely modest growth rates. The peak was recorded in the second quarter, when thanks to the excellent performance of domestic demand, GDP posted a quarterly change of more than 1%. Also in terms of consumer prices, the trend has been similar to that observed in the rest of the Eurozone, with the inflation rate rising steadily in less than twelve months from +3.9% y/y as at December 2021 to +11.6% y/y at the end of the year. Inflationary pressures stemmed largely from imports (like other European countries, Italy was exposed to the shock of energy prices following Russia's invasion of Ukraine), but with the passing months the increase also spread to other components, foodstuffs in particular.

The rapid rise in the inflation rate also impacted a significant swathe of emerging countries, forcing a number of Central banks to undertake - or to continue, if already launched in 2021 - a process to normalise monetary policy. Interest rates were then hiked up repeatedly, exacerbating financial conditions and, consequently, putting the brakes on growth. Other factors also contributed to the deceleration in the economic cycle in developing countries: some generic, like the combination of a stronger US dollar, high financing costs and capital outflows, and other more specific ones, which despite concerning Russia and China, inevitably ended up spreading to other emerging economies. As a result of severe economic-financial retaliation by the international community following the invasion of Ukraine, Russia saw its growth prospects deteriorate drastically, so much so that the official 2022 GDP figure is expected to fall by -3.5% y/y based on the latest projections of the World Bank. By contrast, even though in the second part of the year China's growth recovered in the April-June period, its economy remained significantly below its potential, mainly slowed by two factors: the persistent real estate crisis and the rigid anti-Covid policy implemented by the Beijing government, which translated into prolonged lockdowns and angry protests by the population, to the point that, in the last few days of the year, Beijing opted for the gradual but complete removal of said measures. Based on recent estimates by the World Bank, growth of the entire block of emerging countries should stand at 3.4% y/y in 2022.

1.2 Public finance¹

The country is experiencing a very difficult period at economic and social level, and major uncertainty relating to the geo-political context. The surge in the cost of energy threatens the survival of businesses, not just in highly energy intensive industries, but also in services. Families have been hit hard by the sharp rise in inflation, while salaries grow at quite a modest rate. Therefore, aid for businesses and households has continued and been strengthened, making it more targeted, incisive and differentiated. The Government is dedicating maximum efforts to ramping up the implementation of the National Recovery and Resilience Plan, despite the obstacles in its path like the increase in the prices of materials and public works.

Despite the persistence of significant downside risks for the final part of the year, linked to the intensification of inflationary tensions and the weakening of the international economic cycle, estimated Italian GDP growth for 2022 stood at 3.7%. However, a significant loss of momentum in activities is anticipated in 2023, with expected GDP growth of 0.6%, against the backdrop of a general decline in European and global economic activity. The growth forecast for the 2024-2025 two-year period is 1.9% and 1.3% respectively.

The debt/GDP ratio is projected to fall to 145.7% in 2022 from 150.3% in 2021. The more sustained trend in nominal GDP as part of the draft budgetary plan and the improvement in the primary balance of the P.A. should more than offset the rise in the cost involved in financing debt resulting from higher returns on Government bonds. In 2023 and 2024, the target debt/GDP ratio is expected to be 144.6% and 142.3%, respectively.

Lastly, the net debt of the Public Administrations stands at 5.6% of GDP in 2022. The policy path envisages a further decrease in the nominal deficit to 4.5% in 2023, 3.7% in 2024 and 3.0% in 2025, due to the fiscal measures that the Government is preparing to introduce in the next public finance manoeuvre for the 2023-2025 three-year period.

¹ The scenario presented below has been taken from the 2023 Budgetary Planning Document sent to the EU Commission in November 2022.

Public finance balance (% of GDP)	2022e	2023f	2024f
Net borrowing	-5.6	-4.5	-3.7
Loans	145.7	144.6	142.3

Key: e = estimate f = forecast

Source: "2023 Budgetary Planning Document" presented in November 2022 by the Minister of Economy and Finance, Giancarlo Giorgetti.

1.3 The financial market and interest rates

2022 proved to be a particularly difficult year for investors, characterised by a constant stream of data and news that adversely impacted all the main equity and bond asset classes. Initially, the wave of infections linked to the spread of the "Omicron" variant of COVID-19 forced a number of countries to adopt strict containment measures, exacerbating an already quite tense situation on the supplies front, and keeping pressure on prices high. Inflation, which had already come onto the radar of the central bank was, however, considered a "temporary" phenomenon, set to subside in conjunction with the end of the pandemic emergency. The outbreak of the war in Ukraine at the end of February completely changed this outlook. Once it became clear that the conflict between the two countries would not be resolved in a short space of time, with repercussions on energy supplies, inflation expectations rose drastically, and the rhetoric of central banks toughened. Guided by the US Federal Reserve, the central banks responded by raising interest rates and signalling their intention to reduce inflationary pressures through decisive monetary tightening measures. Therefore, a backdrop gradually took shape in which inflation continued to rise, in conjunction with global growth prospects - more so in Europe than in the United States - progressively revised downwards. Despite the signs of deceleration of the cycle, however, the main central banks continued, for most of the year, to focus on tackling inflation: the Fed was among the most proactive institutions, bringing the cost of borrowing from the 0%/0.25% range to 4.25%/4.50% in just nine months and initiating the process of reducing its balance sheet from 1 June. Said monetary tightening, as pointed out, happened on a global scale, with rare exceptions, and also involved the ECB. However, the central European institution, in light of the energy crisis which has gradually threatened the European economy, initially maintained a more prudent attitude, but then in July it also introduced a cycle of monetary restriction which brought the rate on deposits from -0.50% in June to 2% in December, and contemplated the launch, from March 2023, of the balance sheet reduction programme, albeit at a measured and predictable pace. The narrative only partially changed in the last few months of the year. Inflation, in particular US inflation, showed signs of deceleration, contributing to the expectations of a possible relaxation of monetary policy. Said element, combined with other positive factors such as the significant drop in the price of European gas, and corporate quarterlies that, on average, are in line with analysts' expectations, therefore contributed to a phase of greater risk appetite, which allowed the main asset classes to make the balance sheet for the year less negative.

If we look at performances, the rapid and intense monetary tightening by practically all the major central banks caused the simultaneous and marked reduction in the main asset classes. The prices of Government bonds, corporate bonds and equities went in the same direction, with a high degree of correlation, something that was rarely observed in the past.

The global equity index MSCI AC World closed the year down by roughly 20%, with larger losses, on average, in the United States and in emerging countries, with respect to the more contained decreases in Europe and, in particular, Japan. The US stock markets have in fact paid the highest price due to the high weight of technology-related securities they are exposed to. As tech stocks often tend to be initially overvalued and are the most susceptible to increases in yields, they turned out to be one of the worst segments in 2022 together with Real estate and Discretionary spending. Staying in the sector domain, in the wake of the sharp rise in the prices of energy raw materials, on the contrary, securities linked to energy stood out on both sides of the Atlantic. As stated, the price lists of emerging countries were extremely weak, burdened by a Chinese market slowed by the unresolved problems in the domestic real estate sector, by the "Zero-COVID" policy promoted by the Beijing Authorities which, aside from a slight softening towards the end of the year, affected the growth of the Asian country due to its rigidity. Losses were more contained in Europe and Japan. European stock markets, restrained by the uncertain economic prospects linked to energy prices, benefitted from the different sector-based composition of indexes, more exposed on average to securities with more contained valuation multiples; Japanese equities, by contrast, were supported by the expansionary monetary policy adopted by the Central Bank of Japan. Furthermore, the weakness of the respective currencies, the Euro and the Yen, contributed positively to the markets of both geographical areas.

The performance was negative also for the bond markets. Worries about inflation, which was steadily rising and was further aggravated by the conflict in Ukraine (and the consequent surge in commodity prices), provoked a decisive reaction from the major central banks, thus prompting the markets to revise their expectations on rates. Yields rose markedly and consistently in the various geographic areas, slowing down only towards the second half of the year, in the wake of the worsening prospects for global growth. The change of tack of monetary policy caused a flattening of the curves, pushing up short and medium-term returns in particular; the 2/10 year spread fell to negative territory in both Europe (Germany) and in the United States. By contrast, the rise in returns recorded by Italian Government bonds was more homogeneous which, despite the significant period of volatility, registered a decline in prices in line with the rest of the European market. The losses in the bond sector had also an impact on the spread markets, though the decreases were on average more contained than in government bonds.

In terms of currency, the euro recorded ups and downs. The year 2022 generally coincided with a widespread, marked

appreciation of the dollar which, favoured by the climate of risk aversion and the restricted rhetoric adopted by the Fed from the very beginning, gained ground against all the other major currencies, including the single currency. By contrast, the yen depreciated despite its safe haven status, penalised by the extremely accommodative policy confirmed by the Central Bank of Japan. The Pound Sterling was also weak, impacted by the contrasting decisions adopted by the UK Authorities during the year, which culminated in a political crisis and a change of Government.

Wholly positive balance for raw materials, which recorded an excellent performance, especially in the first half of the year. At the forefront, in particular, energy components and agricultural raw materials, influenced, among other things, by the tensions in eastern Europe. By contrast, industrial metals and precious metals were completely stuck. The latter were penalised by the strength of the dollar and, as for gold, the increase in US real interest rates and industrial goods was affected by the uncertain prospects of global growth, linked in particular to China.

1.4 The banking system and domestic interest rates²

2022 was a particularly challenging year for the global economic cycle, with growth estimates for the main countries gradually revised downwards. The macroeconomic context was affected by high inflation, difficulties in the supply of energy and foodstuffs, intensified by the protraction of the conflict in Ukraine, as well as by the slowdown of the Chinese economy. The central banks in many countries started a process to normalise monetary policy, with a view to counteracting inflationary pressures. Italian banks presented a generally solid position; in particular, banking institutions should benefit from the increase in net interest income stemming from the rise in interest rates, even if excessive weakening of macroeconomic conditions could eventually impact their balance sheets. Capitalisation nonetheless remained higher than that observed in the pre-pandemic period, albeit down slightly due to both the buyback of treasury shares and the reduction in the market value of securities in the portfolio.

Deposits

According to the initial SI-ABI estimates made in December 2022, deposits from customers from all the banks operating in Italy, including deposits from residents and bonds (net of those repurchased by banks), was -1.2% lower than in the previous year. More specifically, deposits from resident customers declined at a headline rate of -1.3%, with an annual decrease in absolute value of Euro 24.1 billion.

The average interest rate paid on customer funds (comprising the yield on Euro deposits, bonds and repurchase agreements paid to households and non-financial companies) was 0.62% in December 2022. In particular:

- the rate on Euro deposits paid to households and non-financial companies was 0.46%;
- the yield on bonds was 2.12%;
- on repurchase agreements it was 0.92%.

Loans

In December 2022, total loans to residents in Italy (private sector plus public administrations, net of repos with central counterparties) amounted to Euro 1,732 billion, with an annual change of +1.1%. Loans to Italian residents in the private sector amounted to Euro 1,479 billion in December, an increase of +1.8% compared to the previous year, of which Euro 1,340 billion was to households and non-financial companies.

According to the latest quarterly bank credit survey, criteria for business loans tightened in the last months of 2022, which can be attributed to increased risk perception and lower risk appetite. The terms and conditions also worsened, especially through a reduction in the amount of loans and an increase in additional charges and of other clauses. The criteria for the granting of credit to families were tightened slightly; the terms and conditions got harsher, in a more pronounced fashion for consumer credit, reflecting the increase in market interest rates. The demand for bank loans from businesses rose slightly, while demand from families fell, both for mortgages and consumer credit.

The credit quality of Italian banks is still improving. Bad loans, net of the write-downs and provisions already made by banks using their own resources, totalled Euro 16.3 billion in November 2022, down from Euro 16.8 billion a year earlier. The ratio of net bad loans to total loans has fallen to 0.92% (from 1.02% in November 2021).

ABI reports that the rate on Euro-denominated home purchase loans to households - average of fixed and floating rates - came to 3.09% in December 2022 (1.40% in December 2021). About 34% of new mortgage loans are arranged at a fixed rate. The

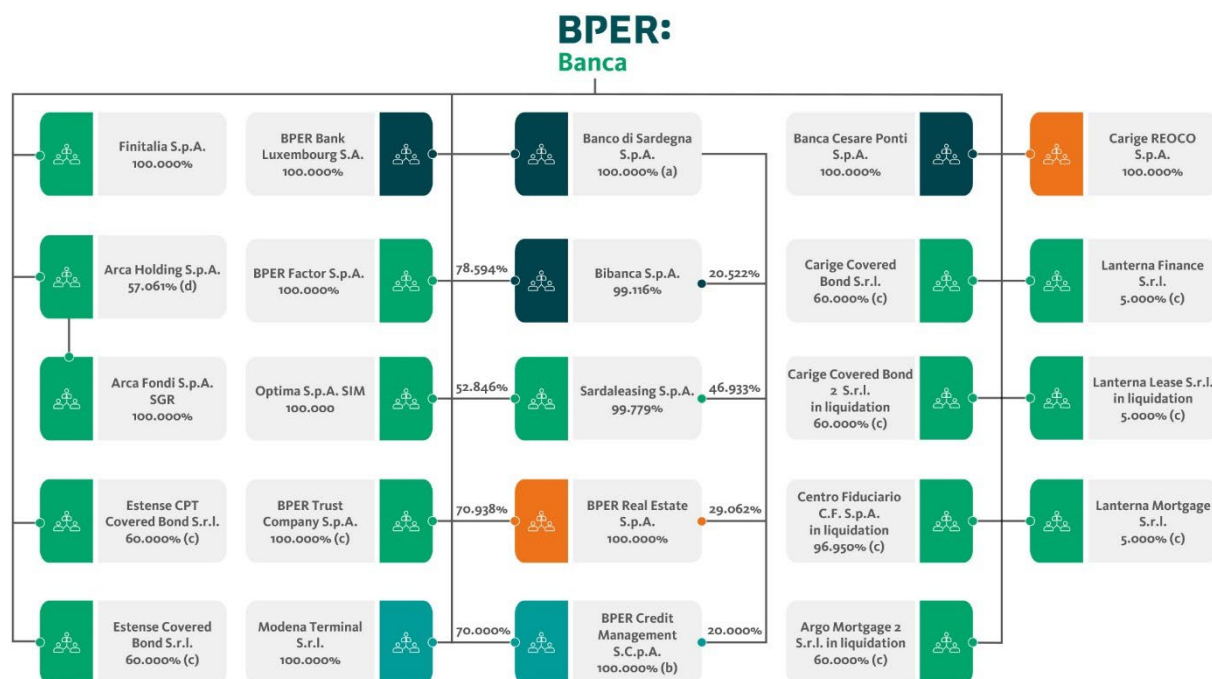
² Source: ABI Monthly Outlook (summary), January 2023.

average rate on new Euro-denominated loans to non-financial companies has increased to 3.44% (1.29% in December 2021). Lastly, the weighted average interest rate on all loans to households and non-financial companies was 3.22% at the end of December 2022 (2.16% in December 2021).

For banks, the spread between the average rate on loans and the average rate on deposits from households and non-financial companies was up: in December 2022 it was 260 basis points (bps), from 171 bps at the end of 2021. Before the beginning of the financial crisis, it was more than 300 bps.

2. Key figures

2.1 BPER Banca Group structure as at 31 December 2022



- a) Equivalent to 99.281% of the entire Share Capital consisting of ordinary and preference.
- b) The following Companies are also shareholders of BPER Credit Management S.C.p.A.:
- Sardaleasing S.p.A. (6.000%);
 - Bibanca S.p.A. (3.000%);
 - BPER Factor S.p.A. (1.000%).
- c) Subsidiaries consolidated under the equity method.
- d) Subsidiary company which is not included in the Banking Group since it does not contribute directly to its activities.

The scope of consolidation also includes the following subsidiaries which are not included in the Banking Group, since they do not contribute directly to its activities. These companies are consolidated under the equity method.

Subsidiaries of the Parent Company:

- Adras S.p.A. (100%);
- Italiana Valorizzazioni Immobiliari S.r.l. (100%);
- Sifa S.p.A. (100%);
- Commerciale Piccapietra S.r.l. (100%).

Subsidiary of Carige Reoco S.p.A.:

- Sant'Anna Golf S.r.l. (100%).

2.2 Summary of results

The net profit made by the BPER Banca Group in 2022, Euro 1,449.0 million, has increased by Euro 923.9 million compared to the previous year. The result for 2022 benefited from non-recurring components which brought about an overall net positive impact of Euro 946.2 million; these include:

- the recognition of goodwill amounting to Euro 948.1 million, that emerged from the Purchase Price Allocation (PPA) after the acquisition of the Banca Carige Group;
- the capital gain on the disposal of merchant acquiring and POS management activities (including the equity investment in Numera s.p.a.) for Euro 308.3 million;
- the recognition of staff costs for Euro -166.2 million, relating to the workforce optimisation manoeuvre (already set out in the Plan for 2023), through the use of the Banking Industry Solidarity Fund;
- the recognition of a Euro -111.5 million fee payable associated with the conversion into tax credits of the DTAs accrued by Banca Carige;
- some residual minor items, for a total net amount of Euro -32.5 million.

The capital strength of the BPER Banca Group remained high as at 31 December 2022, although showing a decrease in the Fully Phased CET1 ratio from 13.50% to 12.04%³, as compared to 31 December 2021. The Phased-in CET 1 ratio was 12.47%, well above the ECB's minimum requirement of 8.47%⁴. The liquidity position is high, with a liquidity coverage ratio (LCR) of 195.3%, well above the regulatory threshold of 100% and the NSFR at 127.3%.

As at 31 December 2022, asset quality improved compared to 2021, registering a gross NPE ratio and net NPE ratio respectively of 3.20% and 1.41%, compared to 4.91% and 2.02% at the end of the previous year. As at 31 December 2022 to be noted are also:

- a 57.06% coverage ratio of the non-performing loan portfolio (vs. 60.35% as at 31 December 2021), a 77.01% coverage for bad loans (vs. 71.84% as at 31 December 2021) and a 48.98% coverage ratio of UTPs (vs. 50.40% at the end of 2021);
- a default rate⁵ of 0.8%, down from 0.9% at the end of 2021;
- cost of credit at 64 bps. The ratio rises to 66 bps, when adding net impairment losses on (marginal) on-balance sheet exposures to Russian banks.

For further details on the results achieved by the BPER Banca Group in 2022, please refer to chapter 6 "The BPER Banca Group's results of operations" in this Consolidated Report.

³ The Fully Phased CET1 ratio is estimated at 13.2%, essentially in line with the ratio as at the end of 2021, if calculated by factoring in i) the full benefit connected with the incentives for business combinations introduced by Law No. 178 of 30 December 2020 (the '2021 Budget Law'), in combination with the additional provisions included in Law No. 234 of 30 December 2021 (the '2022 Budget Law'), which BPER Banca can take advantage of after the acquisition of Banca Carige last June. This benefit derives, specifically, from the conversion to tax credits of DTAs for tax losses and ACE (Allowance for Corporate Equity), in an amount not exceeding 2% of the value of the assets of the smaller combining entity, net of the payable fee; as well as ii) the upside deriving from the disposal of the bad loan and UTP recovery platform and the concurrent release of UTP-related RWAs, in the plan for 2023.

⁴ BPER Banca's minimum requirement indicated (8.47%) is applied as from 31 August 2022.

⁵ The default rate is calculated as the ratio between non-impaired exposures recorded at the end of the previous year and the positions classified as defaulted during the current year.

2.3 Performance ratios⁶

Financial ratios	31.12.2022	2021 (*)
Structural ratios		
Net loans to customers/total assets	59.86%	58.02%
Net loans to customers/direct deposits from customers	79.40%	78.03%
Financial assets/total assets	20.13%	20.81%
Gross non-performing loans/gross loans to customers	3.20%	4.91%
Net non-performing loans/net loans to customers	1.41%	2.02%
Texas ratio ⁷	32.29%	45.58%
Profitability ratios		
ROE ⁸	7.94%	8.66%
ROTE ⁹	8.30%	9.57%
ROA ¹⁰	0.35%	0.41%
Cost to income ratio ¹¹	65.47%	73.42%
Cost of credit risk ¹²	0.64%	1.06%
Prudential supervisory ratios		
Own Funds (Phased in)¹³(in thousands of Euro)		
Common Equity Tier 1 (CET1)	6,613,149	6,576,227
Total Own Funds	8,525,562	7,781,971
Risk-weighted assets (RWA)	53,025,476	45,340,544
Capital and liquidity ratios		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	12.47%	14.50%
Tier 1 Ratio (T1 Ratio) - Phased in	12.76%	14.84%
Total Capital Ratio (TC Ratio) - Phased in	16.08%	17.16%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased	12.04%	13.50%
Leverage Ratio - Phased in ¹⁴	4.4%	4.8%
Leverage Ratio - Fully Phased ¹⁵	4.3%	4.5%
Liquidity Coverage Ratio (LCR)	195.3%	215.1%
Net Stable Funding Ratio (NSFR)	127.3%	142.5%

(*) The comparative ratios have been calculated on figures at 31 December 2021 as per the Consolidated financial statements as at 31 December 2021.

⁶ The information provided is consistent with the ESMA document of 5 October 2015 "Guidelines on Alternative performance measures", aimed at promoting the usefulness and transparency of Alternative Performance Measures included in prospectuses or documents containing regulated information. To construct ratios, reference was made to the balance sheet and income statement captions of the reclassified statements providing an operational management view and commented on in chapter "The BPER Banca Group's results of operations" of this Consolidated Report.

⁷ The Texas ratio is calculated as total gross non-performing loans on net tangible equity (Group and minority interests) plus impairment provisions for non-performing loans.

⁸ ROE has been calculated as net profit for the year (solely recurring/current component of Euro 502.8 million) on average shareholders' equity of Group not including net profit.

⁹ ROTE is calculated as the ratio between the net profit for the year (solely the recurring/current component amounting to Euro 502.8 million) and the Group's average shareholders' equity i) including net profit for the year (solely the recurring/current component amounting to Euro 502.8 million) stripped of the portion allocated to dividends and ii) excluding intangible assets and equity instruments.

¹⁰ ROA has been calculated as net profit for the year including net profit pertaining to minority interests (only recurring component of Euro 527.3 million) on total assets.

¹¹ The Cost to income ratio is calculated on the basis of the reclassified income statement (operating costs/operating income); when calculated on the basis of the schedules provided by the 7th update of Bank of Italy Circular no. 262, the Cost to income ratio is at 73.17% (79.59% at 31 December 2021 as per the Consolidated Financial Statements for the year ending 31 December 2021).

¹² The Cost of credit risk has been calculated as net impairment losses to loans to customers on net loans to customers as at 31 December. At 31 December 2022, the cost of credit rises to 0.66%, if calculated by adding the net value adjustments on loans to Russian banks.

¹³ Items have been calculated according to the provisions of Regulation (EU) 2395/2017, which amends Regulation (EU) 575/2013 (CRR) relating to "Transitional provisions to mitigate the impact of IFRS 9 on Own Funds". The Regulation introduced the transitional (Phase-in) regime offering banks the option to mitigate the impacts of IFRS 9 on Own Funds over a period of 5 years (from March 2018 to December 2022), by neutralising the impact on CET1 with the application of decreasing add-back factors over time. The BPER Banca Group elected to apply the "static approach" to the impact arising from a reconciliation of impairment losses under IAS 39 as at 31 December 2017 to impairment losses under IFRS 9 as at 1 January 2018.

¹⁴ Ratios have been calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by Commission Delegated Regulation (EU) 62/2015.

¹⁵ See previous note.

3. Significant events and strategic transactions

3.1 2022-2025 “BPER e-volution” Business Plan

On 9 June 2022, the Board of Directors of BPER Banca approved its 2022-2025 Business Plan – “BPER e-volution”, which was presented to the market the following day. The Plan lays down two major lines of growth:

- extraordinary corporate transactions;
- organic growth levers.

Extraordinary corporate transactions

The extraordinary transactions in the Plan are designed to further strengthen the BPER Banca Group's competitive position in the national arena and ensure a closer focus on its core activities, including via the disposal of non-strategic assets, which will make it possible to free up capital to be leveraged for core business growth. These include:

- *Acquisition of the Carige Group*
The integration process was completed on 28 November 2022, with the merger by absorption of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. into BPER Banca. The acquisition of control over the Carige Group carried out in June has allowed for the extension of the BPER Banca Group's footprint across the country, even in areas previously limited in coverage, and a 20% increase of its customer base, which now exceeds 5 million thanks to over 800 thousand customers acquired from Carige.
- *Branch Sale Agreement*
Sale to Banco Desio e della Brianza s.p.a. of 48 branches (of which 40 Banca Carige and 8 Banco di Sardegna s.p.a.), in order to avoid the emergence of potentially significant antitrust issues following the change of control of the Carige Group. The transaction was completed on 17 February 2023, effective from 20 February 2023 for legal purposes. Please refer to the section “Events after the reporting period as at 31 December 2022” for more details.
- *Disposal of the internal bad loan & UTP debt collection platform and implementation of the outsourced NPE servicing agreement.*
The transaction is part of the broader derisking strategy that the BPER Banca Group has pursued in recent years and involves the sale of the in-house platform for the recovery of bad loans and UTPs, with the parallel disposal of a portfolio of non-performing exposures for up to Euro 2.5 billion. In said area, on 28 November 2022, BPER Banca's Board of Directors approved the establishment of a new strategic partnership between the BPER Banca Group and the Gardant Group for the management of its impaired loans which combines the professional, industrial, IT and management skills of the two partners. The disposal of some portfolios of non-performing loans of the BPER Banca Group to AMCO and to companies controlled by funds of Elliott, Gardant's parent company, was also approved, to be implemented in 2023.
- *Disposal of the merchant acquiring business*
A strategic agreement was signed with Nexi s.p.a. on 1 June 2022 for a long-term strategic partnership to be implemented by transferring the merchant acquiring and POS management businesses to Nexi. The transaction enabled the BPER Banca Group to enhance these businesses by leveraging the degree of specialisation and the economies of scale offered by the partnership with Nexi s.p.a, while retaining a significant economic return from the merchant acquiring business for the entire duration of the agreement. The closing, as planned, took place in December 2022, allowing the BPER Banca Group to achieve a significant capital gain.
- *Deconsolidation of long-term rental company – Sifà*
The transaction makes provision for the integration of Sifà into one of the leading players in the long-term rental sector, to be finalised by the end of 2023.
- *Deconsolidation of Sardaleasing*
The disposal of the subsidiary, planned for completion within the first half of 2023 and aimed at simplifying the Group's oversight of the leasing proposition, is currently under review.
- *Creation of a Wealth Management & Asset Management hub:*
The value of Banca Cesare Ponti s.p.a. as a specialised vehicle and centre of excellence for the direct management of Private banking customers is expected to be enhanced. This transaction will maximise synergies between the distribution networks and the product companies of Asset Management and Life Bancassurance.

Organic growth levers

The Business Plan is structured into 5 project tracks that will make it possible to achieve a significant increase in profitability together with an improvement in efficiency and productivity.

- *Enhancement of the national-scale multi-specialist bank model*
The Plan aims to enhance the Group's acquired scale and proprietary product factories through the evolution of the business model to a multi-specialist approach, focusing on the following core businesses: Wealth Management and Asset Management, Bancassurance, CIB, Consumer Credit.
- *Transformation into a fee-based revenue model*
Priority is given to capital-light business models so as to increase fee and commission contribution to total revenues.
- *IT and business partnership*
The BPER Banca Group has planned to make IT development investments for over Euro 500 million, of which Euro 90 million for IT equipment renewal (including approximately Euro 40 million to strengthen IT security) and over Euro 400 million for the development of the Plan projects, completion of the extraordinary transactions and regulatory adjustments.
- *Simple, digital bank*
The objective is branch network rationalisation combined with simplification of processes to be achieved through enhanced digitalisation and omnichannel innovation of the customer service model.
- *People at the centre*
Understood as enhancement of human capital through training plans, new career paths and new workplace/models.

The project works mentioned above will be supported by 3 cross-cutting levers:

- *De-risking and credit control*
The disposal of the bad loans and UTP recovery platform together with the sale of additional NPE portfolios and improved NPE workout will contribute to structurally reducing the gross NPE ratio to less than 4% (3.6% in 2025), although very conservative assumptions regarding the development of NPE flows were made in order to reflect the "uncertain" macro-economic scenario resulting from the ongoing Russia-Ukraine conflict.
- *New model of innovation*
Innovation, understood as an accelerator of Group transformation and new growth engine. Development of an internal proposition, aimed at speeding up the time-to-market of projects and extending their ambition by leveraging: scouting of market solutions/technologies; design, incubation and acceleration of projects; search for funds to support innovation-related projects; activation of partnerships and collaboration with aggregators/fintech labs;
- *ESG infusion*
The Business Plan has traced the BPER Banca Group's line of development in ESG with the aim of creating long-term shared value by focusing on sustainability issues as part of the corporate business model. Building on its international commitments (as a signatory of the Principles for Responsible Banking and the Net Zero Banking Alliance), the BPER Banca Group intends to improve its leadership in the management of ESG issues in order to become more efficient, competitive and be a credible and reliable partner of its clients in creating a more sustainable, equitable and inclusive society.

3.2 Targets achieved in 2022

Acquisition and integration of the Banca Carige Group

After having submitted its non-binding offers on 14 December 2021 and 9 January 2022 and after carrying out a confirmatory legal, equity, tax, accounting and industrial due diligence, the BPER Banca Group, on 14 February 2022, signed the contract for the acquisition of a controlling interest equal to 79.418% of the Share Capital of Banca Carige - Cassa di Risparmio di Genova e Imperia s.p.a. (also Banca Carige or Carige), held by the Interbank Deposit Protection Fund (FITD) and by the Voluntary Intervention Scheme (the Selling Shareholders).

The contract was executed on 3 June 2022. In particular, after having obtained the authorisations of the ECB and the Bank of Italy and clearance from the Italian Competition Authority, BPER Banca - for the acquisition of the equity investment in Banca Carige - has paid a total consideration of Euro 1, subject to prior payment of a capital contribution of Euro 530 million by FITD to Banca Carige. BPER Banca has also taken over from the Selling Shareholders the subordinated debt issued by Banca Carige for a nominal amount of Euro 5 million.

Simultaneously with the acquisition of the majority of the share capital, BPER Banca started the procedure envisaged for a mandatory tender offer on the remaining 156,568,928 ordinary shares, equal to 20.582% of the Ordinary Share Capital of Banca Carige. Accordingly, BPER Banca sent the notice required pursuant to art. 102 of Legislative Decree No. 58 of 24 February 1998 (the Consolidated Law on Finance) to CONSOB and Banca Carige on 3 June 2022. As was previously announced to the

market, the price of the Mandatory Tender Offer was Euro 0.80 for each ordinary share. In conjunction with the Mandatory Tender Offer, BPER Banca also deemed it appropriate to promote a voluntary offer on the 20 savings shares of Banca Carige, at a price of Euro 25,000 each.

The full mandatory tender offer on all ordinary shares of Banca Carige and the voluntary tender offer on the 20 savings shares ended on 29 July 2022. By that date, 96,028,051 ordinary shares were tendered (equal to 12.62% of the ordinary share capital of the Issuer), to which 14,132,578 ordinary shares must be added, which were purchased by BPER outside the offer. Additionally, 1 savings share was tendered, equal to approximately 5% of the Issuer's savings share capital.

At the end of the offer, BPER Banca thus held 714,315,307⁶⁶ ordinary shares of Banca Carige equal to 93.899% of the share capital. Having reached an overall stake of more than 90% but less than 95% of the Ordinary Share Capital of Banca Carige, the existence of the conditions required for the fulfilment of the purchase obligation under art. 108, paragraph 2 of the Consolidated Law on Finance was confirmed; the terms of the offer were reopened - keeping the economic conditions unchanged - from 22 August 2022 to 9 September 2022 (the "Sell-Out").

At the end of this offer extension, also as a result of purchases on the market, BPER Banca held 731,095,957 ordinary shares of Banca Carige, equal to 96.105% of its ordinary share capital and 8 savings shares, equal to 40% of its savings share capital.

Having acquired a shareholding of over 95% of the ordinary share capital of Banca Carige, the conditions were met for the exercise of the Purchase Right pursuant to article 111 of the Consolidated Law on Finance, and for compliance with the Purchase Obligation pursuant to article 108, paragraph 1 of the Consolidated Law on Finance ("squeeze out"). On 20 September 2022, the squeeze-out right was therefore exercised on 29,627,430 ordinary shares.

With provision no. 8882 of 12 September 2022, Borsa Italiana s.p.a. had already ordered the delisting of the ordinary shares and the savings shares of Banca Carige with effect from 20 September 2022.

The sequence of events described above therefore made it possible to frame the acquisition of control of Banca Carige (and related subsidiaries) at 100% of its ordinary share capital as a single transaction, carried out according to the foregoing procedure, exclusively because Banca Carige still retained the status of issuer of listed shares.

In accordance with the indications of the IAS/IFRS reference standards, for the purposes of this Consolidated Report, BPER Banca carried out a final valuation of the assets acquired and liabilities taken on at fair value (Purchase Price Allocation - PPA), the result of which led to a "gain from a bargain purchase" or "badwill" of Euro 948.1 million. For more details, please refer to the information provided in Part G of the Explanatory Notes "Information on business combinations involving businesses or business units".

As a result of the acquisition of the controlling shareholding, BPER Banca participated in the Shareholders' Meeting of Banca Carige called on 15 June 2022 for the renewal of the resigning Board of Directors. The renewed Board of Directors of Banca Carige, reflective of the majority shareholder BPER Banca, held its first meeting on 16 June 2022.

By decree of 25 July 2022, Banca Carige was served the orders of the Court of Genoa, pursuant to art. 2378, paragraph 3, of the Italian Civil Code, requiring the suspension of the execution of the resolutions of the Ordinary Shareholders' Meeting of 15 June 2022, including the appointment of the Board of Directors and the waiver of the liability actions against two former Directors. The decree of the Court of Genoa was adopted *inaudita altera parte* upon appeal by Carige's shareholder, Malacalza Investimenti s.r.l.

The hearing for the confirmation, modification or revocation of the Decree initially set for 9 August 2022, was held on 16 August 2022. On that date, the Court of Genoa withdrew the precautionary measure previously adopted, allowing for the activities of the Board of Directors of Banca Carige to resume.

Merger by absorption of Banca Carige and Banca del Monte di Lucca into BPER Banca

On 18 July 2022, the merger by absorption of Banca Carige and Banca Monte di Lucca (hereinafter also BML) into BPER Banca was launched, by engaging the respective advisors.

On 19 August 2022, the Boards of Directors of BPER Banca, Banca Carige and BML, after the issuance of the favourable opinions by Carige Related-Party Transactions Committee and BML Independent Director, approved the Merger Plan and resolved to grant the necessary powers to call the respective extraordinary shareholders' meetings in order to approve the Merger Plan. Having examined the assessments of their respective financial advisors⁶⁷, the Boards of Directors of the companies participating in the Merger determined the exchange ratios as follows:

- 0.360 BPER ordinary shares, with regular dividend entitlement, for each Carige ordinary share, equal to 9 BPER ordinary shares for every 25 Carige ordinary shares;
- 11,234 BPER ordinary shares, with regular dividend entitlement, for each Carige savings share or, alternatively and at the discretion of the holders of Carige savings shares, 10,785 BPER privileged shares, with regular dividend entitlement, for each Carige savings share;
- 0.045 BPER ordinary shares, with regular dividend entitlement, for each ordinary share of BML, equal to 9 BPER ordinary

⁶⁶ Also included are the 219 treasury shares that were not part of the offer.

⁶⁷ The financial advisors used by the companies participating in the merger are: Mediobanca – Banca di Credito finanziario s.p.a. and Rothschild & Co Italia s.p.a. for BPER Banca; Equita SIM s.p.a. for Banca Carige and Archè s.r.l. for Banca Monte Lucca.

shares for every 200 BML ordinary shares.

On 4 October 2022, the European Central Bank issued the authorisation which the merger was subject to, i.e.: (i) pursuant to Articles 4 and 9 of Regulation (EU) No. 1024/2013 and Article 57 of Legislative Decree No. 385/93 (the "Consolidated Law on Banking") and its implementing provisions; (ii) authorisation pursuant to Article 56 of the Consolidated Law on Banking and its implementing provisions in relation to the amendments to the Articles of Association resulting from the Merger, and (iii) authorisation pursuant to Article 26, paragraph 3 and Article 28 of Regulation (EU) No. 575/2013 and related implementing provisions, for classification of the newly issued ordinary shares resulting from the capital increase as CET1 instruments.

The Extraordinary Shareholders' Meeting of BPER Banca was then formally called to be held on 5 November 2022 and resolved to approve the merger by absorption of Banca Carige and Banca del Monte di Lucca into BPER Banca, and on a number of amendments to the articles of association.

On the same day, a Framework Agreement was signed between the BPER Banca Group and the Trade Unions concerning the merger by absorption of Banca Carige and BML into the Parent Company and the IT integration of Banca Cesare Ponti, to be completed over the weekend of 26-27 November 2022.

The agreement is in continuity with the positive tradition of concertation that characterises the BPER Banca Group's Industrial Relations and allowed for the best onboarding conditions for the Carige Group employees, through the application of one single second-level economic and regulatory framework.

The merger by absorption of Banca Carige and BML into BPER Banca became effective on 28 November 2022, with accounting and tax effectiveness backdated to 1 July 2022. As a result of the merger, the share capital of BPER has increased by Euro 3,880,509 through the issue of 2,587,006 BPER ordinary shares, with regular dividend entitlement and the same characteristics as shares outstanding. Article 5 of the Articles of Association was consequently amended.

Disposal of a business unit consisting of bank branches

As part of the process of integration of the Banca Carige Group, on 3 June 2022 BPER Banca has also signed with Banco di Desio e della Brianza s.p.a. ("Banco Desio") an agreement for the sale to the latter of two separate business units consisting of 8 bank branches owned by Banco di Sardegna and 40 branches owned by Banca Carige (respectively, the "BdS business unit" and the "Carige business unit" and jointly the "Business Units"). The disposal of the Business Units to Banco Desio is designed to prevent the emergence of antitrust issues. Both Business Units include their respective legal relationships and assets and liabilities, including relationships and contracts with customers and employees belonging to each of the two Business Units.

The BdS Business Unit also includes the 5 branches that were the subject of the authorisation procedure of the Italian Competition Authority (AGCM) relating to the acquisition of Unipol Banca in 2019. The procedure was positively closed on 19 July 2022: the Authority acknowledged that, considered as a whole, the elements that had emerged during the investigation do not constitute a case of non-compliance. Furthermore, taking into account the transfer of these branches to Banco Desio, the Authority did not deem it necessary to impose new measures in addition to or in place of those envisaged by this Provision. In conclusion, in the light of all the foregoing, BPER was deemed compliant with the measures prescribed by provision no. 27842.

The total consideration to be paid under the Disposal Agreement is subject to adjustments based on the trend of the gross banking product of said Business Units until closing. Please refer to paragraph 3.5 "Events after the reporting period as at 31 December 2022" for more details.

Disposal of the merchant acquiring business

On 1 June 2022, BPER Banca and Banco di Sardegna signed an agreement to establish a long-term strategic partnership with Nexi s.p.a. ("Nexi"), to be implemented by transferring their respective merchant acquiring and POS management businesses to Nexi. Banco di Sardegna has also sold its 100% stake in Numera Sistemi e Informatica s.p.a. to Nexi, following the carve-out from Numera of the activities not relating to POS management and assistance.

The consideration for the transaction, which was Euro 304 million for the merchant acquiring business, and Euro 8.3 million for the equity investment in Numera¹⁸, allowed the BPER Banca Group to obtain an overall Euro 308.3 million capital gain from the disposal.

In 2021, the transferred business generated a total transactional banking volume of Euro 13 billion through a network of over 110 thousand retailers and approximately 150 thousand POS terminals.

The transaction is a significant development in the relationship with Nexi, PayTech leader in Europe and historical partner of the BPER Banca Group. The BPER Group thus enhanced the merchant acquiring business by leveraging the degree of specialisation and the economies of scale offered by the partnership with Nexi, while retaining a significant economic return

¹⁸ The agreement also included a deferred price component whose payment was conditional on the achievement of certain economic and qualitative targets.

from the business for the entire duration of the agreement; the partnership will further enhance the strategic component of the merchant acquiring business through a joint governance system that will make it possible to share with Nexi the process of innovation of merchant acquiring products and services for the customers of the BPER Banca Group. The payment system activities of Numera will likewise be enhanced, recognising its strategic role as a centre of excellence in the business in which it currently operates.

Having obtained the authorisations from the competent authorities, effective from 31 December 2022, the comprehensive deeds of transfer to the Nexi Group of the merchant acquiring and POS management business units and of the entire share capital of Numera Sistemi and Informatica, hence initiating, effective from 1 January 2023, the strategic long-term partnership with the Nexi Group in merchant acquiring.

De-risking and credit control - Framework Agreement with Gardant and AMCO for the creation of a strategic partnership for the management of NPEs

As highlighted above, the strategic development lines of the “BPER e-volution” Plan identify “de-risking and credit management” as one of the three cross-cutting levers of the Plan, with major impact also on the SREP process.

On 28 November 2022, the BPER Banca Group entered into the agreements for the creation of a strategic partnership with the Gardant Group for the management of the BPER Banca Group's non-performing exposures and the sale of some portfolios of non-performing exposures of the BPER Banca Group to AMCO and to subsidiary companies of Elliott, the parent company of Gardant s.p.a., to be completed in 2023.

The strategic partnership will be established through a joint venture between the BPER Banca Group and the Gardant Group, which will combine the professional, industrial, IT and management skills of the two partners.

The joint venture will focus on the management and recovery of assets classified as both unlikely-to-pay exposures (UTPs) and bad loans and will manage part of the non-performing exposures being disposed of under the framework agreement, part of the retained stock owned by the BPER Banca Group, as well as 90% of future potential new UTP flows and 50% of the future potential new UTP flows of the BPER Banca Group, under a 10-year master servicing agreement.

The joint venture, worth approximately Euro 150 million, will be 70% owned by Gardant and 30% owned by BPER Banca.

The offer also envisages the sale of the BPER Banca Group's non-performing exposures, which will allow the continuation of the derisking path. The transactions are subject to obtaining the required regulatory authorisations.

In particular, the framework agreement includes:

- the sale to AMCO of a bad loan portfolio; the transaction was completed on 15 December 2022 with the disposal of a portfolio of bad loans for Euro 1.046 billion,
- the sale of a UTP portfolio of approximately Euro 0.5 billion in GBV to be finalised by the end of the first half of 2023 as part of a securitisation transaction, in which companies controlled by funds of Elliott will underwrite 95% of the mezzanine and junior notes and BPER Banca will underwrite the senior notes and the remaining part of the mezzanine and junior notes;
- the potential sale, still under negotiation between BPER Banca and AMCO, of an additional UTP portfolio of approximately Euro 0.5 billion in gross payable value, to be completed during the first half of 2023.

As part of the NPE derisking process, in 2022, single-name disposals of bad loans were finalised for a gross book value of approximately Euro 103 million. These sales are in addition to the UTP portfolio disposals made to investors and mutual investment funds specialising in debt recovery for an overall amount of Euro 147.7 million.

Renewal of bancassurance agreements with the Unipol Group

On 22 December 2022, BPER Banca finalised the renewal of bancassurance agreements with the Unipol Group for the distribution of life and non-life insurance policies of the companies “Arca Vita”, “Arca Assicurazioni” and “Arca Vita International”, as well as the “healthcare” products of the company UniSalute. The renewal of the partnership, which, as it did before, also involves Banca Popolare di Sondrio s.p.a., will have a five-year term starting from 1 January 2023 and is essentially a continuation of the previous agreements in place, with a view to strengthening the relationship in place between the BPER Banca Group and the Unipol Group, in line with the announced strategic decision of BPER relating to growth in the insurance sector geared towards the development of bancassurance. As part of the transaction, the three main shareholders of “Arca Vita” (UnipolSai, with 63.39% of the share capital, BPER Banca, with 19.67%, and Banca Popolare di Sondrio, with 14.84%) renewed, for the same period as for the Bancassurance agreements, the shareholder agreements and the rules that govern the circulation of the insurance company's shares.

3.3 European Single Supervisory Mechanism (SSM)

BPER Banca and its banking Group are among Europe's significant institutions supervised directly by the ECB¹⁹.

Consistent with the European SSM, BPER Banca has organised a process of ongoing dialogue 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 24 January 2022, after completing the 2021 annual SREP prudential review and evaluation process, the BPER Banca Group received notification from the ECB of the latest prudential requirements to be met on a consolidated basis pursuant to art. 16 of the Regulation (EU) 1024/2013. Subsequently, on 31 August 2022, the ECB notified BPER Banca of its updated decision on the SREP requirements applicable to the Group following the acquisition of Banca Carige Group. Based on the outcome of the SREP, the ECB decided that BPER Banca is required to maintain, on a consolidated basis, an additional Pillar 2 requirement²⁰ of 2.61% (vs. prior requirement of 2.30%). This requirement shall be held in the form of at least 56.25% of CET1 instruments and 75% of Tier 1.

The capital requirements for 2022 established in the SREP Letter 2021²¹ (as amended as at 31 August 2022), are shown below:

- Common Equity Tier 1 Ratio: of 8.47%, 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) no. 1024/2013 (P2R component of 1.47%), plus the capital conservation buffer in accordance with art. 129 of Directive 2013/36/EU as transposed into national law (2.50%);
- Tier 1 Ratio: of 10.46%, being the sum of the minimum requirement pursuant to art. 92 of Regulation (EU) 575/2013 (6.00%), plus the additional Pillar 2 requirement in accordance with art. 16 of Regulation (EU) no. 1024/2013 (P2R component of 1.96%), 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 13.11%, 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) no. 1024/2013 (P2R component of 2.61%), plus the capital conservation buffer in accordance with art. 129 of Directive 2013/36/EU as transposed into national law (2.50%).

In accordance with the new 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.

These quantitative capital targets are accompanied by qualitative requirements for reporting to the ECB, including the achievement of the targets set in the Business Plan and the management of Non-Performing Exposures (NPEs)²².

It should also be noted that, on 9 December 2022, as a result of the "pragmatic approach for SREP 2022" adopted by the ECB following the acquisition of the Carige Group, BPER Banca received an additional letter which confirmed the validity of the content of the SREP Letter of 24 January 2022 and the associated amendment of 31 August 2022, in particular with reference to the minimum capital requirements to be observed.

As regards the interventions carried out as at 31 December 2022, with effects on the SREP process of the BPER Banca Group, it should be noted that the Supervisory Authority, with its BCE-SSM-2022-ITPER-1 decision of 24 January 2022, has instructed the BPER Banca Group to submit, by 31 March 2022, an update of the 2022-2024 three-year strategic and operational plan to manage its level of non-performing exposures. On 29 March 2022, the Guidelines for the 2022-2024 NPE Strategy were presented and approved, developed on a "stand alone" basis with the underlying rationale being the macroeconomic scenario prior to the Russia-Ukraine conflict, which preserved a prudential approach in the estimates but set ambitious targets. These targets were revised and updated on 9 June 2022, when BPER Banca approved the new 2022-2025 Business Plan "BPER evolution", which incorporates not only the acquisition of the Carige Group but also a macroeconomic scenario updated considering the Russia-Ukraine conflict in its definition of the non-performing exposure target. The disposal of the in-house bad loans and UTP recovery platform and subsequent activation of the NPE servicing, together with the sale of additional NPE portfolios and improved NPE workout has contributed to reducing the gross NPE ratio, although very conservative assumptions regarding NPE flows were made in order to reflect the macro-economic scenario described above. On 7 July 2022, BPER Banca

¹⁹ 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) in particular, as it has to perform its functions in compliance with EBA regulations.

²⁰ Regulation (EU) 1027/2013, art. 16 (P2R component).

²¹ For the capital requirements of BPER Banca, please refer to section 6.2 "Own funds and capital ratios".

²² The ECB recommended that BPER Banca should implement, only for Pillar 2 regulatory purposes, a linear adjustment of its coverage levels for the stock of non-performing loans outstanding at 31 March 2018 until full coverage is achieved, with the following objectives:

- for secured NPEs older than 7 years, achieve 70% coverage by year end 2023, with a linear adjustment path to full coverage by year end 2026;
- for unsecured NPEs older than 2 years, achieve 80% coverage by year end 2023, with a linear adjustment path to full coverage by year end 2025.

The Basel III accords state that banks must monitor their own financial leverage ratio, calculated as the ratio between the institution's Tier 1 Capital and the sum of its exposures, according to the provisions of art. 429 of Regulation 575/2013.

then detailed and approved the NPE Strategy and its action plan in line with the guidelines of the 2022-2025 Business Plan. During the second half of 2022, BPER took part in the targeted review launched by the ECB and aimed at analysing the possible impacts of any interruption to gas supplies from Russia. BPER Banca also commenced the preliminary analyses for the exercise of the EBA regulatory Stress Test for 2023, which must be carried out in the first half of 2023.

3.4 Other significant events

Evolution of BPER Real Estate (former Nadia s.p.a.):

Change of name and increase in share capital

On 28 April 2022, the Extraordinary Shareholders' Meeting of the company was held, which resolved to change the company's name to BPER Real Estate (former Nadia s.p.a.) and increased its share capital from Euro 127,307,361 to Euro 138,694,095.

The paid capital increase, reserved for the shareholder BPER Banca, was effected via the contribution in kind of a property consisting of two owned "ground to roof" civil buildings. The new ownership structure of the company after the share capital increase is as follows: BPER Banca owns 1,130,882 shares representing 70.938% of the share capital and Banco di Sardegna owns 463,303 shares representing 29.062% of the share capital.

These changes became effective from 3 May 2022, after the notarial deed was registered with the Modena Companies Register on the same date. The change concerned only the company name, while the registered office did not change. The company continues to be registered in the BPER Banca VAT Group.

Evolution of Sardaleasing

Share capital increase

On 24 March 2022, the Shareholders' Meeting of the subsidiary Sardaleasing was held, which has resolved on the following actions on the share capital:

- reduction in the amount of the loss for the year 2021, equal to Euro 28,429,614, as a result of the application of Article 2446, paragraph 1, of the Italian Civil Code (reduction of shareholders' equity for losses of more than one third of the share capital);
- subsequent share capital increase for consideration in divisible form, for a total maximum amount of Euro 59,920,000, to be executed by 30 April 2022, through the issue of a maximum of 4,280,000 ordinary shares with no par value, with regular dividend rights, to be offered under option to those entitled thereto pursuant to Article 2441 of the Italian Civil Code in the ratio of 8 new shares for every 17 old shares held at the price of Euro 14.00 per share.

The recapitalisation was made necessary by the significant decrease in capital ratios as a result of the negative trend in the company's economic results, mainly due to: i. the de-risking process, which has also characterised the 2021 financial year, and ii. the further increase in loan loss provisions, particularly referring to the oldest non-performing exposures.

As a result of the aforementioned actions, the share capital amounts to Euro 184,122,460 (as at 31 December 2021 it amounted to Euro 152,632,074).

Acquisition of leases from Banca Carige

On 24 November 2022, Sardaleasing acquired in bulk the leases originated by former Banca Carige, pursuant to article 58 of the TUB (Consolidated Law on Banking).

The transaction entailed the migration to Sardaleasing of 1,273 accounts (predominantly real estate) for a nominal GBV of roughly Euro 403.7 million (of which Euro 101.3 million classified as NPE) at a price of Euro 318.8 million.

In 2023, the process of formalisation of the properties will be completed, whose ownership could not be transferred to Sardaleasing at closing, whereas all legal relations and loans effective from 25 November 2022 were transferred under the ownership of the company.

Disposal of the pledge lending business unit

On 30 September 2022, the BPER Banca Group – through the subsidiaries Banca Carige and Banca del Monte di Lucca – finalised the sale of its pledge lending business line to Affide (Custodia Valore – Credito su Pegno s.p.a., Dorotheum Group). The

transaction, approved by the competent authorities, took effect from 1 October 2022.

The total consideration paid to the BPER Banca Group for the transaction was Euro 8.75 million, corresponding to a gross capital gain of Euro 7.6 million.

The transaction involved the transfer to the new ownership of 4 branches alongside their customer portfolios and 15 resources operating in pledge lending.

For the BPER Banca Group, this transaction was consistent with its strategy to focus on core banking activities.

Internal restructuring of the GPM segment

On 18 November 2022, the Board of Directors of Banca Cesare Ponti resolved the transfer to BPER Banca - as a bulk transfer of Legal Relations pursuant to article 58 of the Consolidated Law on Banking and the relevant supervisory provisions - of the portfolio comprising asset management accounts, for a total of roughly Euro 473 million of Assets under Management as at 30 September 2022. The transfer, concluded on 25 November 2022, involved 7,223 asset management accounts for a total amount of approximately Euro 475 million, and was completed for a consideration of Euro 7 million, without the need to make price adjustments based on the actual volume of assets transferred at the date of legal effectiveness of the transaction (28 November 2022) with respect to the perimeter of the transfer at the reference date (30 September 2022).

BPER Banca VAT Group

The BPER Banca VAT Group has been operational since 1 January 2019 as a VAT payer regulated by the EU legislation introduced into Italian law (Law 232 of 11 December 2016). This taxpayer replaces the individual participants, limited to the scope of application of value added tax, which otherwise retain distinct legal status from a legal, accounting and fiscal standpoint. The option to join the Group VAT system is valid for three years; on expiry, it is automatically renewed from year to year, unless revoked.

Effective from 1 January 2020, the companies Arca Holding s.p.a., Arca Fondi SGR s.p.a and Finitalia s.p.a are part of the Group VAT system of BPER Banca (the latter acquired control of them²³ in 2019).

Effective from 1 January 2023, the companies Banca Cesare Ponti s.p.a., Carige Reoco s.p.a., Carige Covered Bond s.p.a. and Commerciale Piccapietra s.r.l. joined the Group VAT system of BPER Banca (the latter acquired control of them in 2022). They were able to join the VAT Group because the constraints envisaged in art. 70-bis of D.P.R. 633/1972 were jointly satisfied.

Moreover, the VAT Group has been changed following the mergers by absorption that took place in 2020 and 2021, which resulted in the cessation of the subsidiaries Cassa di Risparmio di Bra and Cassa di Risparmio di Saluzzo and Tholos. In addition, note should be taken of the exit from the VAT Group of the company Numera s.p.a. effective from 1 January 2023, the control over which was lost, pursuant to article 2359 of the Italian Civil Code, following the extraordinary transaction completed with the Nexi Group.

3.5 Events after the reporting period as at 31 December 2022

Internal reorganisation of the BPER Banca Group

Merger by absorption of Italia Valorizzazioni Immobili into Carige REOCO

Following the completion of the merger by absorption of Banca Carige into BPER Banca, the latter acquired the 100% direct equity investment in Carige REOCO s.p.a., with registered office in Genoa.

As part of the initiatives targeted at rationalising and simplifying the real estate portfolio of the BPER Banca Group, in December 2022, the Boards of Directors of Carige REOCO and Italiana Valorizzazioni Immobiliari, a real estate company wholly-owned by BPER Banca, with registered office in Milan, approved the plan for the merger by absorption of IVI into Carige REOCO.

The plan was drafted in simplified form, pursuant to art. 2505 of the Italian Civil Code, making provision for the full control of both companies participating in the merger; it was filed in the Register of Companies of Milan Monza Brianza and Genoa on 15 December 2022. The merger is expected to take effect from 1 April 2023 for legal purposes and from 1 January 2023 for accounting and tax purposes.

²³As defined in article 2359, paragraph 1 of the Italian Civil Code.

Merger by absorption of BPER Credit Management into BPER Banca

As part of the agreements that will lead to the creation of the joint venture with the Gardant Group (discussed in the previous paragraphs), on 6 February 2023, the plan for the merger by absorption of BPER Credit Management (BCM) into BPER Banca was filed with the Modena Companies Register, having obtained the necessary authorisations from the Supervisory Authorities. The merger resolutions were passed by the Boards of Directors of BCM and BPER Banca on 2 March 2023 and 11 March 2023 respectively.

The merger deed is expected to be stipulated and take effect by next 31 March 2023.

Incorporation of the company Annia srl

On 6 February 2023, the company Annia s.r.l. was incorporated, wholly-owned by the company Italiana Valorizzazioni Immobiliari.

The company was incorporated in execution of the resolutions passed by the Parent Company in 2022, aimed at defining the management of a UTP loan of BPER Banca.

Therefore, over the next few weeks, the company will acquire full ownership of the real estate collateral through the disposal of the business unit, in order to proceed with the professional development of the real estate portfolio and maximise the repayment of the credit position.

It should be noted that prior to the transfer of the business unit, the mortgage loans were renegotiated.

Reorganisation of the real estate portfolio of the BPER Banca Group

On 8 February 2023, BPER Banca's Board of Directors resolved the transaction relating to a paid share capital increase of BPER Real Estate, in indivisible form, excluding the option right, pursuant to article 2441, paragraph 4 of the Italian Civil Code, to be reserved for subscription for the Parent Company BPER Banca, through the issuing of new ordinary shares to be paid in kind through the contribution of some property units at the value resulting from the valuation of the appointed expert, in accordance with article 2343-ter of the Italian Civil Code relating to 31 December 2022, and at the share issue prices that will be determined by the subsidiary's Board of Directors, by enlisting the help of an independent advisor.

Transfer to Banco Desio of 48 bank branches

On 17 February 2023, the final agreements were signed for the transfer to Banco di Desio e della Brianza s.p.a. of two separate business units consisting of 8 bank branches owned by Banco di Sardegna and 40 branches owned by BPER Banca, stemming from the merger by absorption of Banca Carige.

The transfer of the business units, which took legal effect on 20 February 2023, is part of the overall transaction for the acquisition, signed on 3 June 2022.

At the date of approval of these consolidated financial statements, the definitive perimeters of the business units transferred are still in the process of being defined, so that the considerations due between the parties also based on the gross banking products transferred can be determined.

4. Creation of value for the stakeholders of the BPER Banca Group

4.1 Introduction

More detailed information dedicated to human resources, customers, overall ESG (Environmental, Social, Governance) issues and related risk components is contained in the Consolidated Non-Financial Statement ("Consolidated DNF") of the BPER Banca Group as at 31 December 2022, prepared pursuant to Legislative Decree no. 254/16. The latter constitutes a separate report (Sustainability Report) with respect to this Report on Operations, as required by Article 5, paragraph 3, letter b) of Legislative Decree No. 254/16, and is available on the corporate website <https://istituzionale.bper.it>.

4.2 Sustainability targets of the BPER Banca Group

In the BPER Banca Group's view, sustainability should be understood as a real driver of global development, capable of improving competitiveness and building shared value for all stakeholders. The Bank is continuing along its path of sustainable growth with increasingly challenging goals, as set out in the United Nations 2030 Agenda for Sustainable Development and the principles of the UN Global Compact, which the Bank has been a member of since 2017.

In July 2021, BPER Banca became a signatory of the UN Principles for Responsible Banking (PRB), a programmatic document for the sustainability of the banking sector developed in partnership with UNEP and, in March 2022, it also joined the Net-Zero Banking Alliance, the initiative promoted by the United Nations with the goal of accelerating the sustainable transition of the banking sector through the commitment of the member banks to align their portfolios, loans and investments with the achievement of the net-zero emissions target by 2050. The alliance includes 40% of the global banking industry, with over 119 signatories from 41 countries and 70 trillion dollars in assets, equal to 39% of global banking assets.

BPER Banca has additionally been included in the new MIB ESG index of Borsa Italiana (a company of the Euronext Group) for domestic blue-chips, which tracks major Italian listed issuers with best ESG practices. Launched by Euronext in partnership with Vigeo Eiris (part of Moody's ESG Solutions), it combines economic performance measurement with ESG considerations in line with the principles of the UN Global Compact.

In 2021, BPER Banca published, on its company website, the Framework needed to define the perimeter and methods of intervention on the ESG Bond market. The Framework, which explains the procedure for assessing the impact of the sustainability and ethical practices of the Group, has been integrated into the corporate strategy with a view to aligning the interests of all stakeholders and defining the scope and methods of intervention on the ESG Bond market. The Group has obtained a certification for its Framework from Institutional Shareholder Services companies group (ISS), an independent entity with expertise in environmental, social and sustainability matters: Second Party Opinion (SPO).

The document is currently being updated.

To complete the major strengthening of ESG governance initiated in 2021 through the creation of a Board-internal sustainability committee and a dedicated function, the "ESG Policy" was approved, which sets out the principles that inform the rules required to ensure i) integrity and transparency, ii) social development, iii) honest business practices and customer protection, iv) protection of workers, diversity and equal opportunities and v) incorporation of sustainability in value creation and environment protection, identifying the functions that are responsible for these activities.

The incorporation of the principles of sustainability into the value chain exemplifies, first of all, the Group's ongoing commitment to reconciling economic targets with social and environmental objectives (including those of combating climate change), with a view to generating value for the company, stakeholders and communities, while enhancing positive environmental and social reverberations and avoiding or minimising negative impacts.

BPER Banca has in fact decided to structure its own route to sustainability through the adoption of an integrated strategy, capable of combining business growth and financial strength with social and environmental sustainability, thereby creating long-term shared value.

The policy also introduces a new job statement defined within the corporate organisation connected with the role of the ESG Manager. The role of the ESG Manager is identified in the organisational structure of both the Parent and the Group companies and lies with the Head of the organisational function in the General Management that is most involved in ESG-specific issues, or that is considered to have the best competence to perform the activities.

A total of 30 ESG managers have been appointed to date, distributed throughout all Departments and in the main subsidiaries. The incorporation of ESG factors into risk, credit and investment policy management processes is also continuing; in fact, the "Policy on ESG investments in the Management of the Group's Proprietary Portfolio" and the "ESG Policy on credit granting" have been approved.

Complementing the above, the Business Plan presented on 10 June 2022 has traced the Group's line of development in ESG with the aim of creating long-term shared value by focusing on sustainability issues as part of the corporate business model. Building on its international commitments, the Group intends to improve its leadership in the management of ESG issues in order to become more efficient, competitive and be a credible and reliable partner of its clients in creating a more sustainable, equitable and inclusive society.

Environmental

- External Transition: support for the green transition of companies and households by earmarking a ceiling amount of over Euro 7 billion for green loans (specific sectors/supply chains, NRRP, tax bonuses, green mortgages);
- Internal transition: identification of a science-based emissions reduction target, aligned with the 1.5°C scenario deemed necessary to achieve the targets of the Paris Agreement (-50.2% by 2030) of -23% by 2025; energy efficiency activities are contained within an Energy Plan with its baseline in 2021 and expected closure by 2025.

Social

- Strong community orientation: allocation of Euro 15 million to sustain activities that support communities and local development;
- Youth initiatives: financial literacy and ambitious nationwide projects that will involve more than 400,000 young users over the Plan period; an advanced training project for the most deserving students is also planned, in collaboration with Università Cattolica del Sacro Cuore ("loans of honour");
- Strengthen the service model for Non-Profit Organisations with dedicated produces and increase lending;
- Definition of a Diversity & Inclusion project: unitary vision of the Bank on the issues of DE&I (Diversity, Equity and Inclusion) which impacts on the BoD, Board of Statutory Auditors, Top management, employees and subsidiaries with concrete objectives in terms of gender diversity and equal pay, to be measured annually and reported in the NFS;
- Dissemination of the "ESG Culture" and specific training activities: awareness raising and involvement of the entire company population on sustainability issues and upskilling and reskilling actions aimed at over 50% of employees;
- Initiatives in support of culture and promotion of art and museum heritage;
- Actions to encourage agile work and life/work balance including via a different management of employment locations (new workplace).

Governance

To complete the major strengthening of ESG governance, already initiated in 2021 through the creation of a Board-internal sustainability committee and a dedicated function, reporting directly to the BoD, the following interventions were put in place:

- incorporating ESG targets in Management's long-term incentive system with KPIs weighing 15% of the total;
- redesigning the internal Organisational Model to define roles and responsibilities in ESG (ESG Policy).

Other interventions:

These relate to cross-company initiatives which make provision for:

- Integration of ESG factors into risk, credit and investment processes;
- 25% expansion of the offering of ESG investment products and 25% increase in ESG-related assets under management compared to 31 December 2021 (Euro 12.7 billion);
- Incorporating ESG criteria in the Bank's procurement choices (through minimum environmental criteria and supplier ESG assessment)

A point-in-time reporting of the aforementioned objectives, as achieved in 2022, is available in the 2022 Non-Financial Statement.

4.3 Market positioning

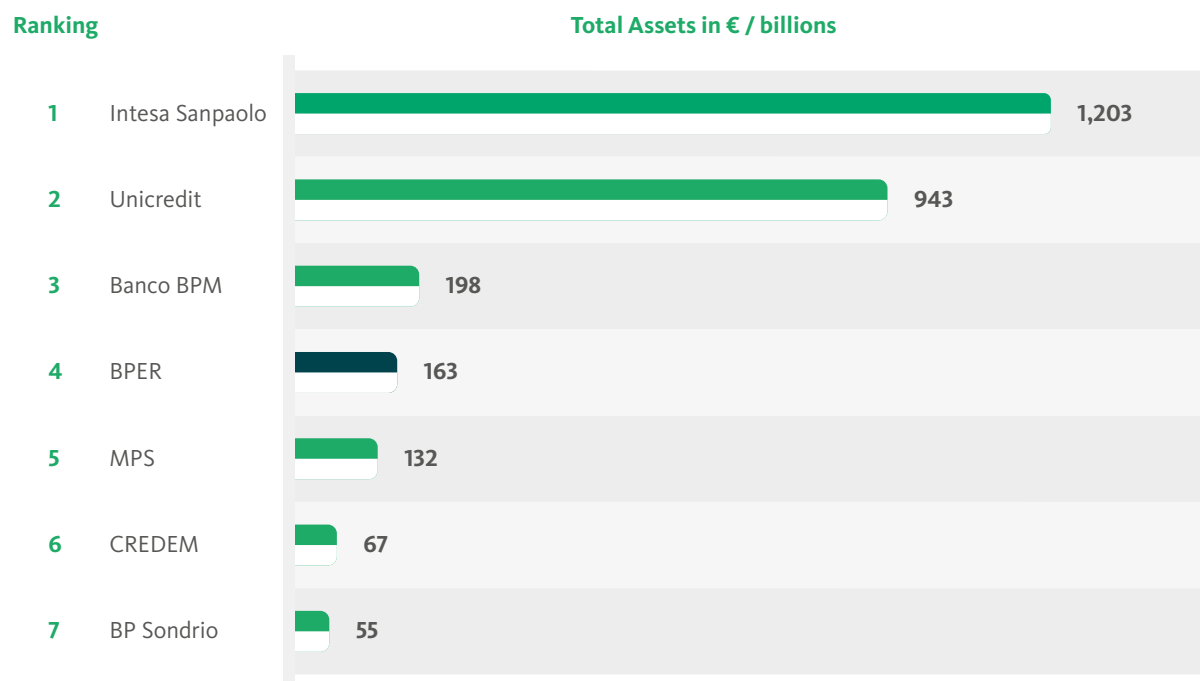
The BPER Banca Group operates mainly in the traditional banking sector, i.e. loans and deposits and providing credit to customers, who are mainly represented by households and small and medium-sized corporates.

The Parent Company BPER Banca operates throughout the country, except for the Sardinia Region which is overseen by Banco di Sardegna.

At 31 December 2022, the Group's network consists of 1,914 branches located in all Italian regions and one branch office in the Grand Duchy of Luxembourg, with a domestic market share, updated to 30 September 2022, of 9.35%. On the Italian banking scene, the BPER Banca Group ranks fourth by total assets and loans.

Positioning with respect to competitors

Figures at 30 September 2022 (total assets in Euro/billion)



Source: Management reporting and benchmarking of Banking Groups' financial statements at 30.09.2022

Within the domestic banking system, the BPER Banca Group's market share of loans to customers, excluding bad loans, was 5.13% at 30 September 2022, while its market share of deposits was 5.44%.

	Loans		Deposits	
	September 2021	September 2022	September 2021	September 2022
Producer households	7.50%	8.77%	8.71%	9.58%
Consumer households	4.79%	5.79%	4.27%	5.02%
Corporates	5.12%	6.03%	5.99%	6.45%
Total customers	4.35%	5.13%	4.87%	5.44%

4.4 Lending policies

The BPER Banca Group is operating in a context, the main dynamics of which have been illustrated in Chapter 1. "The macroeconomic context" is characterised for 2023, in summary, by expectations of an economic slowdown, continuing the

trend observed in the second part of 2022, impacted by the effects of the inflationary dynamics and the energy shock, as well as the change of tack of monetary policy, which went back to being restrictive. Elements of uncertainty persist related to the duration and the impacts of the conflict between Russia and Ukraine.

In particular, in the face of the constantly evolving context, in July 2022 the Group carried out a targeted review of its Credit Policy guidelines, with the aim of strengthening the supervision and support of the specific industrial micro-sectors considered most impacted by the macroeconomic effects (i.e. commercial channels, procurement of raw materials, outlet markets, increase in production costs) of the war crisis.

In the Autumn months, specific guidelines were provided on specific sectors and customer segments exposed to unexpected market trends (e.g. customers operating in the energy sector, exposed to the imbalances generated by the gas price shock which led to new short-term liquidity needs).

Guidelines were confirmed for attaching priority to the promotion of "green" financing and "technological innovation", cross-cutting all sectors of the economy and capable of ensuring greater competitiveness for recipient companies. The operations connected with the achievement of the objectives defined under the National Recovery and Resilience Plan (NRRP) were also confirmed.

Specific guidelines have been prepared for the Group's Product Companies, in consideration of the intrinsic characteristics of the products being distributed (lease, factoring, personal loans and salary-backed loans) and the lower risk profile with respect to similar banking transactions.

4.5 Management and development of the Information System

Given the banking nature of the BPER Banca Group, research, development and innovation activities are mainly aimed at studying the possible application of technological innovations in customer relations, to improve and expand the range of products and services offered, and in internal company processes, to simplify them and make them more efficient.

Information Technology Area:

The CIO area is continuing to work on its projects according to the main strategic guidelines identified for Information Technology, in the following areas:

- *Digital and data centric application architecture*: updating of the Bank's application architecture, modernisation of the obsolescence areas of the information system and industrialisation of the delivery operating model.
 - with a view to updating the architecture, the acquisition of the Oracle suite was completed, which provides for the expansion of the configuration of the designated platforms (Exadata systems), including archiving software and the updating of the reference storage systems;
 - as part of the process of strengthening the digital offering developed on the basis of customers' needs and the gradual increase in sales through remote channels, the second half of 2022 saw further developments made to the Mobile Banking App released in the first half and the overhaul of Internet Banking was completed.
- *Hybrid Cloud infrastructure*: rationalisation of data centres and renewal of central infrastructures, to improve the stability, resilience and performance of the services provided.
 - as part of the upgrade of the Central Infrastructure, the release of a testing environment for performing technical and functional tests was completed, ensuring better quality of software releases;
 - improvements were also made to continue the incremental process of reducing the technology debt and gradually replace the tracking infrastructure.
- *Centralised and Agile IT Governance*: evolution of IT Governance at Group level, with updating of the operating model and the IT framework processes;
 - evolution of the IT Project Management process: set-up completed to guarantee structured vertical coverage of IT governance of all relevant projects of the 2022-2025 Business Plan, as well cross-monitoring at Business Plan level;
 - for the IT Vendor Management domain, the model for the monitoring of Vendor Governance on Application Maintenance tenders was consolidated; the optimisation of the tender awarding steps and the relevant monitoring is in progress.
 - for the IT skills and competencies development area, in agreement with HR, strategies have been developed to attract and retain digital talents, with the preparation of an ad hoc training initiative on IT structures that includes the introduction of an *IT Technological Observatory* to disseminate knowledge of the domain.
- *Industrialised IT integration*: the industrialisation of the IT operating model has been completed with a view to managing the technological activities associated with M&As and achieving a higher level of technological capability to increase productivity during the integration processes;

IT Security Area:

In view of the external and internal context (including the Ukrainian-Russian crisis, the acquisition of the Carige Group and the constant increase in threats), BPER raised its security levels in order to mitigate the risks to which it is exposed. In addition, based on the 2022 Operating Plan, defined in accordance with the contents of the 2022-2025 Strategic Security Plan, the Security & Business Continuity Service identified specific initiatives.

The following activities were finalised at technical and process level in 2022:

- completion of the cycle of security tests on the IT system, in order to identify potential security vulnerabilities and assess their severity (vulnerability assessment). These checks made it possible to identify the right mitigation mechanisms, reducing exposure to the risk of cyber attacks. Part of these security tests were performed in the same ways in which cyber attacks are perpetrated (penetration tests), and some of these were carried out according to the Red Team mode, or without prior communication to the internal work teams (Security Operation Centre - SOC, Network team, etc).
- enhancement in the Identity Governance & Management domain, in order to allow precise governance of IT permissions for internal and external users through the development of corporate tools and completion of the Role Mining project (aimed at identifying the functionalities related to IT profiles in order to determine combinations of "toxic" enabling permissions);
- streamlining of the process of appointing System Administrators, pursuant to the Provision "Measures and arrangements applying to the controllers of processing operations performed with the help of electronic tools in view of performing the task of system administrator", published by the Italian Data Protection Authority; the system in place makes it possible to guarantee the necessary privileges only to the persons appointed, respecting the security principles defined by the Supervisory Instructions for banks contained in Bank of Italy Circular no. 285 of 17 December 2013;
- enhanced centralisation of alarms and video surveillance systems of branches at the BPER Banca Control Room, with a view to making costs more efficient and standardising the operating model of the controls;
- implementation of new tools targeted at promptly identifying security vulnerabilities in the IT system;
- strengthening of the security events monitoring system, in order to adapt it to the external conditions and identify anomalous events in a more structured manner;
- activation of debt card anti-fraud services and evolution of the anti-fraud solution for the Home Banking platform, in order to block fraudulent transactions;
- introduction of multifactor authentication to enable privileged user accounts to securely access production systems;
- review of the internal security regulatory framework through the updating of the Group Regulation of the Security Management macro-process;
- identification of the criteria for the measurement of third-party security risk, in order to monitor the adequacy of the security safeguards put in place by suppliers.

Data & Analytics:

In the area of the Chief Data Officer (CDO), the following main activities are highlighted:

In the field of artificial intelligence:

- advanced analytical models were created in various areas:
 - the new "Share of wallet estimation" model to support Antichurn initiatives, in conjunction with the branch reduction plan of May 2022;
 - new "Financial Statements' Opinions Assessment" model, including the integration of business policies;
 - new "SOS identification support" model;
 - New "Behavioural Segmentation" model;
 - new "Needs and Interests" / "TALENT" models;
 - PoC developed of the PoC Document Digitalisation Model;
 - update of Antichurn models;
 - update of "Credit Targeting" model (conversion from SAS language to Python).
- Initiatives were carried out to collect and define a portfolio of artificial intelligence use-cases with an impact on costs and the program for their implementation was structured in collaboration with a broad perimeter of bank functions.. In addition, a new work methodology based on work groups was defined, called "Labs", comprised of business roles (including employees in the CDO area) and IT roles. The revision of the process of delivery of use-cases with all authorising structures was defined;
- as part of the Advanced Analytics Education project, basic and advanced technical training on the subject of artificial intelligence models was prepared and provided. As part of info-sharing training, the introductory course on artificial intelligence was provided to various company areas;
- As part of the tools for the creation and use of artificial intelligence models, the AI LAB, the laboratory for the creation of AI models, has been established. The architecture of AI Toolchain, the infrastructure that enables the industrialisation and roll-out of artificial intelligence models, was defined in order to make the result of their execution available to the Bank's functions. In addition, the tender for the assignment of the platform on which the AI Toolchain will be based was launched and concluded. The solution chosen was Google Vertex AI/Google Cloud Platform;

- in relation to AI Ethics & Value, a “carnet” was issued relating to business and technical KPIs. The basic AI Governance process was launched, regarding the models developed in 2021 and 2022 by inserting business, value and technical KPIs. In addition, the business requirements were defined relating to the AI Governance platform.

In the area of Data Governance and Data Strategy:

- Following the onboarding of the new Group CDO, the new Data Governance model was introduced, formalised in the document approved by the BoD of the Parent Company: Group Regulation of the Data Governance and Management Macroprocess in which the BPER Data Governance and Management Framework is formalised and applied, creating a single vision of the data house and strengthening Data Quality controls on the information assets.
- In compliance with the reference regulations, such as Circular no. 285/2013 of the Bank of Italy and a series of principles to strengthen the capacity for the aggregation of risk data and facilitate the resolution of banking crises implemented by the Basel Committee on Banking Supervision (BCBS), the following reports were produced:
 - 2021 Annual Data Governance Report on the results for the year 2021 and the main activities in progress or being implemented in 2022;
 - "The BCBS-239 Programme in BPER" as at March and September, which highlights the phased-in adoption of the principles for the production of risk reports.
- Planning for the 2022-24 Business Plan project "Data Driven Bank" has started: in response to the strong Data Driven push and in continuity with previous planning, one single, certified view of company data is guaranteed through: BCBS 239 stage 2. Initiatives were planned targeted at improving processes for data aggregation and risk reporting, in compliance with BCBS239 principles; in respect of which a communication was sent to the supervisory authorities with 2 updates on the plan progress status.
- Management Reporting, to govern the production process of reports intended for top management by providing one clear view of company information and information ownership;
- BPER Data Platform, to create a logical architectural model that simplifies the use of data by the user;
- Activation of Permanent Data Quality Working Groups, to facilitate coordination between the various players in the remediation process and facilitate the management of more complex issues.
- Supervision of relevant projects: support for business functions in carrying out relevant project initiatives in the data domain, for the correct “by design” application of the correct data governance controls and the pursuit of a “data-driven” business approach.
- Data Classification: an initiative was launched for the identification of personal and “sensitive” data within the Corporate Information System, enabling data protection strategies; data masking pilot launched in non-production environments.
- Unique Key: the project that aims to generate a new element, created simultaneously with the generation of a new account and later “following” it, completely unchanged, over its entire life in the Group’s information systems by identifying it uniquely.
- DGHUB: an initiative was launched to implement and finalise a tool to support the various Data Governance players to provide an up-to-date snapshot of the information assets situation and the actions that need to be taken to support their value and quality.
- Community: a programme was launched with the goal of defining a meeting space for the company and a training plan on Data Governance issues was identified to disseminate a culture of data and the frameworks adopted.
- Process of Data Due Diligence of corporate acquisitions: formalisation of an operating guide to anticipate and mitigate any data-related problems and identify the remediation actions targeted at correcting any anomalies, promoting as linear a migration as possible.

4.6 Real estate sector

Within the BPER Banca Group, real estate is overseen by the REAM (Real Estate Active Management) Service, which is part of the Deputy General Management of the Strategy, Finance & Innovation Area; this service aims to ensure the strategic and unified management of the Group's real estate assets, while also promoting the development of strategic real estate activities that are synergic with the Bank's business.

At 31 December 2022, the BPER Banca Group had the following real estate companies:

- BPER Real Estate s.p.a. (BPER RE), with registered office in Modena and an investee of BPER Banca s.p.a. (control) and Banco di Sardegna s.p.a., manages and enhances the value of the Group's property assets (partly used in banking operations);
- Italiana Valorizzazioni Immobiliari s.r.l. (IVI) based in Milan and controlled by BPER Banca s.p.a., active in the management and value enhancement of real estate assets arising from non-performing credit exposures of the BPER Banca Group;
- Adras s.p.a. based in Milan and controlled by BPER Banca, owner of a single asset (Centro Commerciale Tanit, in Sassari).
- Carige REOCO s.p.a. (REOCO) based in Genoa and directly controlled by BPER Banca s.p.a., active in the management and value enhancement of real estate assets arising from non-performing credit exposures of the former Carige Group;
- Sant'Anna Golf s.r.l., with registered office in Genoa, owner of the “Sant'Anna Golf Club” property complex, and active in

management and development;

- Commerciale Piccapietra s.r.l., with registered office in Genoa, owner of a commercial licence.

In line with the corporate simplification strategy pursued by the Group, the merger by absorption of Italiana Valorizzazioni Immobiliari s.r.l. into Carige REOCO s.p.a. was approved on 20 October 2022, with said company subsequently renamed BPER Reoco s.p.a.. The merger is expected to be completed by the 1st quarter of 2023. Please refer to paragraph 3.5 "Events after the reporting period as at 31 December 2022" of the Explanatory Notes to this Report for further details.

During 2022, the main activities to be highlighted in relation to management of the real estate segment were as follows:

- the contribution of the part of the property called Centro Direzionale (Management Centre) of Modena, by BPER Banca to BPER Real Estate (for Euro 17.8 million), carried out in respect of the reserved share capital increase to be paid in kind. This contribution enabled the consolidation of the property under a single owner, which will undergo significant restructuring, becoming the main headquarters of the BPER Banca Group in Modena. Works will commence in 2023 and last roughly 32 months, and will end up accommodating around 1,500 Group employees;
- in Milan, on 23 December 2021, the company BPER Real Estate S.p.A signed an important lease agreement (predicted standard rent of Euro 3,800,000) for a management building in Porta Nuova which accommodates almost all central and semi-central personnel working in the Milan market since the end of January 2023 (roughly 450 employees). The spaces were sub-leased in 2022 to Group companies (Italiana Valorizzazioni Immobiliari s.r.l., BPER Banca S.p.A, Optima SIM s.p.a. and BPER Credit Management s.cons.p.a.). Works were completed at the end of January 2023;
- BPER Banca s.p.a. also completed the full redevelopment of the mezzanine floor of the building in via Manzoni, which will house part of the Group's Private Banking structure in Milan;
- executive designs are being finalised in Ancona and Naples for the redevelopment of properties and subsequent consolidation of the regional head offices in owned buildings (approximately 90 employees in Ancona and around 50 in Naples) making it possible to release the leased offices. Activities will commence in the second quarter of 2023 and will last around 15 months;
- also at the properties in Ferrara – Koch building – and l'Aquila - Palazzo Farinosi-Branconio, executive designs are being finalised which will see these two properties become the two main museum offices of BPER's "La Galleria", which will display the Group's artistic heritage. Works on the Koch building will start at the end of the first half of 2023 and last roughly 18 months. In relation to the Farinosi building, post-earthquake reinforcement and renovation works are continuing and will last around 24 months.
- On 23 November 2022, Italiana Valorizzazioni Immobiliari signed a preliminary agreement for the purchase and sale of property, for the acquisition and subsequent development of a centre business park in the Municipality of Portogruaro (Venice);
- on 29 November 2022, BPER Real Estate acquired from Numera some significant parts of a building complex located in Sassari, Preda Niedda District (of which it was already part owner), hence acquiring full ownership of it, in addition to a photovoltaic system in the process of being built, located on the roof terrace of the property, all for a total consideration of Euro 4.8 million.

In 2022, property sales totalling Euro 41.2 million were finalised. The most important sale was the property on via Napo Torriani, Milan for Euro 15.4 million (owned by the subsidiary Sardaleasing).

5. Scope of consolidation of the BPER Banca Group

5.1 Composition of the Group as at 31 December 2022

The BPER Banca Group has been registered since 7 August 1992 with code no. 5387.6 in the Register of Banking Groups referred to in art. 64 of Legislative Decree 385 of 1 September 1993.

The following is a list of the Banks and Companies included in the scope of consolidation at 31 December 2022, distinguishing between Banks and Companies consolidated on a line-by-line basis and Banks and Companies, whether or not belonging to the Group, measured using the equity method.

The BPER Banca Group has decided to align the scope of consolidation used for accounting purposes with that required for prudential reporting purposes. This is discussed further in the consolidated Explanatory Notes to this Consolidated Report.

The scope of consolidated companies has changed compared to 31 December 2021 as:

- on 20 September 2022, the procedure envisaged for the mandatory tender offer on the remaining 20.582% of the ordinary share capital²⁴ of Banca Carige s.p.a. was concluded, completing the acquisition of the 79.418% shareholding on 3 June 2022. Banca Carige s.p.a. in turn controls the following companies: Banca del Monte di Lucca s.p.a., Banca Cesare Ponti s.p.a., Carige REOCO s.p.a., Commerciale Piccapietra s.r.l., Carige Covered Bond s.r.l., Carige Covered Bond 2 s.r.l., Centro Fiduciario CF in liquidazione s.p.a., Argo Mortgage 2 s.r.l. – in liquidation, Lanterna Finance s.r.l., Lanterna Lease s.r.l. - in liquidation, Lanterna Mortgage s.r.l., St. Anna Golf s.r.l., St. Anna Gestione Golf Società Sportiva Dilettantistica s.r.l. The merger by absorption of Banca Carige and Banca del Monte di Lucca into BPER Banca s.p.a. became effective on 28 November 2022. For further details, please refer to the chapter of this Report entitled “Significant events and strategic transactions”. For a close examination of the business combination, please refer to part G of the Explanatory Notes;
- the company Società di reskilling s.r.l. was incorporated, with capital divided equally between the two investor shareholders (50% in favour of BPER Banca).
- on 31 December 2022, Banco di Sardegna sold its equity investment in Numera to the Nexi Group.

Reported below are the percentages held by the Group²⁵ in each company, with further specific information provided, where necessary, by means of footnotes.

a) Group companies consolidated on a line-by-line basis:

- 1) BPER Banca s.p.a., based in Modena (Parent Company);
- 2) BPER Bank Luxembourg s.a., based in the Grand Duchy of Luxembourg (100%);
- 3) Banco di Sardegna s.p.a., based in Cagliari, which is held as follows: 100% of the ordinary shares and 95.213% of the preference shares, representing 99.281% of total capital;
- 4) Bibanca s.p.a., based in Sassari (99.116%)²⁶;
- 5) BPER Real Estate s.p.a. (former Nadia s.p.a.), based in Modena, real estate company (100%)²⁷;
- 6) Modena Terminal s.r.l., based in Campogalliano (Modena), the activities of which are the storage of goods, the storage and ageing of cheeses and the cold storage of meat and perishable products (100%);
- 7) BPER Factor s.p.a. (former Emilia Romagna Factor s.p.a.), based in Bologna, a factoring company (100%);
- 8) Optima s.p.a. SIM, based in Modena, investment broker (100%);
- 9) Sardaleasing s.p.a., based in Sassari, leasing company (99.779%)²⁸;
- 10) BPER Credit Management s.cons.p.a., based in Modena, a consortium for the recovery and management of non-performing loans (100%)²⁹;
- 11) Arca Holding s.p.a.³⁰ based in Milan (57.061%);
- 12) Arca Fondi SGR s.p.a. based in Milan, asset management company wholly owned by Arca Holding s.p.a.;

²⁴ The share capital of Banca Carige is also formed of 20 savings shares, 8 of which were tendered in the tender offer and represent 40% of said share capital.

²⁵ Unless otherwise specified, the percentage shown refers to the Parent Company.

²⁶ Held by: the Parent Company (78.594%) and Banco di Sardegna s.p.a. (20.522%).

²⁷ Held by: the Parent Company (70.938%) and Banco di Sardegna s.p.a. (29.062%).

²⁸ Held by: the Parent Company (52.846%) and Banco di Sardegna s.p.a. (46.933%).

²⁹ Held by: the Parent Company (70.000%), Banco di Sardegna s.p.a. (20.000%), Sardaleasing s.p.a. (6.000%), Bibanca s.p.a. (3.000%) and BPER Factor s.p.a. (1.000%).

³⁰ The company is not a member of the Banking Group.

- 13) Finitalia s.p.a. based in Milan, company that specialises in consumer lending (100%);
- 14) Banca Cesare Ponti s.p.a., based in Milan (100%);
- 15) Carige REOCO s.p.a., based in Genoa, construction company (100%).

b) Other subsidiaries measured using the equity method³¹:

- 1) Estense Covered Bond s.r.l. based in Conegliano (TV), a vehicle for the issue of Covered Bonds under art. 7 *bis* of Law 130/99 (60%);
- 2) BPER Trust Company s.p.a., based in Modena, with the role of trustee for trusts established by customers, as well as providing advice on trust matters (100%);
- 3) Estense CPT Covered Bond s.r.l., based in Conegliano (TV), a vehicle for the issue of Covered Bonds under art. 7 *bis* of Law 130/99 (60%);
- 4) Carige Covered Bond s.r.l. based in Genoa, a vehicle for the issue of Covered Bonds under art. 7 *bis* of Law 130/99 (60%);
- 5) Carige Covered Bond 2 s.r.l. – in liquidation, based in Genoa, a vehicle for the issue of Covered Bonds under art. 7 *bis* of Law 130/99 (60%);
- 6) Argo Mortgage 2 s.r.l. - in liquidation, based in Genoa, a special purpose vehicle pursuant to Law no. 130/99 (60%);
- 7) Lanterna Finance s.r.l., based in Genoa, special vehicle company pursuant to Law no. 130/99 (5%);
- 8) Lanterna Lease s.r.l. - in liquidation, based in Genoa, a special purpose vehicle pursuant to Law no. 130/99 (5%);
- 9) Lanterna Mortgage s.r.l., based in Genoa, special vehicle company pursuant to Law no. 130/99 (5%);
- 10) Centro Fiduciario C.F. s.p.a. - in liquidation, based in Genoa, trust company (96.95%).

In addition to the above companies that belong to the Banking Group, the following direct and indirect subsidiaries are included in this cluster at 31 December 2022, even though they are not included in the Banking Group since they do not contribute to its banking activities³²:

- Italiana Valorizzazioni Immobiliari s.r.l. (100%);
- Adras s.p.a. (100%);
- SIFA³ - Società Italiana Flotte Aziendali s.p.a. (100%);
- St. Anna Golf s.r.l., 100% wholly-owned by Carige Reoco;
- Commerciale Piccapietra s.r.l. (100%).

The company St. Anna Gestione Golf Società Sportiva Dilettantistica s.r.l., a subsidiary of BPER Banca through St. Anna Golf s.r.l., was excluded from the scope of consolidation based on the general principles set out in the reference regulatory framework, as it was considered non-material in view of its size.

c) Associated companies measured using the equity method:

- 1) Cassa di Risparmio di Fossano s.p.a., based in Fossano (CN) (23.077%);
- 2) Cassa di Risparmio di Savigliano s.p.a., based in Savigliano (CN) (31.006%);
- 3) Alba Leasing s.p.a., based in Milan (33.498%);
- 4) Sofipo s.a. - in liquidation, based in Lugano, held by BPER Bank Luxembourg SA. which holds 30% of share capital;
- 5) CAT Progetto Impresa Modena s.c.r.l., based in Modena (20%);
- 6) Resiban s.p.a., based in Modena (20%);
- 7) Unione Fiduciaria s.p.a., based in Milan (24%);
- 8) Atriké s.p.a., based in Modena (45%);
- 9) Sarda Factoring s.p.a., based in Cagliari (21.484%)³³;
- 10) Lanciano Fiera - Polo fieristico d'Abruzzo - consortium based in Lanciano (33.333%);
- 11) Immobiliare Oasi nel Parco s.r.l., based in Milan (36.80%);
- 12) Autostrada dei Fiori s.p.a., based in Imperia (GE) (20.620%);
- 13) Nuova Erzelli s.r.l., based in Genoa (40%);
- 14) Società reskilling s.r.l., based in Milan (50%).

³¹ Following alignment of the scope of consolidation for accounting purposes with that used for supervisory purposes.

³² Following alignment of the scope of consolidation for accounting purposes with that used for supervisory purposes.

³³ Held by: Banco di Sardegna s.p.a. (13.401%) and the Parent Company (8.083%).

6. The BPER Banca Group's results of operations

6.1 Balance sheet aggregates

The most important balance sheet aggregates and captions at 31 December 2022 are presented below on a comparative basis with 31 December 2021, in thousands of Euro, indicating the changes between periods in absolute and percentage terms. Note that this comparison is influenced by the increase in size of the Group resulting from the acquisition (and merger) of the Carige Group.

For greater clarity in the presentation of the results for the year, the accounting schedules envisaged by the 7th update of Bank of Italy Circular no. 262/2005 are presented below on a reclassified basis. In particular:

- debt securities measured at amortised cost (under caption 40 "Financial assets measured at amortised cost") have been reclassified to caption "Financial assets";
- loans mandatorily measured at fair value (included in caption 20 c) "Financial assets measured at fair value through profit or loss - other financial assets mandatorily measured at fair value") have been reclassified to the caption "Loans";
- "Other assets" includes captions 110 "Tax assets", 120 "Non-current assets and disposal groups classified as held for sale" and 130 "Other assets";
- "Other liabilities" includes captions 60 "Tax liabilities", 70 "Liabilities associated with assets classified as held for sale", 80 "Other liabilities", 90 "Employee termination indemnities" and 100 "Provisions for risks and charges".

Assets

Assets	31.12.2022	31.12.2021	(in thousands)	
			Changes 31.12.2022 - 31.12.2021	Chg. % 31.12.2022 - 31.12.2021
Cash and cash equivalents	13,997,441	1,306,282	12,691,159	971.55
Financial assets	30,665,767	28,373,380	2,292,387	8.08
a) Financial assets held for trading	707,498	323,721	383,777	118.55
b) Financial assets designated at fair value	2,381	125,098	(122,717)	-98.10
c) Other financial assets mandatorily measured at fair value	742,099	714,759	27,340	3.83
d) Financial assets measured at fair value through other comprehensive income	7,962,910	6,631,897	1,331,013	20.07
e) Debt securities measured at amortised cost	21,250,879	20,577,905	672,974	3.27
- banks	6,596,865	5,795,622	801,243	13.82
- customers	14,654,014	14,782,283	(128,269)	-0.87
Loans	94,193,207	100,862,925	(6,669,718)	-6.61
a) Loans to banks	2,885,583	21,695,054	(18,809,471)	-86.70
b) Loans to customers	91,174,835	79,112,914	12,061,921	15.25
c) Loans mandatorily measured at fair value	132,789	54,957	77,832	141.62
Hedging derivatives	1,808,515	178,108	1,630,407	915.40
Equity investments	376,158	240,534	135,624	56.38
Property, plant and equipment	2,546,295	1,946,456	599,839	30.82
Intangible assets	563,502	459,197	104,305	22.71
- of which: goodwill	204,392	204,392	-	-
Other assets	8,151,909	2,980,991	5,170,918	173.46
Total assets	152,302,794	136,347,873	15,954,921	11.70

Loans to customers

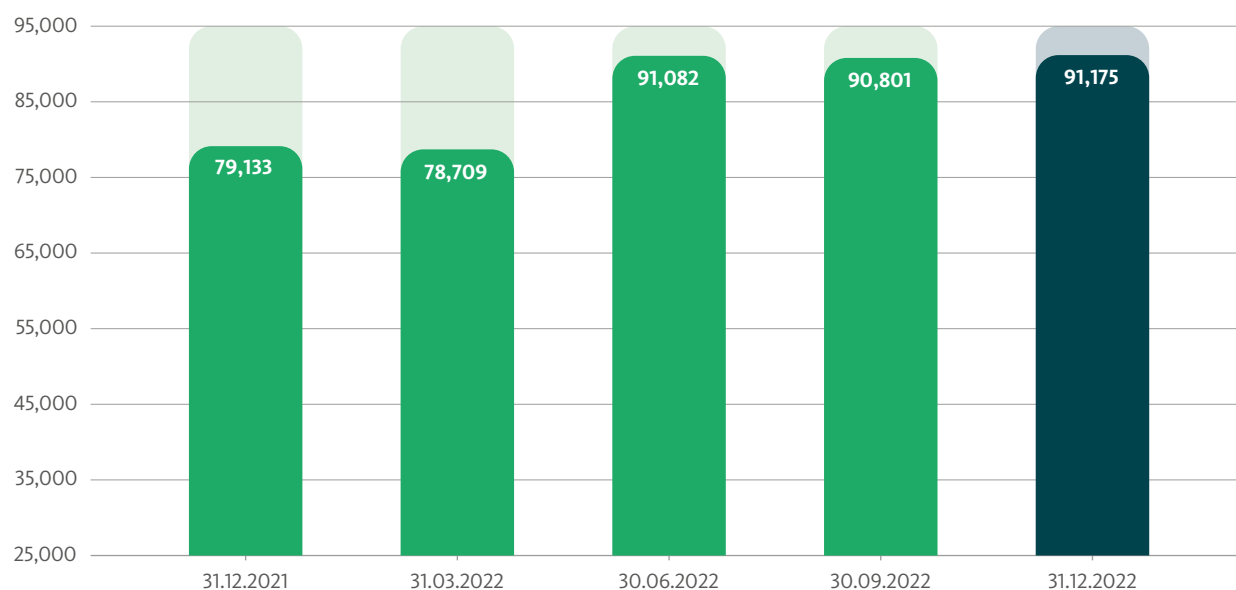
Net loans to customers are made up solely of the loans allocated to asset caption 40 b) "Financial assets measured at amortised cost – loans to customers" in the assets section of the balance sheet.

Captions	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Current accounts	5,482,779	4,969,075	513,704	10.34
Mortgage loans	62,952,434	53,621,023	9,331,411	17.40
Repurchase agreements	4,254	71,302	(67,048)	-94.03
Leases and factoring	5,051,671	4,090,897	960,774	23.49
Other transactions	17,683,697	16,360,617	1,323,080	8.09
Net loans to customers	91,174,835	79,112,914	12,061,921	15.25

Loans to customers, net of value adjustments, amount to Euro 91,174.8 million (Euro 79,112.9 million at 31 December 2021), an increase of Euro 12,061.9 million compared to 31 December 2021 mainly due to the acquisition of the Carige Group relating to the Purchase Price Allocation (PPA), which involved a change to the balance acquired for alignment to the relevant fair value of Euro -374.9 million. Among the various technical forms, the increase is general: on mortgage loans the increase was Euro 9,331.4 million (+17.40%), on current accounts Euro 513.7 million (+10.34%), on leases and factoring Euro 960.8 million (+23.49%) and on other transactions Euro 1,323.1 million (+8.09%). On the other hand, repurchase agreements decreased by Euro 67.0 million (-94.03%).

Net loans to customers

in millions



The increase in Net loans is attributable to the acquisition of the Carige Group, in addition to new disbursements of loans to households and businesses, which at the end of 2022 reached Euro 16.5 billion (+25.8% as compared to 2021), driven by the acceleration in commercial activity from as early as the fourth quarter of 2021.

Captions	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Gross non-performing exposures	2,991,445	4,024,358	(1,032,913)	-25.67
Bad loans	961,093	2,013,607	(1,052,514)	-52.27
Unlikely-To-Pay loans	1,871,880	1,882,991	(11,111)	-0.59
Past due exposures	158,472	127,760	30,712	24.04
Gross performing exposures	90,589,650	77,964,420	12,625,230	16.19
Total gross exposure	93,581,095	81,988,778	11,592,317	14.14
Impairment losses on non-performing positions	1,706,790	2,428,762	(721,972)	-29.73
Bad loans	740,176	1,446,666	(706,490)	-48.84
Unlikely-To-Pay loans	916,779	948,958	(32,179)	-3.39
Past due exposures	49,835	33,138	16,697	50.39
Impairment losses on performing exposures	699,470	447,102	252,368	56.45
Total impairment losses	2,406,260	2,875,864	(469,604)	-16.33
Net non-performing exposures	1,284,655	1,595,596	(310,941)	-19.49
Bad loans	220,917	566,941	(346,024)	-61.03
Unlikely-To-Pay loans	955,101	934,033	21,068	2.26
Past due exposures	108,637	94,622	14,015	14.81
Net performing exposures	89,890,180	77,517,318	12,372,862	15.96
Total net exposure	91,174,835	79,112,914	12,061,921	15.25

At 31 December 2022, the provisions relating to non-performing loans amounted to Euro 1,706.8 million (Euro 2,428.8 million at 31 December 2021; -29.73%), for a coverage ratio of 57.06% (60.35%³⁴ at 31 December 2021), while the provisions for performing loans amounted to Euro 699.5 million (Euro 447.1 million at 31 December 2021; +56.45%) and give a coverage ratio of to 0.77% (0.57%³⁵ at 31 December 2021). The latter increase is attributable primarily to the Overlays adopted by the Group as part of the update of the ECL in respect of the level of uncertainty in the use of relevant information for the accounting estimates connected with the macroeconomic context in general, as well as the gradual and constant updating of the risk parameters (in 2022, in particular, the IFRS 9 LGD), as inputs for the ECL model.

Considering the write-offs of bad loans still outstanding, Euro 68.5 million (Euro 376.5 million at 31 December 2021), the coverage ratio has increased to 58.02% (63.74% at 31 December 2021).

The total coverage ratio is therefore 2.57%, down from the figure at 31 December 2021 (3.51%) due to a lower non-performing share of the total portfolio of loans to customers (primarily due to the disposal of an NPL portfolio as part of the derisking actions completed in 2022). Based on the same considerations made above concerning direct write-offs, the total effective coverage of loans comes to 2.64% (3.95% at 31 December 2021).

Loans to customers	31.12.2022		31.12.2021		(in thousands)		
	Gross	Net	Gross	Net	% Gross change	% Net change	% Coverage ratio
1. BPER Banca s.p.a.	82,120,863	80,376,740	71,291,972	69,185,166	15.19	16.18	2.12
2. BPER Bank Luxembourg s.a.	212,805	207,092	223,522	218,259	-4.79	-5.12	2.68
3. Bibanca s.p.a.	3,100,919	3,053,192	1,920,337	1,896,088	61.48	61.03	1.54
4. Banco di Sardegna s.p.a.	7,317,602	7,021,175	7,731,865	7,289,036	-5.36	-3.67	4.05
5. Banca Cesare Ponti s.p.a.	43,128	42,900	-	-	n.s.	n.s.	0.53
Total banks	92,795,317	90,701,099	81,167,696	78,588,549	14.33	15.41	2.26
6. Sardaleasing s.p.a.	3,659,519	3,385,856	3,354,953	3,096,078	9.08	9.36	7.48
7. BPER Factor s.p.a.	1,948,903	1,922,148	1,282,005	1,256,370	52.02	52.99	1.37
8. Finitalia s.p.a.	653,101	641,477	617,309	605,102	5.80	6.01	1.78
9. BPER Real Estate s.p.a.	263	263	-	-	n.s.	n.s.	-
Other companies and consolidation adjustments	(5,476,008)	(5,476,008)	(4,433,185)	(4,433,185)	23.52	23.52	-
Balance sheet total	93,581,095	91,174,835	81,988,778	79,112,914	14.14	15.25	2.57

³⁴ The calculation as at 31 December 2021 includes loans to customers of Euro 91.0 million (of which Euro 88.7 million in performing loans and Euro 2.3 million in non-performing loans classified to item 120 "Non-current assets and disposal groups classified as held for sale" relating to the 5 branches of former Unipol Banca s.p.a., acquired on 25 November 2019 by the Parent Company BPER Banca and subsequently transferred to Banco di Sardegna).

³⁵ See previous note.

Non-performing loans	31.12.2022		31.12.2021		(in thousands)		
	Gross	Net	Gross	Net	% Gross change	% Net change	% Coverage ratio
1. BPER Banca s.p.a.	2,179,899	1,017,486	2,882,857	1,124,412	-24.38	-9.51	53.32
2. BPER Bank Luxembourg s.a.	9,540	4,402	7,669	2,770	24.40	58.92	53.86
3. Bibanca s.p.a.	58,166	28,853	41,419	23,682	40.43	21.84	50.40
4. Banco di Sardegna s.p.a.	328,032	86,098	629,788	243,655	-47.91	-64.66	73.75
5. Banca Cesare Ponti s.p.a.	567	407	-	-	n.s.	n.s.	28.22
Total banks	2,576,204	1,137,246	3,561,733	1,394,519	-27.67	-18.45	55.86
6. Sardaleasing s.p.a.	363,043	123,902	377,636	146,151	-3.86	-15.22	65.87
7. BPER Factor s.p.a.	42,474	20,036	73,625	50,542	-42.31	-60.36	52.83
8. Finitalia s.p.a.	9,724	3,471	11,364	4,384	-14.43	-20.83	64.30
Balance sheet total	2,991,445	1,284,655	4,024,358	1,595,596	-25.67	-19.49	57.06
Direct write-offs of bad loans	68,495	-	376,542	-	-81.81	n.s.	100.00
Adjusted total	3,059,940	1,284,655	4,400,900	1,595,596	-30.47	-19.49	58.02
Non-performing loans (balance sheet total)/Loans to customers	3.20%	1.41%	4.91%	2.02%			

Net non-performing loans amount to Euro 1,284.7 million (-19.49% compared with 31 December 2021), equal to 1.41% of total net loans to customers (2.02% at 31 December 2021), whereas on a gross basis, the ratio between non-performing loans and loans to customers came to 3.20% (4.91% at 31 December 2021). The reduction in the gross and net incidence of the non-performing portfolio on total loans is attributable primarily to the disposal of a portfolio of NPLs as part of continued de-risking activities.

The coverage of non-performing loans of 57.06% has decreased compared with 31 December 2021 (60.35%). The reduction in the coverage of NPLs is mainly to be associated with the improvement in the quality of the portfolio of non-performing loans, which also decreased due to the NPL disposals completed in 2022.

Bad loans	31.12.2022		31.12.2021		(in thousands)		
	Gross	Net	Gross	Net	% Gross change	% Net change	% Coverage ratio
1. BPER Banca s.p.a.	453,215	120,126	1,302,165	362,005	-65.20	-66.82	73.49
2. BPER Bank Luxembourg s.a.	430	-	2,104	-	-79.56	n.s.	100.00
3. Bibanca s.p.a.	15,445	2,773	10,423	2,794	48.18	-0.75	82.05
4. Banco di Sardegna s.p.a.	210,965	35,961	427,940	132,216	-50.70	-72.80	82.95
5. Banca Cesare Ponti s.p.a.	163	81	-	-	n.s.	n.s.	50.31
Total banks	680,218	158,941	1,742,632	497,015	-60.97	-68.02	76.63
6. Sardaleasing s.p.a.	252,746	56,907	245,542	64,845	2.93	-12.24	77.48
7. BPER Factor s.p.a.	23,632	3,834	18,863	2,961	25.28	29.48	83.78
8. Finitalia s.p.a.	4,497	1,235	6,570	2,120	-31.55	-41.75	72.54
Balance sheet total	961,093	220,917	2,013,607	566,941	-52.27	-61.03	77.01
Direct write-offs of bad loans	68,495	-	376,542	-	-81.81	n.s.	100.00
Adjusted total	1,029,588	220,917	2,390,149	566,941	-56.92	-61.03	78.54
Bad loans (Balance sheet total)/Loans to customers	1.03%	0.24%	2.46%	0.72%			

Net bad loans amount to Euro 220.9 million (-61.03% compared with 31 December 2021), accounting for 0.24% of total net loans to customers (0.72% at 31 December 2021), whereas, on a gross basis, the bad loans on total loans to customers ratio comes to 1.03% (2.46% at 31 December 2021).

The coverage of bad loans of 77.01% has increased from 71.84% as at 31 December 2021.

Unlikely-To-Pay loans	31.12.2022		31.12.2021		(in thousands)		
	Gross	Net	Gross	Net	% Gross change	% Net change	% Coverage ratio
1. BPER Banca s.p.a.	1,629,038	830,228	1,503,252	704,584	8.37	17.83	49.04
2. BPER Bank Luxembourg s.a.	7,445	3,223	5,421	2,663	37.34	21.03	56.71
3. Bibanca s.p.a.	13,243	8,274	12,580	7,910	5.27	4.60	37.52
4. Banco di Sardegna s.p.a.	99,489	37,152	185,530	98,757	-46.38	-62.38	62.66
5. Banca Cesare Ponti s.p.a.	404	326	-	-	n.s.	n.s.	19.31
Total banks	1,749,619	879,203	1,706,783	813,914	2.51	8.02	49.75
6. Sardaleasing s.p.a.	100,363	58,951	119,481	72,422	-16.00	-18.60	41.26
7. BPER Factor s.p.a.	18,182	15,581	53,389	46,288	-65.94	-66.34	14.31
8. Finitalia s.p.a.	3,716	1,366	3,338	1,409	11.32	-3.05	63.24
Balance sheet total	1,871,880	955,101	1,882,991	934,033	-0.59	2.26	48.98
Unlikely to pay loans/Loans to customers	2.00%	1.05%	2.30%	1.18%			

Net unlikely-to-pay loans total Euro 955.1 million (+2.26% compared with 31 December 2021), representing 1.05% of total net loans to customers (1.18% at 31 December 2021), while on a gross basis the ratio is 2.00% (2.30% at 31 December 2021).

The coverage of unlikely-to-pay loans has declined to 48.98%, compared with 50.40% at 31 December 2021.

Past due loans	31.12.2022		31.12.2021		(in thousands)		
	Gross	Net	Gross	Net	% Gross change	% Net change	% Coverage ratio
1. BPER Banca s.p.a.	97,646	67,132	77,440	57,823	26.09	16.10	31.25
2. BPER Bank Luxembourg s.a.	1,665	1,179	144	107	--	--	29.19
3. Bibanca s.p.a.	29,478	17,806	18,416	12,978	60.07	37.20	39.60
4. Banco di Sardegna s.p.a.	17,578	12,985	16,318	12,682	7.72	2.39	26.13
Total banks	146,367	99,102	112,318	83,590	30.31	18.56	32.29
5. Sardaleasing s.p.a.	9,934	8,044	12,613	8,884	-21.24	-9.46	19.03
6. BPER Factor s.p.a.	660	621	1,373	1,293	-51.93	-51.97	5.91
7. Finitalia s.p.a.	1,511	870	1,456	855	3.78	1.75	42.42
Balance sheet total	158,472	108,637	127,760	94,622	24.04	14.81	31.45
Past due loans/Loans to customers	0.17%	0.12%	0.16%	0.12%			

The net amount of past due loans of Euro 108.6 million (+14.81% compared with 31 December 2021) represents 0.12% of total net loans to customers (unchanged compared to 31 December 2021), whereas, on a gross basis, the past due loans on total loans to customers ratio is 0.17% (0.16% at 31 December 2021).

The coverage of past due loans is 31.45%, up from 25.94% at 31 December 2021.

The breakdown of loans to non-financial corporates is reported below by the respective ATECO codes of economic activity:

	(in thousands)	
Breakdown of loans to non-financial corporates	31.12.2022	%
A. Agriculture, forestry and fishing	1,046,681	1.15
B. Mining and quarrying	127,603	0.14
C. Manufacturing	13,553,175	14.87
D. Provision of electricity, gas, steam and air-conditioning	914,738	1.00
E. Provision of water, sewerage, waste management and rehabilitation	822,958	0.90
F. Construction	3,400,126	3.73
G. Wholesaling and retailing, car and motorcycle repairs	7,670,788	8.41
H. Transport and storage	1,503,982	1.65
I. Hotel and restaurants	1,985,981	2.18
J. Information and communication	997,850	1.09
K. Financial and insurance activities	220,202	0.24
L. Real estate	4,402,452	4.83
M. Professional, scientific and technical activities	1,795,403	1.97
N. Rentals, travel agencies, business support services	1,916,944	2.10
O. Public administration and defence, compulsory social security	27,043	0.03
P. Education	50,913	0.06
Q. Health and welfare	637,868	0.70
R. Arts, sport and entertainment	234,279	0.26
S. Other services	602,340	0.66
Total loans to non-financial corporates	41,911,326	45.97
Individuals and other not included above	41,383,228	45.38
Financial companies	5,122,327	5.62
Insurance	89,053	0.10
Governments and other public entities	2,668,901	2.93
Total loans	91,174,835	100.00

Financial assets and equity investments

Among financial assets, debt securities measured at amortised cost solely consist of bonds allocated to balance sheet (assets) captions 40 a) and b) "Financial assets measured at amortised cost – loans to banks and loans to customers".

Captions	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Financial assets measured at fair value through profit or loss	1,451,978	1,163,578	288,400	24.79
- of which derivatives	593,323	140,360	452,963	322.72
Financial assets at fair value through other comprehensive income	7,962,910	6,631,897	1,331,013	20.07
Debt securities measured at amortised cost	21,250,879	20,577,905	672,974	3.27
a) banks	6,596,865	5,795,622	801,243	13.82
b) customers	14,654,014	14,782,283	(128,269)	-0.87
Total financial assets	30,665,767	28,373,380	2,292,387	8.08

Financial assets amount to Euro 30,665.8 million, including Euro 28,798.9 million of debt securities (93.91% of the total). With respect to the latter, Euro 15,057.2 million relates to sovereign States and Central Banks (+12.76% compared with 31 December 2021, mainly due to sales in the portfolio measured at amortised cost (AC) and new purchases in the portfolio measured at fair value through other comprehensive income (FVOCI)) and Euro 9,487.5 million relates to Banks (unchanged compared with 31 December 2021).

Equity instruments come to Euro 623.7 million (2.03% of total), inclusive of Euro 543.9 million of stable equity investments classified in the FVOCI portfolio, Euro 59.6 million in securities held for trading (FVTPL) and Euro 20.2 million in other equity instruments (SICAV and UCITS), mandatorily measured at FVTPL.

"Financial assets held for trading" include derivatives for an amount of Euro 593.3 million, up from 31 December 2021 (+322.72%), consisting of interest rate, currency and commodity derivatives traded with customers, derivatives relating to securitisation transactions, and forward currency trading (with customers and/or used in the management of the foreign exchange position).

Financial assets	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
1. BPER Banca s.p.a.	28,495,795	26,518,765	1,977,030	7.46
2. BPER Bank Luxembourg s.a.	144,797	143,536	1,261	0.88
3. Bibanca s.p.a.	12,495	12,385	110	0.89
4. Banco di Sardegna s.p.a.	1,835,866	1,608,050	227,816	14.17
5. Banca Cesare Ponti s.p.a.	141,155	-	141,155	n.s.
Total banks	30,630,108	28,282,736	2,347,372	8.30
Other companies and consolidation adjustments	35,659	90,644	(54,985)	-60.66
Total	30,665,767	28,373,380	2,292,387	8.08

Captions	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Equity investments	376,158	240,534	135,624	56.38
of which subsidiaries	32,620	19,681	12,939	65.74
of which associates	343,538	220,853	122,685	55.55

Following alignment of the scope of consolidation with that used for prudential reporting purposes, as discussed in detail in the Explanatory Notes, this caption comprises significant investments (non-Group companies subject to significant influence, usually being investments in which the equity interest is greater than or equal to 20%), subsidiaries that are not part of the Banking Group since they do not contribute to its banking activities, and Group companies not meeting the requirements of art. 19 of Regulation (EU) 575/2013 that are measured using the equity method. The increase shown is in relation to the Carige Group's contribution.

Fixed assets

Captions	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Intangible assets	563,502	459,197	104,305	22.71
of which goodwill	204,392	204,392	-	-

"Intangible assets" include amounts of goodwill for a total of Euro 204.4 million, unchanged since 31 December 2021. The breakdown of "Goodwill" at 31 December 2022 is provided below:

Goodwill	31.12.2022	(in thousands)	
		31.12.2021	
Banks/Other companies	204,392	204,392	
- Banco di Sardegna s.p.a.	27,606	27,606	
- BPER Factor s.p.a.	6,768	6,768	
- Arca Holding s.p.a.	170,018	170,018	
Total	204,392	204,392	

Impairment testing carried out in accordance with IAS 36 did not identify any need to recognise an impairment loss on goodwill. For more details, please refer to Part B of the Explanatory Notes.

Interbank and liquidity position

The values of loans to banks only include the component of "Loans" allocated to caption 40 a) "Financial assets measured at amortised cost – loans to banks" and "Current accounts and demand deposits" allocated to caption 10 "Cash and cash equivalents" in the assets section of the balance sheet. The comparative balance reported in the table below was re-stated, with respect to that published in the Consolidated financial statements as at 31 December 2021, to take account of the aforementioned better representation of the aggregate under analysis.

Net interbank position	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
A. Loans to banks	16,058,404	22,294,546	(6,236,142)	-27.97
- Loans	2,885,583	21,695,054	(18,809,471)	-86.70
1. Current accounts and deposits	234,376	24,400	209,976	860.56
2. Repurchase agreements	358,702	399,378	(40,676)	-10.18
3. Compulsory reserve	1,347,747	20,310,134	(18,962,387)	-93.36
4. Other	944,758	961,142	(16,384)	-1.70
- Current accounts and demand deposits	13,172,821	599,492	12,573,329	--
1. with Central Banks	12,706,014	-	12,706,014	n.s.
2. with Banks	466,807	599,492	(132,685)	-22.13
B. Due to banks	22,000,489	23,633,494	(1,633,005)	-6.91
Total (A-B)	(5,942,085)	(1,338,948)	(4,603,137)	343.79

The net interbank position as at 31 December 2022 worsened by Euro 4,603.1 million compared to 31 December 2021. In a context of rising interest rates, as at 31 December 2022, the Group was more focussed on "overnight" deposits at Central Banks for Euro 12,706.0 million, compared to the excess liquidity in the Compulsory reserve which recorded a decrease of Euro 18,962.4 million compared to 31 December 2021.

The following table gives full details of the operations in place with the ECB.

Refinancing operations with the European Central Bank	Currency	Principal	(in millions)
			Maturity
Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	800	29.03.2023
Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	9,700	28.06.2023
Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	3,710	27.09.2023
Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	1,670	27.03.2024
Total		15,880	

As at 31 December 2022, refinancing operations in place at the European Central Bank (TLTRO-III) amounted to Euro 15,880 million. On 21 December 2022, the take-up coming to maturity on 28 June 2023 was actually partially repaid, for a nominal amount of Euro 6 billion.

Counterbalancing Capacity	Guarantee value	Encumbered	(in millions)
			Unencumbered
Eligible securities and loans	35,025	17,017	18,008
- of which Securities and loans transferred to the Pooling Account	24,161	15,583	8,578

At 31 December 2022, the Central Treasury held significant resources relating to securities eligible for refinancing at the European Central Bank of an overall amount, net of margin calls, of Euro 35,025 million (Euro 32,209 million at 31 December 2021). The unencumbered portion amounts to Euro 18,008 million (Euro 10,792 million at 31 December 2021).

As at 31 December 2022, the Central Treasury held significant resources in the Pooling Account, relating to securities eligible for refinancing with the European Central Bank, for an overall amount, net of margin calls, of Euro 24,161 million, of which Euro 15,583 million has been refinanced and Euro 8,578 million is still unencumbered (vs. Euro 21,206 million worth of securities eligible for refinancing in the Pooling Account, with Euro 18,165 million refinanced and Euro 3,041 unencumbered, as at 31 December 2021).

Liabilities and shareholders' equity

Liabilities and shareholders' equity	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Due to banks	22,000,489	23,633,494	(1,633,005)	-6.91
Direct deposits	114,831,032	101,388,140	13,442,892	13.26
a) Due to customers	107,414,943	96,627,735	10,787,208	11.16
b) Debt securities issued	6,536,891	4,760,405	1,776,486	37.32
c) Financial liabilities designated at fair value	879,198	-	879,198	n.s.
Financial liabilities held for trading	471,598	123,957	347,641	280.45
Macro-hedge accounting	231,689	249,178	(17,489)	-7.02
a) Hedging derivatives	512,981	249,178	263,803	105.87
b) Change in value of macro-hedged financial liabilities (+/-)	(281,292)	-	(281,292)	n.s.
Other liabilities	6,647,457	4,094,295	2,553,162	62.36
Minority interests	180,356	162,497	17,859	10.99
Shareholders' equity pertaining to the Parent Company	7,940,173	6,696,312	1,243,861	18.58
a) Valuation reserves	60,681	196,370	(135,689)	-69.10
b) Reserves	2,944,603	2,493,508	451,095	18.09
c) Equity instruments	150,000	150,000	-	-
d) Share premium reserve	1,237,276	1,240,428	(3,152)	-0.25
e) Share capital	2,104,316	2,100,435	3,881	0.18
f) Treasury shares	(5,678)	(9,552)	3,874	-40.56
g) Profit (Loss) for the year	1,448,975	525,123	923,852	175.93
Total liabilities and shareholders' equity	152,302,794	136,347,873	15,954,921	11.70

Deposits

Captions	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Current accounts and demand deposits	102,489,461	91,884,923	10,604,538	11.54
Time deposits	1,221,563	92,709	1,128,854	--
Repurchase agreements	-	1,360,188	(1,360,188)	-100.00
Lease liabilities	349,651	322,404	27,247	8.45
Other short-term loans	3,354,268	2,967,511	386,757	13.03
Bonds	6,307,775	4,654,811	1,652,964	35.51
- subscribed for by institutional customers	6,133,336	3,894,023	2,239,313	57.51
- subscribed for by ordinary customers	174,439	760,788	(586,349)	-77.07
Certificates	879,198	-	879,198	n.s.
Certificates of deposit	229,116	105,594	123,522	116.98
Direct deposits from customers	114,831,032	101,388,140	13,442,892	13.26
Indirect deposits (off-balance sheet figure)	138,875,198	146,986,089	(8,110,891)	-5.52
- of which under management	60,597,120	64,822,748	(4,225,628)	-6.52
- of which under administration	78,278,078	82,163,341	(3,885,263)	-4.73
Customer funds under administration	253,706,230	248,374,229	5,332,001	2.15
Deposits from banks	22,000,489	23,633,494	(1,633,005)	-6.91
Funds under administration or management	275,706,719	272,007,723	3,698,996	1.36

Direct deposits from customers of Euro 114,831.0 million have increased by 13.26% since 31 December 2021, mainly due to the business combination of the Carige Group.

Among the various technical forms, the main ones to register a significantly positive change of balance compared to 31 December 2021 were current accounts and demand deposits, for Euro 10,604.5 million (+11.54%), term deposits for Euro 1,128.9 million, bonds for Euro 1,653.0 million (+35.51%), the latter due to new issues of BPER bonds to institutional customers in 2022. As at 31 December 2022, certificates in issue totalled Euro 879.2 million, issued both by the Parent Company BPER Banca in 2022 and by the subsidiary acquired together with the Carige Group, Banca Cesare Ponti. As at the same date, by contrast, there were no repurchase agreements (these amounted to Euro 1,360.2 million as at 31 December 2021).

Indirect deposits, marked to market, amounted to Euro 138,875.2 million, down by Euro 8,110.9 million (-5.52%) compared to 31 December 2021, despite the contribution provided by the acquisition of the Carige Group, given the negative market trend recorded from the beginning of the period.

Total funds under administration or management by the Group, including deposits from banks (Euro 22,000.5 million) amount to Euro 275,706.7 million.

Direct deposits	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
1. BPER Banca s.p.a.	102,208,104	88,941,024	13,267,080	14.92
2. BPER Bank Luxembourg s.a.	603,465	732,379	(128,914)	-17.60
3. Bibanca s.p.a.	262,666	251,548	11,118	4.42
4. Banco di Sardegna s.p.a.	11,741,914	11,650,285	91,629	0.79
5. Banca Cesare Ponti s.p.a.	289,381	-	289,381	n.s.
Total banks	115,105,530	101,575,236	13,530,294	13.32
Other companies and consolidation adjustments	(274,498)	(187,096)	(87,402)	46.72
Total	114,831,032	101,388,140	13,442,892	13.26

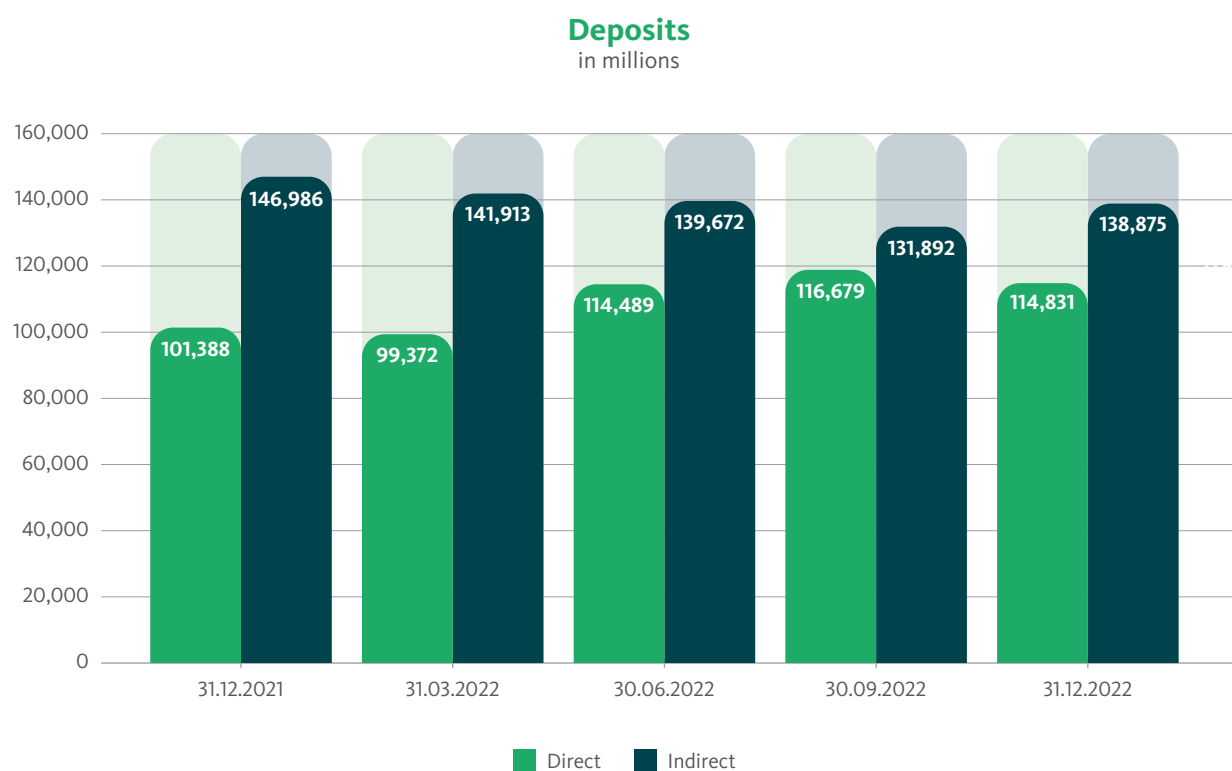
Direct deposits include subordinated liabilities:

Captions	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Non-convertible subordinated liabilities	1,646,723	926,447	720,276	77.75
Total Subordinated liabilities	1,646,723	926,447	720,276	77.75

Subordinated loans outstanding, with a book value of Euro 1,646.7 million, have increased by 77.75% compared with 31 December 2021 (when they amounted to Euro 926.4 million). The increase recorded during the year relates to new BPER Banca issues for a nominal amount of Euro 1,012.0 million, together with the entry of new instruments resulting from the acquisition of the Carige Group for a nominal amount of Euro 217.3 million; this increase was partly offset by repayments, partial repurchases and intercompany eliminations of liabilities issued by other Group banks and subscribed by BPER Banca for a total nominal value of Euro 521.3 million. As was the case in December 2021, there are no convertible subordinated liabilities at 31 December 2022.

		(in thousands)		
Indirect deposits	31.12.2022	31.12.2021	Change	Chg. %
1. BPER Banca s.p.a.	120,395,078	123,185,847	(2,790,769)	-2.27
2. BPER Bank Luxembourg s.a.	1,623,374	1,818,328	(194,954)	-10.72
3. Banco di Sardegna s.p.a.	4,444,970	4,814,270	(369,300)	-7.67
4. Banca Cesare Ponti s.p.a.	915,096	-	915,096	n.s.
Total banks	127,378,518	129,818,445	(2,439,927)	-1.88
5. Arca Fondi SGR s.p.a.	31,804,032	33,786,169	(1,982,137)	-5.87
Other companies and consolidation adjustments	(20,307,352)	(16,618,525)	(3,688,827)	22.20
Total	138,875,198	146,986,089	(8,110,891)	-5.52

The chart shows the dynamics of direct and indirect deposits in the last five quarters:



Indirect deposits reported above do not include the amount arising from placement of insurance policies; the stock of customer assets invested in insurance products has increased by 25.06% since 31 December 2021, mainly due to the entry of new life insurance policies resulting from the acquisition of the Carige Group.

(in thousands)				
Bancassurance	31.12.2022	31.12.2021	Change	Chg. %
Insurance premiums portfolio	24,515,939	19,602,783	4,913,156	25.06
- of which life	24,279,279	19,290,713	4,988,566	25.86
- of which non-life	236,660	312,070	(75,410)	-24.16

If life insurance premiums are added to indirect deposits, the total comes to Euro 84,876.4 million, which accounts for 52.02% of the overall total of indirect deposits (assets under administration and assets under management) and life insurance premiums (Euro 163,154.5 million).

Shareholders' equity

(in thousands)				
Captions	31.12.2022	31.12.2021	Change	Chg. %
Shareholders' equity pertaining to the Parent Company	7,940,173	6,696,312	1,243,861	18.58
- of which profit (loss) for the year	1,448,975	525,123	923,852	175.93
- of which shareholders' equity excluding profit (loss) for the year	6,491,198	6,171,189	320,009	5.19

(in thousands)				
Captions	31.12.2022	31.12.2021	Change	Chg. %
Minority interests	180,356	162,497	17,859	10.99
- of which profit (loss) for the year pertaining to minority interests	24,905	33,526	(8,621)	-25.71
- of which shareholders' equity pertaining to minority interests excluding their share of profit (loss) for the year	155,451	128,971	26,480	20.53

(in thousands)				
Shareholders' equity	31.12.2022	31.12.2021	Change	Chg. %
1. BPER Banca s.p.a.	6,214,593	5,845,580	369,013	6.31
2. BPER Bank Luxembourg s.a.	60,776	66,471	(5,695)	-8.57
3. Bibanca s.p.a.	297,895	288,758	9,137	3.16
4. Banco di Sardegna s.p.a.	885,863	941,876	(56,013)	-5.95
5. Banca Cesare Ponti s.p.a.	26,137	-	26,137	n.s.
Total banks	7,485,264	7,142,685	342,579	4.80
Other companies and consolidation adjustments	(838,615)	(842,525)	3,910	-0.46
Total	6,646,649	6,300,160	346,489	5.50
Profit (Loss) for the year pertaining to the Parent Company	1,448,975	525,123	923,852	175.93
Profit (Loss) for the year pertaining to minority interests	24,905	33,526	(8,621)	-25.71
Total shareholders' equity	8,120,529	6,858,809	1,261,720	18.40

This figure is made up of liability captions 120, 140, 150, 160, 170, 180, 190 and 200.

The total net tangible shareholders' equity (after deduction of intangible assets of Euro 563.5 million) amounted to Euro 7,557.0 million.

6.2 Own funds and capital ratios

The harmonised rules for banks and investment companies contained in Regulation (EU) 575/2013 (CRR) and in the 2013/36/EU Directive (CRD IV) approved on 26 June 2013 and published in the Official Journal of the European Union the next day, entered into force on 1 January 2014.

These rules were later amended by Regulation (EU) 2019/876 of the European Parliament and of the Council ("CRR2") and Directive 2019/878/EU of the European Parliament and of the Council (CRDV), published in the Official Journal of the European Union on 7 June 2019.

This regulatory framework, which is the only set of rules that seeks to harmonise prudential regulations of the Member States of the European Community, was made applicable in Italy by the Bank of Italy's Circular 285, published on 17 December 2013 and subsequent updates.

The scope of consolidation for accounting purposes is the same as that used for prudential reporting purposes: companies excluded are treated in the same way as the Banks and Companies subject to significant influence and consolidated under the equity method.

As at 31 December 2022, the BPER Banca Group has internal models in use for measuring the capital requirements relating to the credit risk represented by both business and retail customers. The scope of the models³⁶ includes BPER Banca, Banco di Sardegna and Bibanca. The update of the plan for the extension of these models (roll-out), approved by the Board of Directors of the Parent Company on 7 July 2022 and subsequently transmitted to the ECB, includes Banca Carige (merged into BPER Banca on 28 November 2022) and its subsidiaries. The other BPER Banca Group companies and asset classes not included in the roll-out plan will continue to use the Standardised Approach.

On 25 January 2022, after completion of the annual Supervisory Review and Evaluation Process for 2021, BPER Banca received its SREP Letter from the ECB. On 31 August 2022, in light of the acquisition of Banca Carige, the European Central Bank notified BPER Banca of its updated decision on the prudential requirements to be complied with on a consolidated basis, pursuant to art. 16 of Regulation (EU) n. 1024/2013.

BPER Banca will have to maintain a minimum consolidated capital ratio in terms of Common Equity Tier 1 of 8.47%, consisting of the sum of the minimum regulatory Pillar 1 requirement of 4.5%, the additional Pillar 2 requirement of 1.47% and the Capital Conservation Buffer of 2.5%.

This requirement is also influenced by the additional Countercyclical Capital Buffer requirement specified for the BPER Banca Group of 0.017% at 31 December 2022, raising the overall minimum to 8.49%.

Compared with that limit, the amount of available equity (CET 1) at 31 December 2022 can be quantified at Euro 2,113 million (about 398 bps of CET1) under the Phased In transitional arrangements, while on a Fully Phased basis it is estimated at Euro 1,884 million, or about 355 bps of CET1.

With regard to the above, the amount calculated for CET1 at 31 December 2022 includes the portion of profit for the period allocable to equity, Euro 1,279.1 million, as determined in accordance with the process envisaged in art. 3 of ECB Decision (EU) 656/2015 dated 4 February 2015 and art. 26, para. 2 of Regulation (EU) 575/2013 (CRR).

³⁶ The ECB authorised the use of internal models on 24 June 2016.

The following table shows the BPER Banca Group's capital ratios and the minimum capital adequacy requirements for regulatory purposes as at 31 December 2022.

	31.12.2022 Fully Phased	31.12.2022 Phased in	31.12.2021 Fully Phased	31.12.2021 Phased in	(in thousands)	
					Change in Phased in	Cgh. %
Common Equity Tier 1 (CET1)	6,379,995	6,613,149	6,108,075	6,576,227	36,922	0.56
Additional Tier 1 capital (AT1)	150,435	150,435	150,453	150,453	(18)	-0.01
Tier 1 capital (Tier 1)	6,530,430	6,763,584	6,258,528	6,726,680	36,904	0.55
Tier 2 capital (Tier 2 - T2)	1,761,978	1,761,978	1,055,291	1,055,291	706,687	66.97
Total Own Funds	8,292,408	8,525,562	7,313,819	7,781,971	743,591	9.56
Total Risk-weighted assets (RWA)	52,989,278	53,025,476	45,253,699	45,340,544	7,684,932	16.95
CET1 Ratio (CET1/RWA)	12.04%	12.47%	13.50%	14.50%	-203 bps	
Tier 1 Ratio (Tier 1/RWA)	12.32%	12.76%	13.83%	14.84%	-208 bps	
Total Capital Ratio (Total Own Funds/RWA)	15.65%	16.08%	16.16%	17.16%	-108 bps	
RWA/Total assets	34.79%	34.82%	33.19%	33.25%	+157 bps	

The capital ratios are as follows:

- Common Equity Tier 1 ratio (Phased In) of 12.47%³⁷ (14.50% at 31 December 2021). The Fully Phased ratio is 12.04% (13.50% at 31 December 2021);
- Tier 1 ratio (Phased In) of 12.76%³⁸ (14.84% at 31 December 2021);
- Total Capital Ratio (Phased in) of 16.08%³⁹ (17.16% at 31 December 2021).

Note that the BPER Banca Group uses different methods for calculating risk-weighted assets, which are summarised below:

- credit risk: for Group entities represented by BPER Banca, Banco di Sardegna and Bibanca, credit risk measurement is performed using the AIRB approach. For Banks and other Companies that are not in the scope of validation and for other risk assets not included in the validated models, the standardised approach has been maintained;
- credit adjustment risk - the standardised approach is used;
- market risk - the standardised approach is used for assessing market risk (general and specific risk on equities, general risk on debt securities and positioning risk for units in investment funds) to determine the related separate and consolidated capital requirement;
- operational risk - operational risk measurement uses the standardised approach (TSA).

³⁷ Reg. 2395/2017 "Transitional provisions for mitigating the impact of the introduction of IFRS 9 on own funds" introduced the transitional regime (a.k.a Phased in) offers banks the option to mitigate the impacts of IFRS 9 on Own Funds over a period of 5 years (from March 2018 to December 2022), by neutralising the impact on CET1 with the application of decreasing add-back factors over time. The BPER Banca Group elected to apply the "static approach" to the impact arising from a reconciliation of impairment losses under IAS 39 as at 31 December 2017 to impairment losses under IFRS 9 as at 1 January 2018.

³⁸ See the previous note on transitional provisions.

³⁹ See the previous note on transitional provisions.

6.3 Reconciliation of consolidated net profit/shareholders' equity

Consolidated net profit pertaining to the Parent Company comprises, on a shareholding basis, the sum of profits (losses) at 31 December 2022 of the following Banks and Companies of the Group included in the line-by-line scope of consolidation.

	(in thousands)
Reconciliation of consolidated profit (loss) for the year	31.12.2022
BPER Banca s.p.a.	1,293,880
Other Group companies:	146,699
<i>Banco di Sardegna s.p.a.</i>	76,288
<i>Bibanca s.p.a.</i>	28,166
<i>BPER Bank Luxembourg s.a.</i>	1,731
<i>Banca Cesare Ponti s.p.a.</i>	4,558
<i>Arca Holding s.p.a. (consolidated figure)</i>	31,436
<i>Sardaleasing s.p.a.</i>	3,005
<i>BPER Factor s.p.a.</i>	12,112
<i>Finitalia s.p.a.</i>	7,630
<i>Optima s.p.a. SIM</i>	6,535
<i>BPER Real Estate s.p.a.</i>	(8,697)
<i>BPER Credit Management s.c.p.a.</i>	-
<i>Carige REOCO s.p.a.</i>	(17,769)
<i>Modena Terminal s.r.l.</i>	308
<i>Numera s.p.a.</i>	1,396
Total profit (loss) of the Group	1,440,579
<i>Consolidation adjustments</i>	8,396
Consolidated profit (loss) for the year	1,448,975

As required by current regulations, the following statement is presented with regard to the position at 31 December 2022:

Reconciliation of the shareholders' equity and results of the Parent Company with the related consolidated amounts

	(in thousands)	
	Increase (decrease)	
	Profit (Loss) for the year	Shareholders' equity
Amounts relating to the Parent Company	1,293,880	7,508,473
DIFFERENCES between the shareholders' equity of companies consolidated on a line-by-line basis (net of minority interests) and the book value of the related equity investments held by their parent companies, as follows:	172,617	378,673
- impairment losses on goodwill of consolidated companies	-	-
- badwill of consolidated companies	-	-
- consolidation adjustments	66,197	-
- derecognition of intercompany profits and losses	(40,279)	-
- share of the results of companies consolidated on a line-by-line basis after tax effect	146,699	-
DIVIDENDS collected from companies consolidated on a line-by-line basis or measured under the equity method	(37,939)	25
DIFFERENCE between the interest in shareholders' equity (including results for the year) and the book value of companies consolidated under the equity method	20,417	53,002
Profit (Loss) for the year and shareholders' equity of the Parent Company as at 31.12.2022	1,448,975	7,940,173
Profit (Loss) for the year and shareholders' equity of minority interests	24,905	180,356
Total consolidated Profit (Loss) for the year and shareholders' equity as at 31.12.2022	1,473,880	8,120,529
Total consolidated Profit (Loss) for the year and shareholders' equity as at 31.12.2021	558,649	6,858,809

6.4 Income statement aggregates

Summary data from the consolidated income statement at 31 December 2022 is presented below in thousands of Euro, appropriately compared with the amounts at 31 December 2021. Note that this comparison is influenced by the increase in size of the Group resulting from the acquisition of control over the Banca Carige Group during the period.

The profit and loss contribution of the transaction is limited to the second half of 2022 only, since the acquisitions took effect on 30 June 2022.

The accounting schedules envisaged by the 7th update of Bank of Italy Circular no. 262/2005 are presented below on a reclassified basis⁴⁰. The principal reclassifications relate to the following captions:

- *“Net commission income”* includes Euro 20.3 million in placement fees for Certificates, allocated to item 110 *“Net income on other financial assets and liabilities measured at fair value through profit or loss”* of the accounting schedule;
- *“Net income from financial activities”* includes items 80, 90, 100 and 110 in the accounting statement, net of the Certificates placement fees under the item above;
- indirect tax recoveries, allocated for accounting purposes to caption 230 *“Other operating expense/income”*, have been reclassified as a reduction in the related costs under *“Other administrative expenses”* (Euro 250.5 million at 31 December 2022 and Euro 232.3 million at 31 December 2021);
- *“Net adjustments to property, plant, equipment and intangible assets”* include captions 210 and 220 in the standard reporting format;
- *“Gains (Losses) on investments”* include captions 250, 260, 270 and 280 of the accounting schedule;
- *“Income taxes on current operations for the period”* includes the commission for the conversion of the tax losses of Carige into DTAs (Euro 111.5 million), allocated in the accounts to item 190b) *“Other administrative expenses”*;
- *“Contributions to the SRF, DGS and IDGF-VS funds”* have been shown separately from the specific accounting technical forms to give a better and clearer representation, as well as to leave the *“Other administrative expenses”* as a better reflection of the trend in the Group's operating costs. In particular, at 31 December 2022, this caption represents the component allocated for accounting purposes to administrative costs in relation to:
 - the 2022 regular contribution to the SRF (European Single Resolution Fund) of Euro 45.7 million;
 - the 2022 contribution to the DGS (Deposit Guarantee Schemes) for Euro 126.7 million.

⁴⁰ For further details on the methods of presentation of the reclassified statements, please refer to the attachment entitled *“Reconciliation between the Consolidated financial statements and the Reclassified consolidated financial statements”*.

Consolidated Income Statement

Captions		(in thousands)			
		31.12.2022	31.12.2021	Change	Chg. %
10+20	Net interest income	1,825,893	1,505,362	320,531	21.29
40+50	Net commission income	1,942,080	1,641,575	300,505	18.31
70	Dividends	22,124	20,084	2,040	10.16
80+90					
+100+110	Net income from financial activities	139,722	196,231	(56,509)	-28.80
230	Other operating expense / income	328,532	25,026	303,506	--
	Operating income	4,258,351	3,388,278	870,073	25.68
190 a)	Staff costs	(1,682,286)	(1,528,240)	(154,046)	10.08
190 b)	Other administrative expenses	(877,808)	(679,158)	(198,650)	29.25
210+220	Net adjustments to property, plant and equipment and intangible assets	(227,672)	(280,117)	52,445	-18.72
	Operating costs	(2,787,766)	(2,487,515)	(300,251)	12.07
	Net operating income	1,470,585	900,763	569,822	63.26
130 a)	Net impairment losses to financial assets at amortised cost	(606,059)	(837,194)	231,135	-27.61
	- loans to customers	(582,815)	(839,068)	256,253	-30.54
	- other financial assets	(23,244)	1,874	(25,118)	--
130 b)	Net impairment losses to financial assets at fair value	(442)	2,115	(2,557)	-120.90
140	Gains (Losses) from contractual modifications without derecognition	(139)	(2,893)	2,754	-95.20
	Net impairment losses for credit risk	(606,640)	(837,972)	231,332	-27.61
200	Net provisions for risks and charges	(132,256)	(80,745)	(51,511)	63.79
###	Contributions to SRF, DGS, IDPF - VS	(172,423)	(133,699)	(38,724)	28.96
250+260+270					
+280	Gains (Losses) on investments	(7,745)	(283,323)	275,578	-97.27
275	Gain on a bargain purchase	948,123	1,127,847	(179,724)	-15.94
290	Profit (Loss) from current operations before tax	1,499,644	692,871	806,773	116.44
300	Income taxes on current operations for the year	(25,764)	(134,222)	108,458	-80.80
330	Profit (Loss) for the year	1,473,880	558,649	915,231	163.83
340	Profit (Loss) for the year pertaining to minority interests	(24,905)	(33,526)	8,621	-25.71
350	Profit (Loss) for the year pertaining to the Parent Company	1,448,975	525,123	923,852	175.93

Consolidated income statement by quarter

	(in thousands)							
	1st quarter 2022	2nd quarter 2022	3rd quarter 2022	4th quarter 2022	1st quarter 2021	2nd quarter 2021	3rd quarter 2021	4th quarter 2021
Net interest income	376,429	409,020	474,981	565,463	343,513	384,809	391,097	385,943
Net commission income	450,559	463,410	504,045	524,066	328,132	405,826	438,451	469,166
Dividends	286	15,597	3,309	2,932	1,678	12,269	677	5,460
Net income from financial activities	58,939	25,457	32,351	22,975	76,241	43,471	52,898	23,621
Other operating expense / income	(2,470)	(10,276)	12,417	328,861	8,119	(5,631)	9,247	13,291
Operating income	883,743	903,208	1,027,103	1,444,297	757,683	840,744	892,370	897,481
Staff costs	(352,154)	(359,388)	(360,943)	(609,801)	(302,142)	(355,061)	(313,821)	(557,216)
Other administrative expenses	(160,690)	(181,965)	(232,641)	(302,512)	(189,880)	(157,403)	(151,125)	(180,750)
Net adjustments to property, plant and equipment and intangible assets	(45,584)	(48,498)	(60,664)	(72,926)	(54,454)	(52,510)	(52,849)	(120,304)
Operating costs	(558,428)	(589,851)	(654,248)	(985,239)	(546,476)	(564,974)	(517,795)	(858,270)
Net operating income	325,315	313,357	372,855	459,058	211,207	275,770	374,575	39,211
Net impairment losses to financial assets at amortised cost	(111,925)	(103,692)	(118,982)	(271,460)	(419,004)	(157,291)	(138,202)	(122,697)
- loans to customers	(96,109)	(97,604)	(115,171)	(273,931)	(417,667)	(159,229)	(137,174)	(124,998)
- other financial assets	(15,816)	(6,088)	(3,811)	2,471	(1,337)	1,938	(1,028)	2,301
Net impairment losses to financial assets at fair value	(16)	(230)	-	(196)	773	913	(225)	654
Gains (Losses) from contractual modifications without derecognition	(1,225)	27	573	486	(602)	(1,177)	(386)	(728)
Net impairment losses for credit risk	(113,166)	(103,895)	(118,409)	(271,170)	(418,833)	(157,555)	(138,813)	(122,771)
Net provisions for risks and charges	(12,200)	(28,839)	(11,785)	(79,432)	(40,914)	(9,592)	(4,527)	(25,712)
Contributions to SRF, DGS, IDPF - VS	(45,666)	(55)	(123,280)	(3,422)	(31,055)	(15,106)	(79,957)	(7,581)
Gains (Losses) on investments	4,026	2,988	6,337	(21,096)	(250,655)	(2,629)	(2,631)	(27,408)
Gain on a bargain purchase	-	1,188,433	(17,111)	(223,199)	1,077,869	72,053	(22,075)	-
Profit (Loss) from current operations before tax	158,309	1,371,989	108,607	(139,261)	547,619	162,941	126,572	(144,261)
Income taxes on current operations for the year	(39,579)	(95,745)	(22,046)	131,606	(140,830)	(50,902)	(34,317)	91,827
Profit (Loss) for the year	118,730	1,276,244	86,561	(7,655)	406,789	112,039	92,255	(52,434)
Profit (Loss) for the year pertaining to minority interests	(6,058)	(4,108)	(4,993)	(9,746)	(6,523)	(10,497)	(7,840)	(8,666)
Net profit (loss) for the year attributable to the parent company	112,672	1,272,136	81,568	(17,401)	400,266	101,542	84,415	(61,100)

Net interest income

Net interest income amounts to Euro 1,825.9 million, which is 21.29% higher than the comparative figure at 31 December 2021 (Euro 1,505.4 million) due to the increase in the size of the Group as a result of the business combination carried out during the year and the increase in interest rates.

The result includes the upside attributable to participation in the TLTRO-III issues, including sums deposited with the ECB, for Euro 58.3 million.

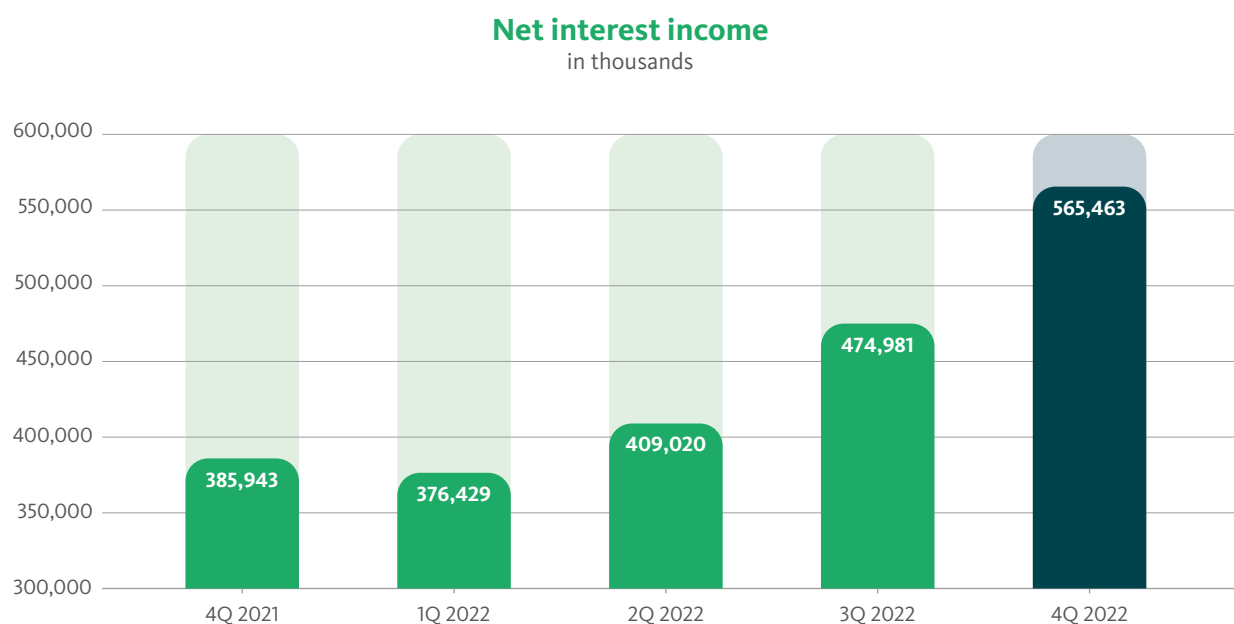
In addition to recalling the dynamics of loans and interest-bearing deposits, already highlighted in paragraph 6.1 "Balance sheet aggregates" (which feature a general increase in volumes), an indication of the trend in average lending/funding rates is given below for a better understanding of the trend in interest rates for loans and deposits:

- the average interest rate for the year, based on Group lending rates to customers was 2.26%, an increase of about 28 bps compared with the previous year's average rate (1.98%);
- the average yield on the securities portfolio is 0.70%, up by 29 bps year on year;
- the average cost of direct deposits from customers was 0.27%, up by about 10 bps compared to 2021 (0.17%);
- the average cost of interest-bearing liabilities was 0.27% (practically zero as at 31 December 2021, taking into account the negative rates on interbank funding);
- the spread between lending and deposit rates of Group relationships with customers came to 2.00% (1.81% at 31 December 2021);
- the overall gap between the average annual rate of return on interest-bearing assets and the average annual cost of

interest-bearing liabilities amounts to 1.32%, up on last year (it was 1.24% at 31 December 2021).

Net interest income	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
1. BPER Banca s.p.a.	1,409,057	1,167,289	241,768	20.71
2. BPER Bank Luxembourg s.a.	5,769	4,227	1,542	36.48
3. Bibanca s.p.a.	89,987	59,686	30,301	50.77
4. Banco di Sardegna s.p.a.	190,660	173,941	16,719	9.61
5. Banca Cesare Ponti s.p.a.	3,482	-	3,482	n.s.
Total banks	1,698,955	1,405,143	293,812	20.91
Other companies and consolidation adjustments	126,938	100,219	26,719	26.66
Total	1,825,893	1,505,362	320,531	21.29

With respect to the quarterly trend in Net Interest Income, shown in the following graph, significant growth was recorded in the fourth quarter. In addition to the increase in size associated with the acquisition of the Carige Group, the fourth quarter of 2022 was also impacted by a rise in interest rates, with the commercial spread rising to 2.68% compared to 2.05% in the third quarter.

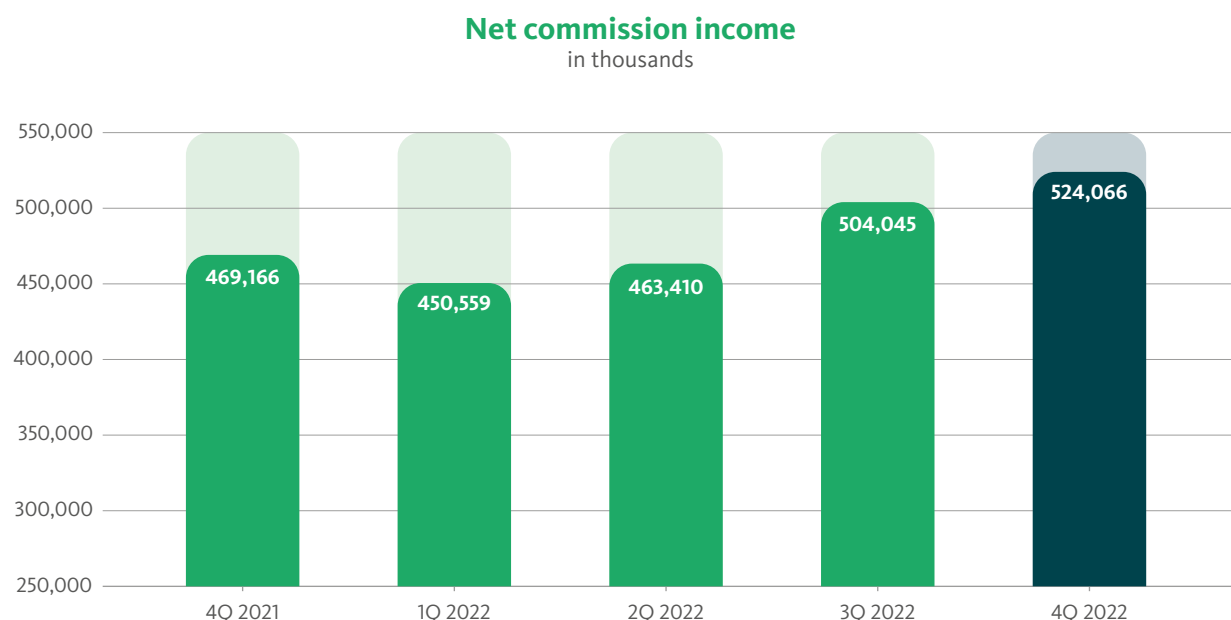


Net commission income

Net commission income, amounting to Euro 1,942.1 million, was 18.31% higher than at 31 December 2021 (Euro 1,641.6 million).

Net commission income	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Trading in currency/financial instruments	14,044	10,420	3,624	34.78
Indirect deposits and insurance policies	815,734	750,142	65,592	8.74
Collection and payment services	681,015	545,147	135,868	24.92
Loans and guarantees	323,381	261,781	61,600	23.53
Other commissions	107,906	74,085	33,821	45.65
Total net commissions	1,942,080	1,641,575	300,505	18.31

With respect to the quarterly performance in net commission income shown in the graph, the latter two quarters were impacted by the acquisition of the Carige Group. The increase in the fourth quarter compared to the previous quarter is mainly due to commissions from managed assets (+5.65%), bancassurance (+13.49%) and collection and payment services (+3.36%).



Net income from financial activities

Net income from financial activities (including dividends of Euro 22.1 million) amounted to a positive Euro 161.8 million (Euro 216.3 million at 31 December 2021), despite the volatility registered in the financial markets from end-February 2022, following the breakout of the Russia-Ukraine war.

The result was brought about in particular by:

- net profit on disposal or trading of financial assets for an amount of Euro 152.4 million;
- net profit from disposal of loans for an amount of Euro 32.5 million;
- net capital losses on financial assets of Euro 68.2 million;
- other positive elements for Euro 23.1 million.

		(in thousands)		
Net income from financial activities (including dividends)	31.12.2022	31.12.2021	Change	Chg. %
Dividends	22,124	20,084	2,040	10.16
Gain from disposal of financial assets and loans	184,839	183,706	1,133	0.62
Capital gains on financial assets and liabilities	80,966	49,928	31,038	62.17
Capital losses on financial assets and liabilities	(149,172)	(49,499)	(99,673)	201.36
Other revenues (losses)	23,089	12,096	10,993	90.88
Total	161,846	216,315	(54,469)	-25.18

Other operating expense / income

The item Other operating expense/income, amounting to Euro 328.5 million (Euro 25.0 million as at 31 December 2021), includes various significant components that impacted the result for the year:

- the capital gain originating from the transfer to Nexi s.p.a. of the business unit dealing with merchant acquiring and POS management activities (including the equity investment in Numera s.p.a.), for Euro 308.3 million;
- Euro 7.7 million positive adjustments to the cost incurred for the personnel manoeuvre in 2019;
- the capital gain from the disposal of the former Banca Carige and Banca del Monte di Lucca business units operating in pledge loans for Euro 7.6 million;
- the recognition of charges for an amount of Euro 23.5 million for the refund of fast-track loan approval process fees (CIV) to customers for the years 2012 - 2015.

Net operating income amounted to Euro 4,258.4 million (+25.68% compared to the previous year).

Operating costs

Operating costs amount to Euro 2,787.8 million, which is 12.07% higher than the comparative figure at 31 December 2021 due to the increase in the size of the Group as a result of the business combination carried out during the year.

The main components of operating costs are reported below.

Staff costs amounted to Euro 1,682.3 million, up compared to the previous year (+10.08%); in addition to the increase in the size of the Group, non-recurring expenses were allocated for Euro 166.2 million, relating to the extension of the workforce optimisation effort, as set forth in the Business Plan, expenses for Euro 10.4 million for the disbursement of a one-off allowance to employees to cover the high cost of living and expenses of Euro 24.0 million attributable to the adjustment of the cost of the workforce optimisation manoeuvre, already recognised in December 2021. With reference to the extension of optimisation operation, on 10 June 2022, the Bank presented the 2022/2025 Business Plan to the market. Among the other initiatives, the Business Plan provides for the voluntary exit of roughly 3,300 staff, clarifying that there will be an "additional operation" in addition to the one formalised on 28 December 2021 with the Trade Union Organisations (but based on the same entitlements, criteria and provisions) and taking account of the amount already expensed and agreed in contract form by Banca Carige and of the merger of Banca Carige into BPER Banca, therefore defining additional resources to be managed with the activation of the Solidarity Fund. These additional resources are to be identified from the surplus application requests received with respect to the available funds pursuant to the agreement with the Trade Union Organisations of 28 December 2021.

Other administrative expenses, shown net of indirect taxes recovered (Euro 250.5 million), of the contributions paid to the Resolution fund (Euro 172.4 million) and the fee paid for the conversion of DTAs in relation to Carige's tax losses into tax credits (Euro 111.5 million), amount to Euro 877.8 million, up 29.25% on the previous year. This item is likewise affected by one-off charges relating to the acquisition of the Carige Group (approx. Euro 55.0 million), in particular for IT migration, consultancy, advertising, rebranding and reimbursement of staff expenses.

The profit pertaining to minority interests totalled Euro 227.7 million (Euro 280.1 million at 31 December 2021).

Amortisation of assets owned amounted to Euro 141.1 million (Euro 139.5 million as at 31 December 2021); write-downs of Euro 7.0 million were registered on assets owned (primarily software), in addition to net write-backs on previous impairment for Euro 3.1 million. The depreciation of rights of use related to leased assets amounted to Euro 74.1 million (Euro 67.3 million at 31 December 2021), while adjustments due to early termination of contracts totalled Euro 3.7 million (Euro 2.1 million at 31 December 2021).

(in thousands)				
Operating costs	31.12.2022	31.12.2021	Change	Chg. %
1. BPER Banca s.p.a.	2,380,474	2,067,936	312,538	15.11
2. BPER Bank Luxembourg s.a.	5,884	5,047	837	16.58
3. Bibanca s.p.a.	62,075	54,536	7,539	13.82
4. Banco di Sardegna s.p.a.	280,826	294,016	(13,190)	-4.49
5. Banca Cesare Ponti s.p.a.	4,173	-	4,173	n.s.
Total banks	2,733,432	2,421,535	311,897	12.88
Other companies and consolidation adjustments	54,334	65,980	(11,646)	-17.65
Total	2,787,766	2,487,515	300,251	12.07

Net operating income therefore amounts to Euro 1,470.6 million (Euro 900.8 million at 31 December 2021).

Net impairment losses for credit risk

Net impairment losses for credit risk stood at Euro 606.6 million (Euro 838.0 million as at 31 December 2021), relating mainly to net adjustments on financial assets measured at amortised cost for Euro 606.1 million (Euro 837.2 million as at 31 December 2021), including adjustments of Euro 19.5 million on on-balance sheet exposures to banks resident in Russia.

Net impairment losses for credit risk on loans to customers are analysed below:

(in thousands)				
Net impairment losses for credit risk on loans to customers	31.12.2022	31.12.2021	Change	Chg. %
1. BPER Banca s.p.a.	436,634	645,470	(208,836)	-32.35
2. BPER Bank Luxembourg s.a.	2,070	463	1,607	347.08
3. Bibanca s.p.a.	24,111	4,307	19,804	459.81
4. Banco di Sardegna s.p.a.	86,777	113,900	(27,123)	-23.81
5. Banca Cesare Ponti s.p.a.	17	-	17	n.s.
Total banks	549,609	764,140	(214,531)	-28.07
Other companies and consolidation adjustments	33,206	74,928	(41,722)	-55.68
Total	582,815	839,068	(256,253)	-30.54

The overall cost of credit at 31 December 2022, calculated only on loans to customers, was 64 bps (106 bps at 31 December 2021). If adjustments on exposures to Russian banks are taken into account, the cost of credit stands at 66 bps on an annualised basis.

Net provisions for risks and charges

Net provisions for risks and charges total Euro 132.3 million (Euro 80.7 million at 31 December 2021). Net impairment adjustments on guarantees and commitments amount to Euro 42.9 million and include Euro 7.8 million in write-downs on financial guarantees on exposures to Russian banks, whereas "Other provisions for risks and charges" amount to Euro 89.4 million.

Contributions to SRF, DGS, IDPF - VS

The total amount of contributions paid during the year was Euro 172.4 million (Euro 133.7 million at 31 December 2021). This amount comprises the ordinary contribution for 2022 paid to the SRF (European Single Resolution Fund), equal to Euro 45.7 million (Euro 34.9 million at 31 December 2021), the ordinary contribution paid to the DGS (Deposit Guarantee Scheme) and Euro 126.7 million (Euro 87.6 million at 31 December 2021). In 2022, no additional contributions were requested from the SRF (Euro 11.3 million as at 31 December 2021).

Gains (Losses) on investments

This caption shows a negative balance of Euro 7.7 million (Euro 283.3 million negative at 31 December 2021), mainly deriving from:

- Euro 30.2 million in write-downs due to the fair value measurement of properties;
- Euro 1.3 million in impairment losses on equity investments;
- Euro 20.5 million positive result from companies valued at equity;
- Euro 3.3 million net profit from disposal of investments.

Gain on a bargain purchase

This caption includes the goodwill - i.e. the positive capital difference - generated by the acquisition of the Carige Group, amounting to Euro 948.1 million. For more details, please refer to the information provided in Part G of the Explanatory Notes "Business combinations".

Net profit

Profit from current operations before tax amounted to Euro 1,499.6 million (Euro 692.9 million at 31 December 2021). "Income taxes for the year", amounting to Euro 25.8 million, were determined by applying the regulations in force as at 31 December 2022, including the provisions contained in article 1, paragraphs 233 et seq. of Law no. 178 of 30 December 2020 which, in the case of business combinations carried out through mergers, demergers and business transfers that took place between approved independent parties or resolved upon between 1 January 2021 and 30 June 2022, enable the entity resulting from the merger or the merging entity, beneficiary and the transferee, to arrange for the conversion into tax credits of the DTAs relating to tax losses and surplus ACE (Allowance for Corporate Equity) accrued until the tax period prior to the one in progress at the date of legal effectiveness of the transaction. The regulation is also applied where the transaction has taken place between entities among which there is a relationship of control, if said control has been acquired between 1 January 2021 and 30 June 2022 and within two years of the date of acquisition of said control, a transaction took legal effect involving a merger, demerger or business transfer; in said case, the convertible DTAs are those relating to the tax losses and the surplus ACE accrued up to the tax period prior to the one in progress at the date on which the control was acquired. In the specific case of the BPER Group, the Parent Company exercised the conversion option following the business combination concluded with the merger by absorption of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. completed on 28 November 2022. Due to said option, in 2022, DTAs amounting to Euro 111.5 million were converted into tax credits, equal to one quarter of the total amount convertible; therefore, the item 'taxes' was negatively impacted by the cancellation of the DTAs converted and positively by the recognition of the tax credit. For the remaining three quarters of the convertible DTAs (Euro 334.6 million), the conversion was carried out on 1 January 2023.

No deferred tax assets have been recognised on temporary differences due to reverse after the five-year time horizon considered for the probability test (2023-2027). In addition, following the test, deferred tax assets were recognised on tax losses and ACE (Allowance for Corporate Equity) not absorbed in tax consolidation for an amount of Euro 175.8 million.

It should be noted that tax consolidation as at 31 December 2022 recorded a loss of Euro 177.3 million.

The profit for the year after tax amounted to Euro 1,473.9 million (Euro 558.6 million at 31 December 2021). The profit pertaining to minority interests totalled Euro 24.9 million (Euro 33.5 million at 31 December 2021).

The profit pertaining to the Parent Company amounted to Euro 1,449.0 million (Euro 525.1 million at 31 December 2021).

Net profit	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
1. BPER Banca s.p.a.	1,293,880	567,203	726,677	128.12
2. BPER Bank Luxembourg s.a.	1,731	4,721	(2,990)	-63.33
3. Bibanca s.p.a.	28,459	24,036	4,423	18.40
4. Banco di Sardegna s.p.a.	76,840	(45,271)	122,111	-269.73
5. Banca Cesare Ponti s.p.a.	4,558	-	4,558	n.s.
Total banks	1,405,468	550,689	854,779	155.22
Other companies and consolidation adjustments	43,507	(25,566)	69,073	-270.18
Total	1,448,975	525,123	923,852	175.93

6.5 Employees

Employees	31.12.2022	31.12.2021	Change
1. BPER Banca s.p.a.	18,302	15,326	2,976
2. BPER Bank Luxembourg s.a.	28	24	4
3. Bibanca s.p.a.	199	172	27
4. Banco di Sardegna s.p.a.	2,071	2,154	(83)
5. Banca Cesare Ponti s.p.a.	32	-	32
Total banks	20,632	17,676	2,956
Subsidiaries consolidated line-by-line	427	452	(25)
Balance sheet total	21,059	18,128	2,931

Figures refer to the point-in-time number of employees at 31 December 2022. The acquisition of the business unit from the ICarige Group resulted in an increase in the workforce of 3,248 resources at the acquisition date; for more information, see the chapter on "Significant events and strategic transactions" in this Report. Group employment at 31 December 2021 includes 496 persons seconded with Group companies (492 at 31 December 2022).

6.6 Geographical organisation

Branches	31.12.2022	31.12.2021	Change
1. BPER Banca s.p.a.	1,603	1,414	189
2. Banco di Sardegna s.p.a.	308	328	(20)
3. Banca Cesare Ponti s.p.a.	2	-	2
Total Italian banks	1,913	1,742	171
4. BPER Bank Luxembourg s.a.	1	1	-
Total	1,914	1,743	171

The change during the year is primarily due to the acquisition of control of the Carige Group (382 branches at the acquisition date) and rationalisation of branches; for more information, see the chapter "Significant events and strategic transactions" of this Report.

Please refer to the "Other attachments" of these consolidated financial statements as at 31 December 2022 for details of the Group's local presence throughout the country.

7. Principal risks and uncertainties

7.1 Identification of risks, underlying uncertainties and the approach to manage them

The BPER Banca Group identifies the Risk Appetite Framework (RAF) as a tool for overseeing the risk profile that the Group intends to take in the implementation of its business strategies, considering it as an essential element to ensure that the risk governance policy and process by which risks are managed comply with the principles of sound and prudent business management.

The key principles of the RAF are formalised and approved by the Parent Company, which periodically reviews them, ensuring that they are in line with the strategic guidelines, business model and regulatory requirements in force at the time.

Through a coordinated and representative series of metrics, the RAF outlines the risk objectives (risk appetite), any tolerance thresholds (risk tolerance) and the operating limits under both normal and stressed operating conditions, which the Group intends to comply with in the pursuit of its strategic guidelines, defining the levels of consistency with the maximum risk that can be accepted (risk capacity).

The Group periodically monitors the overall RAF metrics, in order to control on a timely basis any overruns of the tolerance thresholds and/or risk limits assigned under the individual risk governance policies and, if appropriate, deal with the necessary communications to the Corporate Bodies and subsequent remedial actions.

The RAF takes on the importance of a management tool that not only permits concrete application of the regulations, but also makes it possible to activate synergistic governance of the planning, control and risk management activities.

For further details, see Part E - Information on risks and related hedging policies of these Explanatory Notes.

To ensure the implementation and in compliance with prudential supervisory regulations (Bank of Italy Circular 285 of 17 December 2013 and subsequent updates), the BPER Banca Group periodically performs an accurate identification of the risks to which it is or could be exposed by taking account of its operations and reference markets.

This activity is the result of an integrated and ongoing recognition process carried out centrally by the Parent Company, which also envisages (if deemed necessary in relation to any developments and/or changes in the business model) the involvement of the individual legal entities included in the Group's scope of consolidation, in order to enhance their role in relation to individual and specific operational features. In this regard, the Risk Map is viewed as having management and risk governance purposes, making it the cornerstone of the Internal Control System.

The risk identification process involves periodic updating of the "Map of Group Risks", which illustrates the relative position of the Bank with respect to Pillar 1 and 2 risks⁴¹, with a point-in-time and forward-looking perspective, in order to foresee any risks capable of impacting the operations of the Group or of its legal entities. The purpose of this update is to define the scope of significant risks/entities through the application of appropriate criteria of applicability and materiality, which make it possible to differentiate between risks that are material or immaterial for the Group.

The scope of "material risks" is made up of all First Pillar risks, mandatory regulatory risks and Second Pillar risks (credit, counterparty, market, operational, liquidity, interest rate in the banking book, strategic/business, reputation, equity investments).

They are classified into risk sub-categories, based on the specific nature of the main risk, the reference regulations and/or the specific operations of the Group, with the aim of pursuing a complete monitoring of the various types of risk, also in line with national and international regulatory developments⁴².

In continuity with the projects kicked off in 2021, as part of the periodic updating process of the Group Risk Map, the finetuning of the identification and analysis of environmental, social and governance (ESG) risk continued, managing the related components as sub-categories of the main risk categories (e.g. incorporation of the climate/environmental component within credit risk and ESG risk as a whole within operational risks).

The further developments introduced in the 2022 Risk Map also include the introduction of a qualitative analysis on the risk profiles potentially impacted by pandemic events. In 2023, improvement activities will continue in the Risk Map area in order to incorporate developments in the ESG domain, with particular reference to the climate risk component.

Identification of these risks also considered their inherent uncertainties, understood as possible events whose potential impact cannot be determined, and hence quantified, at present.

More specifically, as a key factor in the determining the outlook for Group operations, the Italian and global macroeconomic situation is currently beset by persisting uncertainties in relation, in particular, to the Covid-19 pandemic and its consequent major risk of a new adverse impact on the economy and the financial markets, in addition to the Russia-Ukraine conflict that is

⁴¹ See Bank of Italy Circular no. 285/13, Title III - Chapter 1 - Attachment D.

⁴² EBA Guidelines on SREP, ECB guidelines on ICAAP and ILAAP.

currently impacting the international economy.

Resolution of the uncertainties and fears about additional economic and social repercussions will depend, in part, on the success of the monetary and fiscal measures adopted by the EU authorities and the governments of member States in support of the worst affected sectors and operators.

A further expansion of the pandemic and consequent new containment measures, as well as the continuation of the conflict with geo-political and energy supply repercussions, may trigger additional general economic consequences and specific impacts on the economic, financial and capital profile of the BPER Banca Group. In particular, in this context, the economic slowdown might significantly increase the levels of credit risk and market risk faced by the Group.

In line with the RAF defined by the Parent Company, for risks identified as significant, the Board of Directors of BPER Banca sets, with a special "governance policy", the risk objectives, the related risk exposure and operational limits and the process of risk assumption and management.

In line with the relevant regulations, the Corporate Bodies have a central role in the process of risk governance, providing for certain responsibilities with regard to the design, implementation, evaluation and external communication, as part of the development of the Group's system of internal controls.

The Parent Company's Board of Directors therefore performs the strategic supervision function at Group level, intervening in all phases envisaged by the model and, by means of strategic directives, involving the Boards of Directors of the individual Group Banks and Companies for the activities that are their responsibility, i.e.:

- it gives the CEO adequate powers and resources to implement the strategic guidelines, the RAF and risk governance policies defined by the Board of Directors of the Parent Company in the design of the internal control system and is responsible for taking all the necessary steps to ensure that the organisation and its internal control system comply with the principles and requirements laid down in regulatory provisions, monitoring compliance on an ongoing basis;
- receives, either directly or through the CEO, the information flows required to gain full awareness of the various risk factors and the ability to govern them, so as to plan and implement interventions to ensure the compliance and adequacy of the Internal Control System.

The various bodies of the Parent Company with delegated powers (i.e. the Chief Executive Officer and the General Management, in other words those with appropriate powers to carry on the functions of day-to-day management) perform the management function in all stages of the model. Added to these are the delegated bodies of the individual Companies that ensure implementation of management strategies and policies at their own level.

The Boards of Statutory Auditors of the Parent Company and of Group companies, each to the extent of their own responsibilities, carry out the assessment of the internal control system required by law and the articles of association and have the responsibility of ensuring the completeness, suitability and functionality of the internal control system and of the RAF. The results of these assessments are brought to the attention of the respective Boards of Directors.

Risk governance is also assisted by the comprehensive and well-established system of Group Committees, which meet on a regular basis, monitoring the overall risk profile of the Group and contributing, together with the Parent Company's Board of Directors, to the definition of the risk management policies.

The following tasks are generally assigned to the Committees:

- to communicate and share information on changes in the Group's risk profile;
- to implement the function of direction and coordination entrusted to the Parent Company;
- to support the competent Corporate Bodies in the area of risk management;
- to identify and propose strategic guidelines and policies for the management of Group risk.

In particular, the Risks Committee, a body with consultative powers, assists the Chief Executive Officer in the determination and implementation of the Risk Appetite Framework, of risk governance policies and of the capital adequacy process for the Group and Group companies, as well as in the preparation of management reporting on risks and development and monitoring of the system of operating limits.

To this effect, the Committee is responsible for examining the following issues:

- risk capacity, risk appetite, risk tolerance, risk profile and risk limits under both normal and stressed conditions;
- consistency and reconciliation among the business model, the strategic plan, the RAF, ICAAP and ILAAP processes, the budget, business administration and the internal control system;
- the risk management process indicates the series of rules, procedures, methodologies and models, resources (human, technological and organisational) and control activities to identify, measure or assess, monitor, prevent or mitigate and to communicate, by means of a specific reporting process, all risks taken or that may be taken by the Group.

The Risks Committee is also responsible for the examination of methodologies, tools, reporting and internal regulations falling within the responsibility of the Risk Management, Compliance, Anti-Money Laundering, Validation functions and the Manager responsible for preparing the company's financial reports (hereinafter Manager responsible).

Decentralised at the individual Group companies there are people who act as "Contacts" for all of the second level control functions, in addition to the Manager Responsible for Preparing the Company's Financial Reports, for the following purposes:

- overseeing operations in line with the Parent Company's duties of direction and coordination, taking into account specific local aspects and the type of business carried on by individual Group companies;
- ensuring effective operational links between the Parent Company and each Group company;
- all communication flows to corporate bodies.

With respect to reporting, the Group has prepared a comprehensive set of periodic reports to ensure the provision of adequate information to the Corporate Bodies of the Parent Company and the Group Banks and Companies about their risk exposure. The analyses contained in these reports are discussed in the various committees and are the basis of the assessment of capital adequacy, subsequently brought to the attention of Parent Company's Board of Directors.

To ensure the achievement of strategic and operational objectives, the BPER Banca Group defines its Internal Control System (governed by the "Group Policy - Internal Control System")⁴³, in line with Bank of Italy Circular 285 of 17 December 2013 – Supervisory instructions for banks.

The "Group's Internal control system" is the set of rules, functions, structures, resources, procedures and processes aimed at ensuring that the activities carried out by the company are compliant with the pre-defined internal standards and practices.

At Group level, this system is structured in order to allow the Parent Company to carry out the following, also as part of its management and coordination activities:

- strategic control of both the trend in the activities carried out by the Group companies and the acquisition and disposal policies employed by the latter
- management control aimed at ensuring the maintenance of conditions of economic, financial, equity equilibrium for both the individual group companies, and the Group as a whole.
- technical-operational control targeted at evaluating the risk profiles caused to the Group by the individual subsidiaries and the general risks of the Group.

The BPER Banca Group's internal control system involves corporate bodies, control functions and line structures and is designed to take account of the business specifics of each Group Company and to comply with the following principles :

- proportionality in the application of rules according to size and operations;
- gradual and progressive transfer to more advanced methodologies and processes for measuring risk and the capital that is available as a result;
- unity in the definition of the approaches used by the various functions foreseen in the Group's organisational system;
- effectiveness and efficiency of risk control.

Each Group Company has a corporate Internal Control System that is consistent with the Group's strategy and policy on risks and controls, without prejudice to compliance with any applicable regulations on an individual basis: any additions that may be necessary for the adaptation of the Company's Internal Control System to specific regulatory and/or Supervisory Authority requirements, must be approved in advance by the Parent Company.

For more information and details on the overall control system implemented at the Banking Group and on the tasks assigned to each control body or function identified, please refer to the information provided in the Explanatory Notes, Part E - Information on risks and related hedging policies (particularly the "Introduction" to the qualitative and quantitative information), to the Pillar 3 Public Disclosures as at 31 December 2022, as well as to the Report on Corporate Governance and Ownership Structure as at 31 December 2022, which are available on the company's website (<https://istituzionale.bper.it>).

Credit risk

With regard to credit risk, the metrics of the internal rating system are used for management reporting purposes. More specifically:

- a Credit Risk Report is prepared for management every quarter and the results are included in the quarterly risk report, which is then sent to Top Management and the various Corporate Bodies of the Parent Company and of Group Banks and Companies. The information is discussed by the Risks Committee and presented by the Chief Risk Officer to the Control and Risk Committee and the Board of Directors of the Parent Company;
- a summary report is prepared for Top Management and the various Corporate Bodies of the Parent Company and of Group Banks and Companies on a monthly basis, including the monitoring of supervisory thresholds set for credit and concentration risk;
- a network reporting tool is prepared, characterised by different views of the loan portfolio, with different levels of aggregation (Branch, Territorial Department, General Management, Bank and Group) and hierarchical visibility cones.

Advanced methodologies (AIRB) have long been used as part of the process of defining capital adequacy (ICAAP). To be precise,

⁴³Approved by Board of Directors on 28 April 2022.

the BPER Banca Group has adopted the advanced methodologies (AIRB) starting from the Supervisory Reports of June 2016 with reference to the Banks falling within the scope of first validation (BPER Banca, Banco di Sardegna and BiBanca), subsequently extended to the Cassa di Risparmio di Bra⁴⁴ starting from the Supervisory Reports of March 2019.

Starting from Supervisory Reporting as at 31 December 2021, after the ex-ante notification was sent to the Supervisory Authorities in October 2021, the use of the Group internal models for the calculation of credit risk capital requirements was extended to the credit exposures acquired from the Intesa Sanpaolo business units.

The following asset classes are subject to AIRB methodologies:

- "Exposures to retail businesses";
- "Exposure to companies".

The other Group companies/banks and asset classes for which Permanent Partial Use (PPU) is not required or which are not included in the roll-out plan, the BPER Banca Group has continued to use the Standardised Approach and the external ratings supplied by the ECAIs (External Credit Assessment Institutions)⁴⁵ recognised by the Supervisory Authority. In particular, the ratings of Cerved, Fitch, Moody's and Standard & Poor's were used for "Exposure to corporates"; the ratings of Fitch, Moody's and Standard & Poor's for "Exposures to supervised intermediaries" and "Covered bonds". The ratings by Scope Ratings AG were used for "Exposures to central governments or central banks"; Fitch Ratings were used for "Financial Instruments used as collateral", and the ratings by Standard & Poor's were used for "Securitisation exposures".

Through the implementation of the "second best rating" rule, in compliance with the provisions approved by the CRR (Capital Requirements Regulation), article 138 (d)(e)(f), where two ratings of the same customer are present, the more prudential one is adopted; in the case of three ratings, the intermediate one; if all ratings are present, the second best one. In addition, in line with the contents of the CRR, article 444 (d) regarding the association of the external rating of each ECAI with the risk weights corresponding to the credit quality steps set out in said CRR, it is confirmed that the BPER Group respects the association published by the EBA.

The latest updates/improvements relating to the internal models are detailed below:

- On 18 July 2022, BPER Banca received the Final Report relating to the ECB inspection commenced on 16 September 2021 on the new AIRB models in reference to the two application requests sent in June 2021 and the implementation of the Roll-Out plan. The inspection took place on-site from November 2021 and ended in the first quarter of 2022; the Bank received the follow-up letter from the ECB on 16 February 2023, containing the authorisation for the release of the new models into production.
- The "Return to Compliance Plan" was approved on 4 August 2022. The plan is designed to extend BPER's AIRB models to the former Carige Group loan portfolio acquired in the first half of 2022 and merged into BPER Banca in November 2022.

Financial risk

With regard to financial risk management, an analytical system is used to measure, monitor and report on market, counterparty, liquidity and interest-rate risks. Guidance on management policies for market risk, interest rate risk and liquidity risk (operational and structural) is provided by the ALCO and Finance Committee and the Liquidity Committee. Operational reports are prepared on the risk profile, with frequencies varying from daily to monthly, depending on the characteristics of each risk that is monitored. Every quarter, an overall report on financial risks is presented to the Risks Committee, the Risk Control Committee, the Board of Directors of the Parent Company and, for the areas within their remit, to the Boards of Directors of the Group companies.

For more information on credit risk and related controls, please refer to the Explanatory Notes, Part E, Section 2, para. 1.2 – Market risk, para. 1.3 Derivative instruments and hedging policies, para. 1.4 Liquidity risk.

Operational risk

As regards the governance of operational risk, starting from the supervisory reports at 31 December 2013, the BPER Banca Group adopted the Traditional Standardised Approach (TSA) to calculate the capital requirement for operational risk.

The Own Funds requirement is calculated by determining the three-year average of the sum of the annual Own Funds requirement for the lines of business in which the relevant indicator was classified⁴⁶.

The operational risk governance and management model adopted by the BPER Banca Group, designed to identify, assess, monitor, mitigate and report operational risks to the appropriate hierarchical levels, is formalised in specific internal rules. It provides for the centralised management at the Parent Company by the Operational Risk Office, which has a Contact of the Risk Management Department in place at all Group banks and companies.

⁴⁴ Subsequently absorbed by BPER Banca in July 2020.

⁴⁵ External agencies for the assessment of creditworthiness.

⁴⁶ See CRR – Part three, Title III, Chapter 3, art. 317.

The operational risk management and measurement system adopted by the BPER Banca Group is ensured by:

- Loss Data Collection: system for collecting and filing the loss events that derive from operational risks, supported by dedicated IT tools under constant development that ensure the integrity and quality of the data gathered;
- measurement of operating risks via the Risk Self-Assessment, in order to determine over a one-year time horizon the forward-looking level of exposure to operating risks and assess the adequacy of processes and line controls;
- measurement of risk by determining the level of capital absorption by operating risk from both a regulatory (Own Funds) and an operational standpoint (Economic Capital);
- system of reporting and communication to the Board of Directors and Senior Management, together with procedures to undertake appropriate mitigation actions based on the information flows sent.

Together, the analysis of loss data collection and the measurement of operational risks make it possible to identify areas of vulnerability in which operating losses are more concentrated, in order to understand the underlying causes and highlight the opportunity for corrective actions, including insurance cover (external transfer of risk).

Since 2015, the BPER Banca Group has implemented an analytical framework for IT risk, upgraded in 2019, with the aim of identifying the exposure to IT risk and the corrective actions needed to avoid exceeding the established risk appetite threshold. A specific analysis is carried out in relation to operational and security risk related to payment services.

Reputational risk

Commencing from 2017, the BPER Banca Group has implemented a framework for the management of reputational risk in order to monitor, manage, mitigate and periodically present in an organised manner the position of the Group in relation to this risk, together with the corrective actions needed to mitigate any vulnerabilities identified.

The principal elements comprising the framework for the management of reputational risk are described and formalised in the "Group policy on the governance of reputational risk". This document centralises the management of this activity within the Operations and Credit Risk Department of the Parent Company, and specifies the responsibilities of the organisational units within the Parent Company and the Group companies concerned, both under normal operating conditions and should any "critical reputational events" occur.

The reputational risk management system adopted by the BPER Banca Group is structured into the following components:

- identification and assessment of risk based on Reputational Data Collection and Reputational Self-Assessment;
- monitoring of the Group's exposure to reputational risk using a series of specific Key Risk Indicators;
- management of critical reputational events (escalation): management of particularly critical reputational events, by means of a functional escalation process and the determination of short and long term responses and mitigation;
- reporting: preparation of suitable reports, based on the various processes/sub-processes comprising the framework, in order to present in summary form the outcome of the risk management activities to all bodies and functions concerned.

For more qualitative information on operational risk and reputational risk and related controls, please refer to the Explanatory Notes to this Report, Part E, Section 2, para. 1.5 Operational risk.

7.2 Other evidence of risk

Business Continuity

During the first half of 2022, the annual activities aimed at the "Ordinary Management" of Business Continuity continued with a view to updating the Business Continuity Plan of the Parent Company and of the Group's Banks and Companies and carrying out planned testing activities.

The innovative elements that characterised the financial year 2022 concerned:

- the extension of the impact analysis to the entire perimeter of the corporate Macro-Processes;
- the insertion of new fields in the Orbit application, aimed at an in-depth collection of additional information;
- the simplification of the Business Continuity Plan and the associated annexes, for an easier and more immediate understanding and better use in the event said plan is implemented;
- the updating of the sectoral Business Continuity plan which concerns the steps to be taken in the event of an alarm in the Vesuvius area in which the Bank has various branches (Vesuvius plan) and the Disaster Recovery Plan.
- the preparation of the first version of BPER's Crisis Communication Plan, a document that governs the methods of internal and external communication management during emergency or crisis situations, as well as the roles and responsibilities of the functions involved.

- increasingly growing attention on external suppliers, with test sessions to verify and examine their Business Continuity Plans, which led to the reduction of the Residual Risks associated with third parties;
- increasingly more widespread use of remote work tools, in particular, for personnel in the business continuity perimeter;
- the mapping of uninterruptible systems and generator sets on the sites of provision of critical supplies, in order to ensure total coverage;
- the execution of Business Continuity and Disaster Recovery tests as per annual planning;
- the performance of a gap analysis regarding requirements for systemically important processes;
- the acquisition of the “Everbridge” application as a mass notification tool for communications in the event of a crisis/emergency.

In 2022, there was a continued focus on branch resilience, through the publication, on the corporate intranet, of “Cosa fare se” (what to do if) or a support guide for network personnel outlining the conduct to observe and the communications to make in the event of a temporary shutdown or service outage (unexpected black-outs, line drop, etc.).

Lastly, the Business Continuity Office coordinated various activities targeted at restoring compromised services. The most significant emergency situation concerned the flood in the Marches, which saw the deployment of the bank’s mobile branch camper van and close cooperation with the COO area to repair damaged premises and return to normal operations.

Climate Change

In addition to the above, with respect to the inclusion of climate risk in the Risk Map and the process launched by the BPER Banca Group for the definition and management of ESG risks, it should be noted that the medium-term action plan launched by the Group is compliant with the “Guide on climate-related and environmental risks”, issued by the ECB for the transition to a circular, low carbon economy, where it is clearly outlined that said transition entails both risks and opportunities for the economy and financial institutions, while physical damage caused by climate change and environmental degradation can have a significant impact on the real economy and the financial system.

Therefore, BPER Banca’s adoption of an overarching, farsighted and forward-looking strategic approach is confirmed for the classification of climate-related and environmental risks.

For more information on climate risk and ESG risk in general, please refer to the Consolidated Non-Financial Statement (2022 Sustainability Report).

7.3 Disclosure of exposures to sovereign debt held by listed companies

As required by CONSOB Communication DEM/11070007 of 5 August 2011 (and in the letter sent to listed Banking Issuers dated 31 October 2018), details are provided below about the holdings of bonds issued by Central and Local Governments and by Government entities, as well as about the loans granted to them.

Debt securities

Issuer	Rating	Cat	Nominal value	Book Value	Fair Value	OCI Reserves	%
Governments (*):			15,452,885	14,677,592	13,651,174	(59,073)	97.48%
Italy	BBB		10,631,580	10,406,505	9,725,095	(48,094)	69.11%
		FVTPLT	4,396	3,854	3,854	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	2,479,684	2,456,076	2,456,076	(48,094)	
		AC	8,147,500	7,946,575	7,265,165	#	
Spain	A-		1,667,900	1,524,555	1,444,564	(1,775)	10.13%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	11,000	9,236	9,236	(1,775)	
		AC	1,656,900	1,515,319	1,435,328	#	
U.S.A.	AAA		890,000	820,345	663,632	-	5.45%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	890,000	820,345	663,632	#	
Germany	AAA		834,501	768,831	677,408	(3,255)	5.11%
		FVTPLT	1	2	2	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	20,000	15,892	15,892	(3,255)	
		AC	814,500	752,937	661,514	#	
European Stability Fund	AA		334,500	299,535	291,234	(102)	1.99%
		FVTPLT	1,000	1,010	1,010	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	105,000	89,047	89,047	(102)	
		AC	228,500	209,478	201,177	#	

(continued)

Issuer	Rating	Cat	Nominal value	Book Value	Fair Value	OCI Reserves	%
China	A+		224,000	183,387	187,773	(4,294)	1.22%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	49,000	43,882	43,882	(4,294)	
		AC	175,000	139,505	143,891	#	
Other	-		870,404	674,434	661,468	(1,553)	4.48%
		FVTPLT	3,804	3,424	3,424	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	5,000	3,452	3,452	(1,553)	
		AC	861,600	667,558	654,592	#	
Other public entities:			435,190	379,596	360,474	(5,461)	2.52%
Italy	-		20,766	19,147	18,765	(103)	0.13%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	6,000	5,980	5,980	(103)	
		AC	14,766	13,167	12,785	#	
France	-		355,400	305,302	286,562	(5,209)	2.03%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	83,000	71,289	71,289	(5,209)	
		AC	272,400	234,013	215,273	#	
Other:	-		59,024	55,147	55,147	(149)	0.37%
		FVTPLT	24	10	10	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	59,000	55,137	55,137	(149)	
		AC	-	-	-	#	
Total as at 31.12.2022			15,888,075	15,057,188	14,011,648	(64,534)	100.00%

(*) The individual percentages shown in the above table may not agree with the total because of roundings. Figures are expressed in thousands of Euro. The ratings indicated are those of Fitch Ratings at 31 December 2022.

Loans

Issuer	Rating	Cat	Nominal value	Book Value	Fair value	OCI Reserves	%
Governments (*):			2,000,772	2,000,772	1,983,697	-	74.97%
Italy	BBB+		2,000,772	2,000,772	1,983,697	-	74.97%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	2,000,772	2,000,772	1,983,697	#	
Other public entities:			668,129	668,129	696,427	-	25.03%
Italy	-		666,701	666,701	694,999	-	24.98%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	666,701	666,701	694,999	#	
Algeria	-		1,428	1,428	1,428	-	0.05%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	1,428	1,428	1,428	#	
Total loans as at 31.12.2022			2,668,901	2,668,901	2,680,124	-	100.00%

(*) The individual percentages shown in the above table may not agree with the total because of roundings. Figures are expressed in thousands of Euro. The ratings indicated are those of Scope Ratings at 31 December 2022.

Based on their book value, repayment of these exposures is broken down as follows:

	on demand	up to 1 year	1 to 5 years	over 5 years	Total
Debt securities	-	768,734	6,217,830	8,070,624	15,057,188
Loans	316,329	36,550	86,898	2,229,124	2,668,901
Total	316,329	805,284	6,304,728	10,299,748	17,726,089

Control over the risks inherent in the portfolio is maintained by the directors who monitor the effects on profitability, liquidity and the Group's capital base, also through sensitivity analyses. No critical elements have been identified on the basis of these analyses.

7.4 Contributions to the Single Resolution Fund and the Deposit Guarantee Fund and developments in the Interbank Deposit Guarantee Fund: Voluntary scheme and Solidarity Fund

In 2022, the BPER Banca Group contributed to the mechanisms to safeguard the soundness of the banking system, established in 2015 at European and Italian level.

In April 2022, the BPER Banca Group received a request for regular contribution to the Single Resolution Fund (SRF) for 2022, for a total amount of Euro 45.7 million (BPER Banca's share was Euro 34.9 million in 2021). At 31 December 2022, no additional contributions were requested from the Single Resolution Fund (they amounted to Euro 11.3 million as at 31 December 2021).

In December 2022, the BPER Group received a request for regular contribution to the Deposit Guarantee Scheme (DGS) for 2022, based on the level of protected funding at 30 September 2022, for a total of Euro 126.7 million (in the previous year, the amount paid had been Euro 87.6 million). The increase in the contributions paid to the DGS for 2022 reflects, on the one hand, the Group's increase in size resulting from the acquisition of control of the Carige Group, and the increase of the target contribution base for: i. the recapitalisation of the Carige Group, ii. the increase in covered deposits at a system level.

8. Other information

8.1 Treasury shares in portfolio

Portions of the variable component of remuneration are planned to be paid by free-of-charge assignment of ordinary shares of BPER Banca s.p.a. as part of the 2022-2025 "Long-Term Incentive (LTI) Plan"⁴⁷ (formerly "2022-2024 LTI Plan"), the MBO incentive scheme for 2022 and beyond, and any severance payments due. For this reason, on 19 January 2022, an application was submitted to the European Central Bank (ECB) for authorisation to purchase and dispose of treasury shares in service of the above⁴⁸.

On 5 November 2022, BPER Shareholders' Meeting approved the amendment to the 2022-2024 Long-Term Incentive (LTI) Plan approved by the Shareholders Meeting of 20 April 2022, whose key changes can be summarised as follows:

- the 4-year extension of the term of the LTI Plan and the associated targets, in line with the 2022-2025 Strategic Plan, keeping the percentage bonus that can be accrued based on each Plan year unchanged;
- the consequent adjustment of the disclosure contained in the Information Document, regarding the maximum number of shares to service the Plan and the relevant costs;
- the renaming of the LTI Plan, according to the elements already outlined, as the "Long-Term Incentive Plan 2022-2025".

Purchases of treasury shares will be carried out within the limits of distributable profits and available reserves, as determined in the financial statements (annual report) most recently approved. The market value of the shares, calculated on the basis of their closing price on the trading day prior to the date of the European Central Bank's authorisation, will be deducted from regulatory capital from the date of the authorisation, irrespective of the shares actually purchased. After submission of the application, the BPER Banca Group obtained authorisation from the ECB to purchase and dispose of treasury shares on 11 April 2022.

In light of the economic-financial results achieved by the Group, stock grants for a total of 1,714,223 BPER Banca s.p.a. shares were approved by BPER Banca's Board of Directors on 10 March 2022 as part of the 2019-2021 LTI Plan. The determination of the short-term variable remuneration referred to 2021 involves the assignment of 678,698 BPER Banca s.p.a. shares.

In the course of the year, treasury shares were also granted free of charge to employees upon their termination of employment, in line with the provisions of the Remuneration Policies.

No quotas or shares in Group companies are held through trust companies or other third parties.

The carrying amount of the Group's interest in the treasury shares held by consolidated companies, classified as a deduction from shareholders' equity caption 180, is Euro 5,678 thousand, of which Euro 5,672 thousand relates to BPER Banca shares held by the Parent Company.

Shares of BPER Banca s.p.a.	Number of shares	Total par value
Total as at 31.12.2022	1,714,504	5,671,809
Total as at 31.12.2021	2,176,328	9,546,273

There are also 62,218 shares relating to -and held by- Bibanca s.p.a., for a total of Euro 6 thousands.

⁴⁷ In the meeting of the Board of Directors of BPER Banca on 16 June 2022, the duration of the LTI plan was extended from three to four years to comply with the duration of the new Business Plan presented to the market on 10 June.

⁴⁸ In -depth discussions with the competent authorities revealed that it is not necessary for BPER Banca to submit a supplementary application to the Supervisory Authority for the extension of the authorisation to purchase treasury shares.

8.2 Share price performance

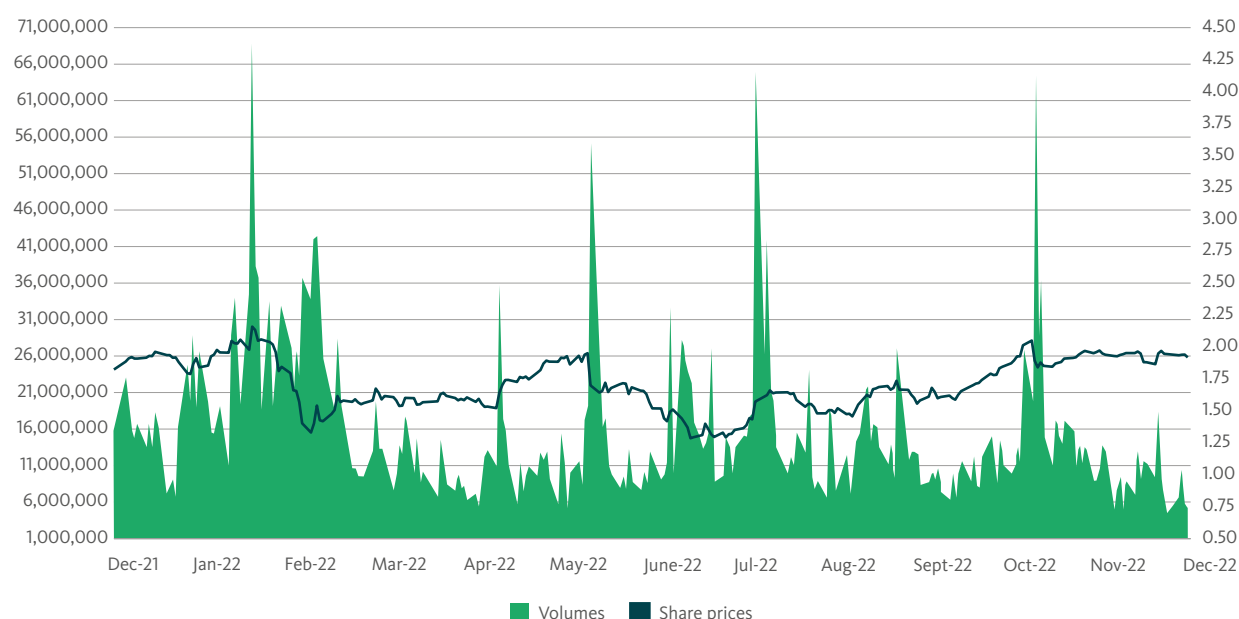
With respect to the forecasts, 2022 was characterised by a notable economic slowdown at global level due mainly to the effects of Russia's invasion of Ukraine which, combined with the supply chain difficulties - linked in particular to the protracted shutdowns of production activities in China caused by the persistence of the Covid-19 pandemic - helped fuel major inflationary pressures, especially regarding energy goods, foodstuffs and services. In this context, central banks have initiated the adoption of restrictive monetary policies by accelerating the rise in interest rates. The increase in uncertainty about the economic outlook also had negative repercussions on the financial markets, whose volatility has significantly increased since the end of February. In particular, since the start of the year in the United States, the US S&P500 index has fallen by 19.7%, while in Europe the Euro Stoxx 50 and the Italian FTSE MIB index closed the year with negative performances of respectively 11.9% and 13.3%. As regards the Italian financial sector, despite the highly volatile performance of the spread on Italian government bonds being a highly negative element, especially in the second part of the year, the reference index of the segment (FTSE Italia All-Share Banks Index) registered, all things considered, a modest decrease of 4.6%.

In said context, the price of the BPER Banca share bucked the trend of the above benchmark index, rising from Euro 1.823 as at 30 December 2021 to Euro 1.9185 as at 31 December 2022 (+5.2% from the start of the year), marking an important recovery compared to 30 June 2022 (+22.4% from Euro 1.5675).

From the start of the year, the volumes of BPER Banca shares traded settled at an average of about 15.6 million shares traded on a daily basis.

It should also be noted that the BPER share has joined the new MIB40 ESG index launched in October 2021, the first blue-chip index for Italy dedicated to Environmental, Social and Governance best practices.

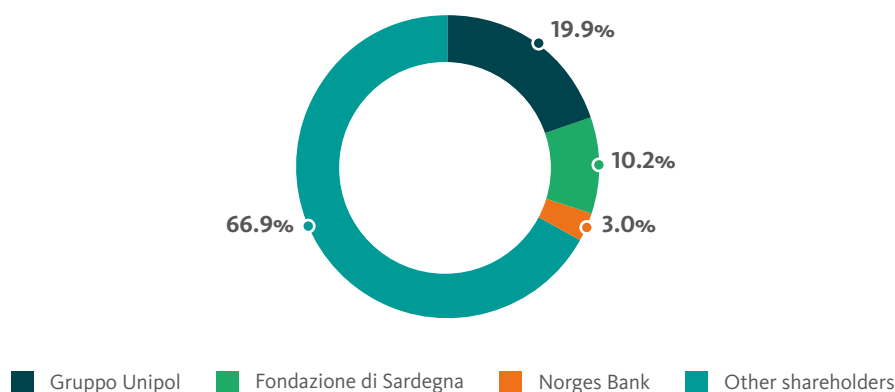
BPER share price and volumes



8.3 Breakdown of ownership structure

Considering the cash increase in capital carried out during the year, the share capital, fully subscribed and paid in, amounts to Euro 2,104,315,691.40 and is made up of 1,415,850,518 registered ordinary shares. The main shareholders of BPER Banca are: Gruppo Unipol (19.9%), Fondazione di Sardegna (10.2%), Norges Bank (3.0%).

Shareholders: breakdown (%)



8.4 Ratings as at 31 December 2022

Fitch Ratings

On 27 July 2022 Fitch Ratings improved the outlook assigned to BPER Banca to Positive from Stable and confirmed all the Bank's ratings, in particular the long-term issuer rating at "BB+" and the long-term rating on deposits at "BBB-" in the Investment Grade area.

The Outlook revision reflects the agency's expectation that, following the recent acquisitions, BPER's capacity to generate sustainable and long-term value will improve.

On 5 September 2022, Fitch Ratings for the first time assigned BPER Banca's Euro 6 billion Euro Medium-Term Note (EMTN) programme a Senior Non-Preferred long-term rating of "BB".

International Rating Agency	Latest review date	Short Term	Long Term	Outlook	Viability Rating	Support rating	Support rating floor	Subordinated debt	Senior Non-Preferred debt
Fitch Ratings	05.09.2022	B	BB+	Positive	bb+	5	No floor	BB-	BB

Key: Short Term (Issuer Default Rating): Debt repayment capacity in the short term (less than 13 months) (F1: best rating – D: default).

Long Term (Issuer Default Rating): Ability to meet financial commitments in a timely manner regardless of the maturity of the individual bonds. This rating is an indicator of the issuer's probability of default (AAA: best rating – D: default).

Viability Rating: Evaluation of the bank's intrinsic financial strength, seen on the assumption that it cannot rely on extraordinary forms of external support (aaa: best rating – f: default).

Support rating: Opinion on the probability of any extraordinary external intervention (by the State or major shareholders) if the bank finds it difficult to honour its senior obligations [1: high probability of external support - 5: one cannot rely on any support (as in the case of European banks under the BRRD resolution regime)].

Support rating floor: This rating is an accessory piece of information, closely related to the Support Rating, as it identifies the minimum level for each level of Support Rating that the Issuer Default Rating could reach in the case of negative events (No Floor for European Banks under the BRRD resolution scheme).

Subordinated debt: Opinion on the issuer's ability to honour subordinated debt. Fitch adds "+" or "-" to report the relative position with respect to the category.

Senior Non-Preferred Debt: this is a measurement of the probability of default of Senior Non-Preferred bonds expressed on a scale from AAA to D.

Outlook: indicates the possible future evolution of the rating, which can be "positive", "stable" or "negative".

Moody's

On 9 August 2022, the rating agency Moody's, in the context of various rating actions on Italian banks, confirmed the ratings that it had assigned to BPER Banca on 24 June 2022, for which reference should be made to the consolidated half-year financial report as at 30 June 2022, and revised the outlook from stable to negative following a similar outlook change on the Italian sovereign rating.

International Rating Agency	Latest review date	Short Term Deposit	Long Term Deposit	Outlook (Long Term Deposit)	Long Term Issuer	Outlook (Long Term Issuer)	Baseline Credit Assessment (BCA)	Subordinated debt
Moody's	09.08.2022	P-2	Baa2	Negative	Ba1	Negative	Ba1	Ba2

On 26 October 2022, under the Bank's EUR 6 billion Euro Medium-Term Note (EMTN) Programme, the rating agency for the first time assigned BPER Banca's Senior Non-Preferred Debt a rating of "(P)⁴⁹Ba1" in line with the Bank's senior debt rating.

International Rating Agency	Latest review date	Short Term Deposit	Long Term Deposit	Outlook (Long Term Deposit)	Long Term Issuer	Outlook (Long Term Issuer)	Baseline Credit Assessment (BCA)	Subordinated debt	Senior Non-Preferred debt
Moody's	26.10.2022	P-2	Baa2	Negative	Ba1	Negative	Ba1	Ba2	Ba1

Key: Short Term Deposit: Ability to repay deposits in local currency in the short term (original maturity equal to or less than 13 months) (Prime-1: highest quality – Not Prime: not classifiable among the Prime categories).

Long Term Deposit: Ability to repay deposits in local currency in the long term (original maturity equal to or greater than 1 year) (Aaa: best rating – C: default).

Outlook: indicates the possible future evolution of the rating that can be "positive", "stable", "negative" or "developing".

Long Term Issuer: Opinion on the issuer's ability to honour senior debt and bonds (Aaa: best rating – C: default).

Baseline Credit Assessment (BCA): The BCA is not a rating but an opinion on the intrinsic financial strength of the bank in the absence of external support (aaa: best rating – c: default).

Subordinated debt: Opinion on the issuer's ability to honour subordinated debt. Moody's adds 1, 2, and 3 to each generic class; 3 indicates that the issuer is positioned in the lower part of the category.

DBRS Morningstar

On 28 July 2022, the rating agency DBRS Morningstar for the first time assigned ratings to BPER Banca. All ratings were classified as Investment Grade. In particular, the Bank was assigned a Long-Term Issuer Rating of "BBB" and Long-Term Deposits Rating of "BBB (high)". The trend on all ratings is Stable.

The ratings reflect BPER Banca's well-rooted local presence and the upside expected from recent acquisitions in terms of a stronger competitive position and geographical diversification across the country. The ratings also consider the Bank's successful progress in its derisking process, with non-performing exposures (NPEs) expected to decline further, mainly as a result of the disposal of the NPL platform which should be finalised by early 2023. The capital, liquidity and funding positions were deemed adequate.

On 6 September 2022, under the Bank's EUR 6 billion Euro Medium-Term Note (EMTN) Programme, DBRS Morningstar for the first time, rated both BPER Banca's Senior Non-Preferred Debt and Subordinated Debt, which were respectively assigned an investment grade rating of "BBB (low)" and a rating of "BB (high)", both with a Stable Trend.

International Rating Agency	Latest review date	Long-Term Issuer Rating	Short-Term Issuer Rating	Long-Term Senior Debt	Short-Term Debt	Long-Term Deposits	Short-Term Deposits	Senior Non-Preferred Debt	Subordinated Debt
DBRS Morningstar	06.09.2022	BBB	R-2 (high)	BBB	R-2 (high)	BBB (high)	R-1 (low)	BBB (low)	BB+

Key: Short-Term Issuer Rating: measures the capacity of the rated organisation to repay its short-term financial obligations. The measurement scale comprises six levels (R-1; R-2; R-3; R-4; R-5 and D).

Long-Term Issuer Rating: This is a measurement of the probability of default and expresses the bank's capacity to repay medium/long-term financial obligations. It is expressed on a scale from AAA to D.

Long-Term Deposits: this is a measurement that expresses the vulnerability to default of uninsured medium/long-term deposits. It is expressed on a similar scale to the one used for the long-term rating (from AAA to D).

Short-Term Deposits: this is a measurement that expresses the vulnerability to default of uninsured short-term deposits. It is expressed on a similar scale to the

⁴⁹ Provisional rating.

one used for the short-term rating (R-1; R-2; R-3; R-4; R-5 and D).

Long-term Senior Debt: This is a measurement of the probability of default of Senior Preferred obligations which is expressed using a scale from AAA to D.

Short-term Debt: This is a measurement of the probability of default of short-term obligations which is expressed using a scale from R-1 to D.

Senior Non-Preferred Debt: This is a measurement of the probability of default of the Non-Senior Preferred obligations which is expressed using a scale from AAA to D.

Subordinated Debt: this is a measurement of the probability of default of the Subordinated Tier 2 obligations which is expressed using a scale from AAA to D.

Trend: indicates a forward-looking assessment on the possible evolution of the long-term rating assigned over a period of 1-2 years.

8.5 Inspections and audits

Note that the disclosure provided below is for information purposes only with regards to the checks carried out as part of the ordinary supervisory activity to which the BPER Banca Group is subject, as it operates in a highly regulated sector. As indicated in the Explanatory notes to this Consolidated Report as at 31 December 2022, the Directors are of the opinion that the observations that emerged in the various inspection areas do not entail significant impacts in terms of income, assets and cash flows of the BPER Banca Group. In any case, the Group always prepares suitable action plans to implement the Supervisory Authority's recommendations as quickly as possible.

Information is provided below on the main inspections performed on the BPER Banca Group, by the Supervisory Authority.

European Central bank – ECB

Inspections (2021)

From 25 October 2021 to 11 February 2022, the BPER Banca Group was subject to an on-site inspection by the ECB regarding credit and counterparty risk, with the objective of performing a Credit Quality Review on selected portfolios and evaluating the credit risk processes.

The follow-up letter on the results of the inspection was received on 28 October 2022.

In response to the recommendations by the Supervisory Authority, BPER Banca sent an Action Plan to the ECB on 25 November 2022 setting out the remedial actions that mainly concern the following aspects: risk governance and data quality, second and third-level controls, IFRS9 methodology, rating framework and risk identification, monitoring and reporting.

From 8 November 2021 to 4 March 2022, the BPER Banca Group was subject to an on-site inspection (Internal Model Investigation) by the ECB with the objective of evaluating internal credit risk models. The Bank received the ECB's Follow-up letter on 16 February 2023, containing the authorisation for the release into production of the new models. In response to the recommendations made, BPER Banca will submit an Action Plan containing the remedial actions to be put in place.

Inspection (2022)

From 10 October 2022 to 3 February 2023, BPER Banca was subject to an on-site inspection regarding credit and counterparty risk with the aim of assessing compliance with and the implementation of the IFRS9 accounting standard, as well as carrying out a Credit Quality Review on selected portfolios and assessing the credit risk processes. The final letter on the results of the inspection had not yet been received as at the date of this Report.

Inspection (2023)

By means of communication of 2 January 2023, the ECB stated that, from 20 March 2023, BPER Banca will be subject to an on-site inspection regarding the business model and profitability, with the objective of reviewing the corporate strategy process.

Bank of Italy - Bol

Arca Fondi SGR - Inspection (2020-2021)

From 13 October 2020 to 5 February 2021, the subsidiary Arca Fondi SGR was subject to an inspection by the Bank of Italy regarding its overall situation. On 20 April 2021, Arca Fondi SGR received the inspection report on the outcome of the inspection. The main areas for improvement refer to: a number of high-level governance safeguards, internal control activities, assessment of pricing sustainability and NAV measurement process.

To implement the supervisory authority's recommendations, on 18 June 2021 Arca Fondi SGR sent the Bank of Italy its considerations on the findings in the inspection report, in addition to the consequent measures already taken, or to be taken. Similar feedback was provided on the same date by the Parent Company BPER Banca, complete with its observations regarding the initiatives identified by the Subsidiary that were subsequently implemented. The actions identified by the Company in

response to the outcomes of the inspection were implemented in 2022 and, at the current state of play, there are no other requests on the matter.

Optima SIM - Inspection (2022)

From 28 March 2022 to 3 June 2022, Optima SIM was subject to a wide-ranging inspection by the Bank of Italy, directed at its business model and its governance, organisational and control structures. The ECB final letter on the results of the inspection was received on 4 August 2022. In a context marked by healthy profitability and capitalisation, the need emerged for strengthening strategic planning, governance, internal controls and the monitoring of operating risks.

To implement the supervisory authority's recommendations, on 3 October 2022 Optima SIM sent the Bank of Italy its considerations and resolutions on the issues relating to the findings in the inspection report, in addition to the consequent measures already taken, or to be taken.

On 29 December 2022, a notification was received from the Bank of Italy summarising the expectations of the Supervisory Authorities regarding the actions taken by the company to resolve the findings of the inspection.

Sardaleasing - Accertamento Ispettivo (2022)

From 27 September 2022 to December 2022, Sardaleasing has been subject to on-site inspections in the context of anti-money laundering by the Bank of Italy's Financial Disclosure Unit (FDU). The final letter on the results of the inspection had not yet been received at the date this document was prepared.

CONSOB - Italian Securities and Exchange Commission

Inspection (2020)

From 9 October 2020 to 19 May 2021, BPER Banca was subject to an inspection by CONSOB to ascertain the state of compliance with the new MiFID II regulation following the transposition of Directive 2014/65/EU into Italian law.

On 15 November 2021, the Technical Note was received in which the results of the inspection and the observations regarding the areas inspected were reported, namely:

- the procedural arrangements defined in the field of product governance, also in relation to the definition of commercial policies;
- the procedures for assessing the suitability of client transactions.

In response to the areas of attention highlighted, on 25 February 2022 BPER Banca submitted a detailed document to CONSOB containing replies to the findings raised by the Supervisory Authority.

CSSF - Commission de Surveillance du Secteur Financier

Inspection (2022)

Since 2 May 2022, BPER Bank Luxembourg has been the subject of an on-site inspection by the Commission de Surveillance du Secteur Financier (CSSF), aimed at ascertaining the state of compliance with the MiFID II regulation. The on-site inspection phase has been completed, but there could be additional requests for in-depth examinations.

Since 30 November 2022, BPER Lux has been the subject of an on-site anti-money laundering inspection by the Commission de Surveillance du Secteur Financier (CSSF).

Italian Tax Authority –

Cooperative Compliance and Tax Control Framework (TCF)

BPER Banca s.p.a. was admitted to the cooperative compliance regime by a Tax Authority Decision dated 25 July 2018. This regime was created with Legislative Decree 128/2015 with the aim of promoting better forms of communication and cooperation between the Tax Authorities and taxpayers who have a system for the recognition, measurement and control of tax risk. BPER Banca is included in the list of companies admitted to the collaborative compliance regime published on the institutional website of the Italian Revenue Agency.

In 2022, as part of the 2022-2024 Business Plan, a project was launched for the development of an IT platform, for use by the Tax Service, for the management of the activities and the obligations related to the proper functioning of the Bank's map of tax risks. The new platform will guarantee the traceability of information, data integrity and the tracing of the decisions taken for adequately managing the relationship with the Tax Authorities, according to the principles of transparency.

The Tax Control Framework (TCF) team, together with the other structures of the Tax Service, as part of the project to increase the efficiency of the process of purchasing and managing tax credits from customers, actively participated in the review of the process, the drafting of the relevant internal regulations (Regulation and Operating Instructions) and the activities for the integration of the Platform of the Italian Revenue Agency with the Bank's information application.

During 2022, various meetings were also held with the Officers of the Italian Revenue Agency aimed at discussing specific themes forming the object of interactions with said Revenue Agency regarding the extraordinary transactions carried out by the BPER Banca Group. In the same period, the Annual Report on the Governance of Fiscal Risk was also finalised for fiscal year 2020 and drawn up pursuant to art. 4, paragraph 2 of Legislative Decree no. 128 of 5 August 2015 (approved by BPER Banca's Board of Directors on 9 May 2022 and later sent to the Revenue Agency's Collaborative Compliance Office on 13 June 2022).

8.6 Information on intercompany and related-party transactions

Relations between the various companies included within the scope of consolidation and with associates and related parties were all of a routine nature and were conducted properly.

For details, as required by art. 2497 *bis* of the Italian Civil Code and by CONSOB Communication DEM 6064293 of 28 July 2006, reference should be made to Part H of the consolidated Explanatory Notes.

In accordance with CONSOB's Regulation 17221/10 and subsequent amendments, issued on the subject of related-party transactions, the BPER Banca Group has adopted specific internal rules to ensure transparency and substantial and procedural correctness of transactions with related parties.

In this context, the Parent Company BPER Banca adopted the "Group policy for the governance of non-compliance risk concerning conflicts of interest with related parties and risk activities with associated persons", which was also implemented by the other Group banks and companies. This Policy also complies with the Bank of Italy's requirements in terms of "Risk activities and conflict of interest versus related parties and associated persons" as contained in Circular 285 dated 17 December 2013 - 34th update made on 22 September 2020.

The document is published on BPER Banca's website (<https://istituzionale.bper.it>, in the Governance > Documents section) and on the websites of the other Group banks.

Without prejudice to the disclosure requirements of IAS 24 (explained in Part H of the consolidated Explanatory Notes, in relation to the scope of application of the international accounting standard), the following is a summary of transactions with related parties, for which information is provided under Regulation 17221/10.

At 31 December 2022, the only company belonging to the BPER Banca Group issuing listed shares is BPER Banca.

a) most significant individual transactions concluded during the reporting period

No.	Company that initiated the transaction	Name of the counterparty	Nature of the relationship with the counterparty	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
1	BPER Banca s.p.a.	Alba Leasing s.p.a.	Directly associated company	Credit line	645,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
2	BPER Banca s.p.a.	BPER Factor s.p.a.	Direct subsidiary	Credit line	1,200,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
3	BPER Banca s.p.a.	Bibanca s.p.a.	Direct subsidiary	Loan portfolio disposal	510,900	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
4	BPER Banca s.p.a.	Finitalia s.p.a.	Direct subsidiary	Credit line	619,800	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
5	BPER Banca s.p.a.	Sardaleasing s.p.a.	Direct subsidiary	Credit line	1,200,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
6	BPER Banca s.p.a.	Sardaleasing s.p.a.	Direct subsidiary	Credit line	402,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
7	BPER Banca s.p.a.	Sardaleasing s.p.a.	Direct subsidiary	Credit line	715,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
8	BPER Banca s.p.a.	Bibanca s.p.a.	Direct subsidiary	Credit line	2,200,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
9	BPER Banca s.p.a.	Banco di Sardegna s.p.a.	Direct subsidiary	Credit line	400,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
10	BPER Banca s.p.a.	BPER Factor s.p.a.	Direct subsidiary	Credit line	1,300,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221

(cont.)

No.	Company that initiated the transaction	Name of the counterparty	Nature of the relationship with the counterparty	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
11	BPER Banca s.p.a.	Banca Carige s.p.a. Banca Monte di Lucca s.p.a.	Direct subsidiary Indirect subsidiary via Banca Carige	Merger by absorption	-	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
12	BPER Banca s.p.a.	BPER Factor s.p.a.	Direct subsidiary	Credit line	1,750,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
13	BPER Banca s.p.a.	Banco di Sardegna s.p.a.	Direct subsidiary	Treasury transaction	600,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
14	BPER Banca s.p.a.	Sardaleasing s.p.a.	Direct subsidiary	Credit line	450,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
15	BPER Banca s.p.a.	Banco di Sardegna s.p.a.	Direct subsidiary	Treasury transaction	560,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
16	BPER Banca s.p.a.	Banco di Sardegna s.p.a.	Direct subsidiary	Treasury transaction	560,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
17	BPER Banca s.p.a.	Banco di Sardegna s.p.a.	Direct subsidiary	Treasury transaction	700,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221

The most relevant transactions also include the transaction concluded by BPER Banca s.p.a. with UnipolSai Assicurazioni s.p.a., Arca Vita s.p.a. regarding the renewal of the Bancassurance agreement relating to the distribution of life and non-life insurance policies of the companies “Arca Vita”, “Arca Assicurazioni” and “Arca International”, as well as of the “healthcare” products of the company UniSalute, as detailed in the Information Document drafted in accordance with the aforementioned CONSOB Regulation no.17221/10. Pursuant to said regulation, the transaction was approved by BPER Banca’s Board of Directors, based on the prior favourable opinion of the Related Parties Committee on the existence of the company’s interest in concluding said transaction and the convenience and substantive fairness of the relevant terms and conditions. The Committee - which for the activities within its competence, availed itself of the support of independent experts appointed by the latter, both for their legal and strategic-financial profiles - was promptly involved in the negotiations and preliminary phase by receiving a complete and updated flow of information with the right to ask for information and to make observations to the delegated Bodies and to those in charge of carrying out the negotiations.

Please refer to the chapter in this Report entitled “Significant events and strategic transactions” for further details; The value of said transaction was estimated at an amount exceeding Euro 1 billion⁹⁰.

b) other individual transactions with related parties entered in the reporting period, that have materially impacted the financial position and results of the company

As required by CONSOB Regulation 17221/10 with regard to other transactions with related parties, it is confirmed that no transactions have had a significant effect on the balance sheet or results of the company.

⁹⁰ The total value of fees and commissions deriving from the New Distribution Agreements was calculated by assuming that they have a 5-year term.

c) changes or developments in related-party transactions disclosed in the last Annual report that have had a material effect on the financial position or results of the companies during the period

During the period, there have been no changes or developments in the related-party transactions described in the last annual report that would have an effect on the financial position or results of the Company.

8.7 Information on atypical, unusual or non-recurring transactions

During the first half of 2022 there were no atypical or unusual transactions, as defined by CONSOB Communication DEM 6064293 dated 28 July 2006.

In relation to events and/or transactions that can be defined as “non-recurring”, there are no further aspects to be mentioned beyond those already described in other chapters of this interim Report.

Where considered significant, the information on the impacts that the non-recurring events or transactions have had on the economic and financial situation of the Group is provided in the specific sections of the Consolidated Explanatory Notes.

8.8 Remuneration policies

As required by current legislation, remuneration policies have been prepared covering the entire BPER Banca Group. In particular, in an increasingly sophisticated regulatory environment, the Group adjusts its policies to the new rules on staff remuneration.

In confirming and consolidating the pillars of its policy, the Group has followed the evolution of the remuneration systems to ensure consistency with the Company's strategies and priorities in both the short and long term, also with reference to 2023.

The 2023 remuneration policy is strictly related to the strategic guidelines of the “BPER e-volution” 2022-2025 Business Plan and contributes to BPER's strategic objectives targeted at the creation of value for shareholders, employees, customers and all stakeholders in order to ensure close correlation and consistency between remuneration, the results achieved, the expected development guidelines, the sustainability of the initiatives implemented and sound and prudent risk management as well as compliance with the regulatory provisions.

The performance and rewarding policies were gradually brought closer into line with the Group's sustainability strategies.

In this respect, the following should be noted:

- integrating the ESG priorities into the annual and long-term incentive plans, with a specific focus on creating value for all stakeholders. In particular:
 - The short-term incentive plan (MBO) assigns increasingly greater weight to ESG components in the objectives;
 - The long-term incentive plan, “2022-2025 LTI Plan” (based on BPER Banca shares) intended for the CEO and the persons considered key in achieving the bank's results supports the alignment of managers' interests with those of shareholders and all stakeholders, incorporating in its targets not only profitability objectives, but those relating to operating efficiency, credit quality and also sustainability;
- strengthening the “Pay for Sustainable Performance”, revising the pay mix and linking the greater part of total remuneration to the delivery of annual and long-term results, with a particular focus on the longer term;
- presence of common entry gates to the MBO and LTI Plan, linked to risk-weighted capital adequacy, liquidity and profitability parameters, ensures their sustainability from an economic and financial standpoint. Overall, entry gates are envisaged for all variable remuneration systems;
- the financing of incentive systems with “bonus pool funding” arrangements strictly correlated to the value generated reinforces the alignment with the Group's revenue and capital strength;
- incentive to achieve predetermined objectives and superior performances for all Group personnel, aimed at creating of widespread value in line with the Group's priorities and growth strategies;
- people enhancement and the commitment to all the structures involved in the digital transformation or the value chain, through an inclusive development plan aimed at supporting professional qualification, agility in the development of skills and gender representation supported by remuneration policies guided by the principle of gender neutrality;
- the alignment of customers' interests and the creation of shared value are the drivers of the incentive systems of business and sales structures;
- introduction of safeguards to guarantee the gender neutrality of the remuneration policy; as part of salary policies, analyses and market comparisons are constantly carried out to verify and ensure equal pay in line with the role performed, the complexity managed and personal merit;

- the enhancement of the diversity characteristics of each person and the attention to female leadership in growth paths remain specific performance objectives for persons that hold roles of responsibility.

The “2023 Report on remuneration policy and compensation paid” has been prepared in light of the above and in accordance with regulations in force on remuneration policies.

This document, which consists of two complementary sections (plus an annex) and is accompanied by the certification pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance of the Manager responsible for preparing the company's financial reports, summarises the following information:

- Remuneration Policies of the BPER Banca Group for 2023 (Section I): this section defines the model adopted by the Group for the policies implemented in 2022. In particular, reported below are the strategic and typical guidelines of the remuneration and incentive policies adopted for the different categories of personnel (see below);
- Annual report on compensation paid in 2022 (Section II – prior year status report), which provides information on:
 - Part 1: the items that make up remuneration, the main results achieved in 2022 and pay for performance; information on how the 2021 remuneration policies were implemented; annual changes in the remuneration paid and the performance of the BPER Banca Group; vote taken at the 2022 Shareholders' Meeting; monitoring of gender neutrality.
 - Part 2: with particular regard to members of the Boards of Directors and Statutory Auditors, General Managers and any other Managers with strategic responsibilities, it provides a detailed list of the compensation paid in 2022 for any purpose and in any form by the Company, its subsidiaries and associates.
 - Part 3: Shares held in the company and subsidiaries by members of the Boards of Directors and Statutory Auditors, General Managers and other Managers with strategic responsibilities, as well as their spouses, if not legally separated, and minor children, directly or through subsidiaries, trustees or nominees.
- Annex Annual remuneration report for 2023⁵¹ which is composed of the Table REM A “Remuneration policy - qualitative disclosure” and tables REM1, REM2, REM3, REM4, REM5 with quantitative information.

Continuing on from the previous year, the BPER Banca Group defined a short-term variable incentive system called MBO (differentiated by MRTs and other staff) in order to align the interests of management to the creation of value for the stakeholders, so as to reward good behaviour and positive results, while penalizing, through non-payment of bonuses, both the failure to achieve the results and any deterioration in the Group's capital, liquidity and profitability ratios.

The compensation plan (MBO Plan 2023), proposed as part of the remuneration policies adopted by the Group, in relation to the annual incentive system, envisages paying part of the incentive of the Material Risk Takers (MRT) of the BPER Banca Group (in some cases) also through the assignment of ordinary BPER Banca shares and according to the disbursement methods and schemes defined. Therefore, the Shareholders' Meeting was also presented with the Information Document on the “2023 Compensation Plan based on financial instruments” MBO 2023 drafted in accordance with article 84 *bis* of the Issuers' Regulation and in line with the guidelines contained in scheme no.7 of annex 3A.

In 2022, the BPER Group established a long-term variable incentive scheme (the 2022-2025 Long Term Incentive (LTI) Plan)⁵² based on the ordinary shares of BPER Banca. The Plan is intended for those who are vested with strategically important roles for achievement of the Banking Group's objectives and is strictly related with the guidelines defined in the new 2022-2025 Business Plan. The Plan makes provision for the assignment to beneficiaries of an individual bonus in ordinary BPER shares at the end of the vesting period - originally lasting three years - (1 January 2022 - 31 December 2024) in line with the corporate long-term strategies and objectives.

The manner in which bonuses are awarded is structured - in accordance with current regulations applicable to the banking sector - as an up-front portion, which is paid immediately, and as a portion deferred pro-rata in equal tranches, over a number of years (5 years). The Shareholders' Meeting was also therefore presented with the Information Document relating to the long-term incentive plan “2022-2024 LTI Plan” prepared pursuant to article 114-bis of the Consolidated Law on Finance and article 84-bis of the Issuers' Regulation.

It should be noted that the 2022 remuneration policy was conceived and structured in a manner closely connected with the strategic guidelines of the new business plan which, at the time of the Shareholders' Meeting of 20 April 2022, was still at the preparation phase, pending the outcome of the acquisition of control of Banca Carige s.p.a. (“Carige”) and the relevant Group. Following the finalisation of the aforementioned acquisition, which took place on 3 June 2022, and the subsequent entry of Carige and its subsidiaries into the BPER Banca Group, the Board of Directors then approved, on 9 June 2022, the 2022-2025 Group Business Plan (the “Business Plan or the “Strategic Plan”), which was presented to the market on 10 June 2022 with an indication of the relevant targets. Unlike initially planned, the Business Plan covers a four-year period (2022-2025);

In light of the above, and following the intentions already disclosed to the market at the time of presentation of the Business Plan, the Board of Directors, based on the prior opinion of the Remuneration Committee, therefore saw fit to amend the 2022 Remuneration policy relating to the long-term incentives approved by the Shareholders' Meeting in April 2022, along with the

⁵¹ New insertion based on Circular 285/2013 of the Bank of Italy - Section VI - Disclosure and data transmission - Paragraph 1 Public Disclosure Obligations (article 450 of the CRR and article 17 of EU Implementing Regulation no. 637 of 15 March 2021)

⁵² The Plan was originally approved by the Shareholders' Meeting of 20 April 2022. Following the release of the new business plan, it was again approved by the Shareholders' Meeting of 5 November 2022)

associated Incentive Plan, likewise approved by the Shareholders' Meeting in April 2022, in order to align them with the Business Plan targets and the associated four-year term (2022-2025).

The above elements therefore involved the need to subsequently update Section I of the "2022 Report on the Remuneration Policy and Compensation Paid", in order to adjust the disclosure relating to the Long-Term Incentive Plan contained herein (LTI Plan), whose amendment proposals were also subject to approval by the Shareholders' Meeting (held in November 2022) in a separate item of the agenda of the ordinary session. Said update made it possible to directly indicate, in the Report, also the targets of the LTI Plan, in line with industry best practices.

It should be noted that the aforementioned update concerns exclusively the parts of Section I of the "2022 Report on the Remuneration Policy and Compensation Paid", in which the LTI Plan is addressed or reference is made to the Business Plan, as highlighted in the document made available to the public according to the methods set forth in the current legislation.

In light of the above, the amendment of the 2022-2024 Long-Term Incentive Plan (LTI) based on financial instruments approved by the Shareholders' Meeting on 20 April 2022 was also presented to the Shareholders' Meeting of November 2022 for approval, and its main changes can be summarised below:

- the 4-year extension of the term of the LTI Plan and the associated targets, in line with the 2022-2025 Strategic Plan, keeping the percentage bonus that can be accrued based on each Plan year unchanged;
- the consequent adjustment of the disclosure contained in the Information Document, regarding the maximum number of shares to service the Plan and the relevant costs;
- the renaming of the LTI Plan, according to the elements already outlined, as the "Long-Term Incentive Plan 2022-2025".

2021 Remuneration Policies of the BPER Banca Group: Phantom Stock / Financial instruments assigned

In light of the economic-financial results achieved by the Group, stock grants for a total of 1,714,223 BPER Banca s.p.a. shares were approved by BPER Banca's Board of Directors on 10 March 2022 as part of the 2019-2021 Long-Term Incentive Plan. The determination of the short-term variable remuneration referred to 2021 involved the assignment of 678,698 BPER Banca s.p.a. shares.

In 2022, treasury shares were also granted free of charge to employees upon their termination of employment as severance, in line with the provisions of the Remuneration Policies.

8.9 Corporate events involving the Parent Company BPER Banca

Shareholders' Meeting of 20 April 2022

Allocation of the Parent Company's profit for 2021

The Ordinary Shareholders' Meeting of BPER Banca s.p.a. of 20 April 2022, held according to the emergency methods set forth in article 106, paragraph 4 of Law Decree no. 18 of 17 March 2020, approved the draft financial statements for the year ended as at 31 December 2021 and acknowledged the consolidated financial statements for 2021. The Shareholders' Meeting further approved the allocation of the profit for the year 2021 and the distribution of a dividend of Euro 0.06 per share, for each of the 1,413,263,512 shares representing the share capital (net of those held in the Bank's portfolio on the ex-coupon date), for a maximum total amount of € 84,795,810.72, allocating Euro 15,478,691.00 to the restricted reserve pursuant to Legislative Decree 38/2005 (art. 6, paragraph 1, letter a), Euro 27,586,225.17 to the legal reserve and Euro 439,342,467.53 to the extraordinary reserve.

The ordinary Shareholders' Meeting of 20 April 2022 also:

- approved the amount of total annual compensation of the members of the Board of Directors for 2022 and 2023;
- approved the 2022 remuneration policies for the BPER Banca Group, as described in the first section of the "2022 Report on the Remuneration Policy and Compensation Paid";
- cast a favourable vote on the second section of the "2022 Report on the Remuneration Policy and Compensation Paid" relating to the compensation paid in 2021.
- approved the short-term (2022 MBO Plan) and long-term (2022-2024 LTI Plan) incentive plans based on financial instruments;
- authorisation to purchase and dispose of treasury shares to service the 2022-2024 Long-Term Incentive (LTI) Plan, the MBO incentive scheme for 2022 and subsequent years, and any severance payments; related and ensuing resolutions.
- approved the integration of fees paid to independent auditors Deloitte & Touche s.p.a.

Ordinary Shareholders' Meeting of 27 July 2022

On 27 July 2022, another ordinary shareholders' meeting was therefore held, again according to the emergency methods set forth in article 106, paragraph 4 of Law Decree no. 18 of 17 March 2020, to resolve on the integration of the Board of Statutory Auditors, as a result of the resignation tendered by the standing auditor Paolo De Mitri, with immediate effect, on 6 June 2022. The shareholders' meeting therefore appointed Carlo Appetiti as standing auditor, who will remain in office, the same as the other members of the Board of Statutory Auditors, until the Shareholders' Meeting called to approve the financial statements for the year 2023.

Ordinary Shareholders' Meeting of 5 November 2022

Lastly, the Shareholders' Meeting was held again on 5 November 2022, in an ordinary face-to-face setting, approving:

- a) In the extraordinary session:
 - the plan for the merger by absorption of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. into BPER Banca s.p.a.⁵³, with:
 - (i) determination of the relevant share swap ratio, according to the terms below:
 - 11,234 BPER Banca s.p.a. ordinary shares, with regular dividend entitlement, for each Banca Carige s.p.a. savings share or, alternatively and at the discretion of the holders of Banca Carige s.p.a. savings shares⁵⁴, 10,785 BPER Banca s.p.a. privileged shares, with regular dividend entitlement, for each Banca Carige s.p.a. savings share;
 - 0.045 BPER Banca s.p.a. ordinary shares, with regular dividend entitlement, for each ordinary share of Banca del Monte di Lucca s.p.a., equal to 9 BPER Banca s.p.a. ordinary shares for every 200 ordinary shares of Banca del Monte di Lucca s.p.a., and
 - (ii) approval of the amendments to the Articles of Association of BPER Banca connected with the merger
 - certain amendments of the Articles of Association not connected with the merger involving, in particular: (i) amendments to articles 1, 5, 10, 11, 13, 17, 20, 22, 25, 26, 27, 29, 31, 35, 38, 39 of the Articles of Association; (ii) deletion of articles 36 and 44 and (iii) renumbering of articles 37 to 43 of the Articles of Association, as indicated in the Explanatory report by the Board of Directors published in view of the Shareholders' Meeting.
- b) In the ordinary session:
 - the appointment as Board member of Monica Cacciapuoti, replacing the Director Gian Luca Santi, who resigned on 8 September 2022; the new Director will remain in office, the same as the other members of the Board of Directors, until the Shareholders' Meeting called to approve the financial statements for 2023⁵⁵;
 - approve the amendment to the 2022 Remuneration Policy approved by the Shareholders Meeting on 20 April 2022, for the part concerning the Long-Term Incentive Plan and consequent update of Section I of the "2022 Report on Remuneration Policy and Compensation Paid" approved by the Shareholders' Meeting on 20 April 2022, with a view to aligning the policy to the new 2022-2025 Business Plan approved by the Board of Directors in June 2022;
 - the amendment of the 2022-2024 Long-Term Incentive Plan (LTI) based on financial instruments, already approved by the Shareholders' Meeting on 20 April 2022, likewise in order to bring it into line with the new 2022-2025 business plan approved by the Board of Directors in June 2022.

⁵³ For more information about the merger, please refer to the additional documentation relating to the transaction published on the institutional website of BPER Banca (<https://istituzionale.bper.it/>)

⁵⁴ To holders of Banca Carige s.p.a. savings shares the following was also attributed alternatively:

- pursuant to article 2505, bis of the Italian Civil Code, the right to have BPER Banca s.p.a. purchase, wholly or partially, the savings shares held by them; or
- the right of withdrawal as provided by art. 2437, paragraph 1, letter g) of the Italian Civil Code, on the basis of the different rights inherent in BPER Banca s.p.a. ordinary shares as compared to the rights inherent in Banca Carige s.p.a. savings shares.

None of the savings shareholders of Banca Carige s.p.a. availed themselves of said right, nor of the option to request the conversion of savings shares to preferred shares of BPER Banca s.p.a.; therefore, all savings shares outstanding at the date of the merger were swapped for ordinary shares of BPER Banca s.p.a.

Following the merger, the share capital of BPER Banca s.p.a. increased by Euro 3,880,509.00, through the issuing of 2,587,006 ordinary shares, with no indication of nominal value. The final amount of post-merger share capital, including (i) the ordinary shares issued in exchange for the special category shares held by the savings shareholders of Banca Carige s.p.a. other than BPER Banca s.p.a. (134,808 ordinary shares, for an amount of Euro 202,212.00) and (ii) the ordinary shares of Banca del Monte di Lucca s.p.a. other than those already held indirectly by BPER Banca s.p.a. (2,452,198 ordinary shares for an amount of Euro 3,678,297.00), amounts to Euro 2,104,315,691.40 and is represented by 1,415,850,518 registered ordinary shares, with no par value.

⁵⁵ Monica Cacciapuoti's candidature was submitted on 11 October 2022 by the shareholder Unipol Gruppo s.p.a., then holder of a 10.552% stake in the share capital. Upon submission of her candidature, Monica Cacciapuoti confirmed the absence of grounds for ineligibility or incompatibility and the existence of the requisites provided for by current regulations and the Articles of Association for the role, declaring that she holds the independence requirements envisaged by art. 148, paragraph 3 of the Consolidated Law on Finance, as referenced by art. 147-ter, paragraph 4 of the same Law; she did not, however, declare that she holds the independence requirements envisaged by art. 13 of Decree no. 169 of 23 November 2020 of the Italian Ministry of the Economy and Finance, nor the independence requirements envisaged by the Corporate Governance Code. Subsequently, on 24 November 2022, the Board of Directors ascertained that the Director Monica Cacciapuoti met the requirements for office set out in the legislation in force and the company's Articles of Association. With reference, more specifically, to the requirements of independence, the Board of Directors ascertained that the Director Cacciapuoti meets the independence requirements set out in the Consolidated Law on Finance, but also verified that said person cannot be considered independent pursuant to article 17, paragraph 4 of the company's Articles of Association, lacking the independence requirements envisaged in the aforementioned Ministerial Decree no. 169/2020 and the Code of Corporate Governance.

9. Outlook for operations

9.1 Outlook for operations

Economic activity in the euro area, still affected by high inflation and geo-political tensions due to the war in Ukraine, remained broadly stable in the fourth quarter compared to the prior period.

Inflationary pressures still remained high, albeit declining since November.

The energy component, although decelerating, continued to pass through to the prices of other goods and services.

Economic projections continue to be surrounded by high uncertainty, stemming above all from the ongoing conflict in Ukraine.

The most recent economic indicators for the euro area point to a slowdown in GDP growth in 2023, due to a weaker global business cycle and the continuation of sustained price dynamics, with growth expected to strengthen again in the following two years.

With regard to the economic activity in Italy, after an increase by almost 4% in 2022, Italian GDP growth, based on the Bank of Italy's latest projections⁵⁶, is expected to weaken to 0.6% in 2023, under a baseline scenario assuming that the war-induced tensions will continue in the first months of 2023, before gradually subsiding over time.

Growth is projected to strengthen again in the following two years due to increased exports and domestic demand.

At the same time, inflation, which rose to almost 9 % in 2022, is expected to fall linearly in 2023 and continue its downward trajectory, settling at 2.0 % by 2025. Against this backdrop, our Group's profitability will continue to be underpinned by the resilience of net commissions, actions to offset inflationary pressure on costs, and growing revenues that will still benefit from higher interest rates despite the worsening conditions of ECB funding in the form of TLTROs.

On the cost side, efforts to improve efficiency and rationalise spending will continue, with a view to mitigating the impacts of the spike in inflation and offsetting the cost of the investments earmarked in the new Business Plan.

Derisking will likewise continue, with the expected disposal of two UTP loan portfolios. Maintaining resilient coverage levels and a conservative provisioning approach will continue to be a key feature of our credit quality. Nonetheless, the capital position is expected to remain robust.

Modena, 9 March 2023

The Board of Directors
The Chair
Flavia Mazzarella

⁵⁶ Bank of Italy – Economic Bulletin no. 1, 20 January 2023.

Consolidated financial statements

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Consolidated balance sheet as at 31 December 2022

		(in thousands)	
Assets		31.12.2022	31.12.2021
10.	Cash and cash equivalents	13,997,441	1,306,282
20.	Financial assets measured at fair value through profit or loss	1,584,767	1,218,535
	a) financial assets held for trading	707,498	323,721
	b) financial assets designated at fair value	2,381	125,098
	c) other financial assets mandatorily measured at fair value	874,888	769,716
30.	Financial assets measured at fair value through other comprehensive income	7,962,910	6,631,897
40.	Financial assets measured at amortised cost	115,311,297	121,294,912
	a) loans to banks	9,482,448	27,490,676
	b) loans to customers	105,828,849	93,804,236
50.	Hedging derivatives	1,808,515	178,108
70.	Equity investments	376,158	240,534
90.	Property, plant and equipment	2,546,295	1,945,000
100.	Intangible assets	563,502	459,197
	of which:		
	- goodwill	204,392	204,392
110.	Tax assets	2,931,538	1,784,995
	a) current	579,149	410,514
	b) deferred	2,352,389	1,374,481
120.	Non-current assets and disposal groups classified as held for sale	1,192,429	97,730
130.	Other assets	4,027,942	1,190,683
Total assets		152,302,794	136,347,873

Liabilities and shareholders' equity		31.12.2022	(in thousands) 31.12.2021
10.	Financial liabilities measured at amortised cost	135,952,323	124,854,511
	a) due to banks	22,000,489	23,633,494
	b) due to customers	107,414,943	96,460,612
	c) debt securities issued	6,536,891	4,760,405
20.	Financial liabilities held for trading	471,598	123,957
30.	Financial liabilities designated at fair value	879,198	-
40.	Hedging derivatives	512,981	249,178
50.	Change in value of macro-hedged financial liabilities (+/-)	(281,292)	-
60.	Tax liabilities	71,562	68,502
	a) current	8,174	9,598
	b) deferred	63,388	58,904
70.	Liabilities associated with assets classified as held for sale	1,430,197	173,662
80.	Other liabilities	3,679,162	2,961,320
90.	Employee termination indemnities	177,224	209,973
100.	Provisions for risks and charges	1,289,312	847,961
	a) commitments and guarantees granted	154,497	97,219
	b) pension and similar obligations	115,987	140,255
	c) other provisions for risks and charges	1,018,828	610,487
120.	Valuation reserves	60,681	196,370
140.	Equity instruments	150,000	150,000
150.	Reserves	2,944,603	2,493,508
160.	Share premium reserve	1,237,276	1,240,428
170.	Share capital	2,104,316	2,100,435
180.	Treasury shares (-)	(5,678)	(9,552)
190.	Minority interests (+/-)	180,356	162,497
200.	Profit (Loss) for the year (+/-)	1,448,975	525,123
Total liabilities and shareholders' equity		152,302,794	136,347,873

Consolidated Income Statement as at 31 December 2022

Captions	(in thousands)	
	31.12.2022	31.12.2021
10. Interest and similar income	2,259,459	1,762,746
of which: interest income calculated using the effective interest method	2,190,108	1,753,470
20. Interest and similar expense	(433,566)	(257,384)
30. Net interest income	1,825,893	1,505,362
40. Commission income	2,116,710	1,845,386
50. Commission expense	(194,910)	(203,811)
60. Net commission income	1,921,800	1,641,575
70. Dividends and similar income	22,124	20,084
80. Net income from trading activities	78,246	67,491
90. Net income from hedging activities	(691)	(2,120)
100. Gains (Losses) on disposal or repurchase of:	76,815	100,733
a) financial assets measured at amortised cost	65,728	85,712
b) financial assets measured at fair value through other comprehensive income	4,254	15,488
c) financial liabilities	6,833	(467)
110. Net income on other financial assets and liabilities measured at fair value through profit or loss	5,632	30,127
a) financial assets and liabilities designated at fair value	66,978	1,576
b) other financial assets mandatorily measured at fair value	(61,346)	28,551
120. Net interest and other banking income	3,929,819	3,363,252
130. Net impairment losses for credit risk relating to:	(606,501)	(835,079)
a) financial assets measured at amortised cost	(606,059)	(837,194)
b) financial assets measured at fair value through other comprehensive income	(442)	2,115
140. Gains (Losses) from contractual modifications without derecognition	(139)	(2,893)
150. Net income from financial activities	3,323,179	2,525,280
180. Net income from financial and insurance activities	3,323,179	2,525,280
190. Administrative expenses:	(3,094,607)	(2,573,395)
a) staff costs	(1,682,286)	(1,528,240)
b) other administrative expenses	(1,412,321)	(1,045,155)
200. Net provisions for risks and charges	(132,256)	(62,148)
a) commitments and guarantees granted	(42,891)	(17,389)
b) other net provisions	(89,365)	(44,759)
210. Net adjustments to property, plant and equipment	(149,025)	(168,434)
220. Net adjustments to intangible assets	(78,647)	(111,683)
230. Other operating expense/income	579,073	238,727
240. Operating costs	(2,875,462)	(2,676,933)
250. Gains (Losses) of equity investments	19,145	10,802
Valuation differences on property, plant and equipment and intangible assets measured at fair value	(30,164)	(64,455)
270. Impairment losses on goodwill	-	(230,366)
275. Gain on a bargain purchase	948,123	1,127,847
280. Gains (Losses) on disposal of investments	3,274	696
290. Profit (Loss) from current operations before tax	1,388,095	692,871
300. Income taxes on current operations for the year	85,785	(134,222)
310. Profit (Loss) from current operations after tax	1,473,880	558,649
330. Profit (Loss) for the year	1,473,880	558,649
340. Profit (Loss) for the year pertaining to minority interests	(24,905)	(33,526)
350. Profit (Loss) for the year pertaining to the Parent Company	1,448,975	525,123

	Earnings per share (Euro)	Earnings per share (Euro)
	31.12.2022	31.12.2021
Basic EPS	1.026	0.372
Diluted EPS	0.998	0.363

Consolidated statement of other comprehensive income

		(in thousands)	
Consolidated statement of other comprehensive income		31.12.2022	31.12.2021
10.	Profit (Loss) for the year	1,473,880	558,649
	Other comprehensive income, after tax, that will not be reclassified to profit or loss		
20.	Equity instruments measured at fair value through other comprehensive income	56,566	39,137
30.	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)	3,295	-
40.	Hedge of equity instruments measured at fair value through other comprehensive income:	547	873
50.	Property, plant and equipment	22,685	75,632
70.	Defined benefit plans	43,019	(4,164)
90.	Share of the valuation reserves of equity investments carried at equity	2,385	4,691
	Other comprehensive income, after tax, that may be reclassified to profit or loss		
120.	Cash flow hedges	(9,867)	314
140.	Financial assets (no equity instruments) measured at fair value through other comprehensive income	(225,377)	(36,641)
170.	Total other comprehensive income after tax	(106,747)	79,842
180.	Total other comprehensive income (Captions 10+170)	1,367,133	638,491
190.	Consolidated other comprehensive income pertaining to minority interests	25,219	35,178
200.	Consolidated other comprehensive income pertaining to the Parent Company	1,341,914	603,313

Consolidated statement of changes in shareholders' equity

	(in thousands)													
	Balance as at 31.12.21			Changes during the year					Shareholders' equity as at 31.12.2022					
	Changes in opening balances	Balance as at 1.1.22	Allocation of prior year results	Transactions on shareholders' equity							Other comprehensive income as at 31.12.2022			
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments		Derivative s on treasury shares	Stock options	Changes in participatory interests
Group	Minority interests													
Share capital:	2,125,353	-	2,125,353	(189)	-	-	3,881	-	-	-	-	(54)	2,104,316	24,675
a) ordinary shares	2,125,353	-	2,125,353	(189)	-	-	3,881	-	-	-	-	(54)	2,104,316	24,675
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	1,242,945	-	1,242,945	-	-	-	(3,152)	-	-	-	-	(143)	1,237,276	2,374
Reserves:	2,592,213	-	2,592,213	467,565	-	8,798	1,168	-	-	-	-	263	2,944,603	125,404
a) from profits	2,012,653	-	2,012,653	467,565	-	(19,325)	-	-	-	-	-	263	2,336,405	124,751
b) other	579,560	-	579,560	-	-	28,123	1,168	-	-	-	-	-	608,198	653
Valuation reserves	199,201	-	199,201	-	-	(28,188)	-	-	-	-	-	(587)	60,681	2,998
Equity instruments	150,000	-	150,000	-	-	-	-	-	-	-	-	-	150,000	-
Treasury shares	(9,552)	-	(9,552)	-	-	-	5,315	(1,441)	-	-	-	-	(5,678)	-
Profit (Loss) for the year	558,649	-	558,649	(467,376)	(91,273)	-	-	-	-	-	-	-	1,448,975	24,905
Group shareholders' equity	6,696,312	-	6,696,312	-	(84,667)	(19,724)	7,212	(1,441)	-	-	-	567	1,341,914	7,940,173
Minority interests	162,497	-	162,497	-	(6,606)	334	-	-	-	-	-	(1,068)	25,219	180,356
Shareholders' equity as at 31.12.2021														
Balance as at 31.12.20	Changes in opening balances	Balance as at 1.1.21	Allocation of prior year results	Transactions on shareholders' equity							Other comprehensive income as at 31.12.2021			
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments		Derivative s on treasury shares	Stock options	Changes in participatory interests
Group	Minority interests											Group	Minority interests	
Share capital:	2,126,207	-	2,126,207	-	-	-	-	-	-	-	-	(854)	2,100,435	24,918
a) ordinary shares	2,126,207	-	2,126,207	-	-	-	-	-	-	-	-	(854)	2,100,435	24,918
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	1,244,066	-	1,244,066	-	-	-	(769)	-	-	-	-	(352)	1,240,428	2,517
Reserves:	2,439,830	-	2,439,830	200,854	-	(48,065)	-	-	-	-	-	(406)	2,493,508	98,705
a) from profits	1,860,712	-	1,860,712	200,854	-	(48,507)	-	-	-	-	-	(406)	1,914,674	97,979
b) other	579,118	-	579,118	-	-	442	-	-	-	-	-	-	578,834	726
Valuation reserves	119,359	-	119,359	-	-	-	-	-	-	-	-	-	79,842	2,831
Equity instruments	150,000	-	150,000	-	-	-	-	-	-	-	-	-	150,000	-
Treasury shares	(7,259)	-	(7,259)	-	-	-	1,130	(3,423)	-	-	-	-	(9,552)	-
Profit (Loss) for the year	261,926	-	261,926	(200,854)	(61,072)	-	-	-	-	-	-	-	588,649	525,123
Group shareholders' equity	6,200,146	-	6,200,146	-	(56,513)	(48,152)	361	(3,423)	-	-	-	580	603,313	6,696,312
Minority interests	133,983	-	133,983	-	(4,559)	87	-	-	-	-	-	(2,192)	35,178	162,497

Consolidated Statement of Cash Flows

Indirect method

	(in thousands)	
	31.12.2022	31.12.2021
A. OPERATING ACTIVITIES		
1. Operations	1,866,392	1,300,246
- profit (loss) for the year (+/-)	1,448,975	525,123
- gains/losses from financial assets held for trading and financial assets/liabilities measured at fair value through profit and loss (-/+)	16,222	(66,042)
- gains (losses) from hedging activities (-/+)	691	2,120
- Net impairment losses for credit risk (+/-)	750,793	1,154,321
- net impairment losses/write-backs to property, plant and equipment and intangible assets (+/-)	257,836	344,572
- net provisions for risks and charges and other expense/income (+/-)	316,673	304,475
- unsettled taxes (+/-)	36,011	174,349
- other adjustments (+/-)	(960,809)	(1,138,672)
2. Cash generated/absorbed by financial assets	17,109,741	(9,759,586)
- financial assets held for trading	(416,128)	107,444
- financial assets designated at fair value	122,378	3,846
- other financial assets mandatorily measured at fair value	(54,722)	31,056
- financial assets at fair value through other comprehensive income	963,791	(437,249)
- financial assets measured at amortised cost	18,907,368	(12,072,052)
- other assets	(2,412,946)	2,607,369
3. Cash generated/absorbed by financial liabilities	(6,182,138)	9,724,242
- financial liabilities measured at amortised cost	(7,230,550)	9,231,615
- financial liabilities held for trading	346,355	(48,022)
- financial liabilities designated at fair value	908,676	-
- other liabilities	(206,619)	540,649
Net cash generated/absorbed by operating activities	12,793,995	1,264,902
B. INVESTMENT ACTIVITIES	31.12.2022	31.12.2021
1. Cash generated by	41,560	25,125
- disposal of equity investments	-	75
- disposal of property, plant and equipment	41,560	25,050
2. Cash absorbed by	(58,629)	(768,250)
- purchase of equity investments	(3,276)	(1,674)
- purchase of property, plant and equipment	(164,057)	(148,845)
- purchase of intangible assets	(170,529)	(97,389)
- purchase of subsidiaries and business lines	279,233	(520,342)
Net cash generated/absorbed by investment activities	(17,069)	(743,125)
C. FUNDING ACTIVITIES	31.12.2022	31.12.2021
- issue/purchase of treasury shares	5,771	(3,062)
- distribution of dividends and other scopes	(91,273)	(61,072)
Net cash generated/absorbed by funding activities	(85,502)	(64,134)
Net cash generated/absorbed in the year	12,691,424	457,643

Reconciliation

Captions	(in thousands)	
	31.12.2022	31.12.2021
Cash and cash equivalents at the beginning of the year	1,306,282	849,102
Total net cash generated/absorbed in the year	12,691,424	457,643
Cash and cash equivalents: effect of change in exchange rates	(265)	(463)
Cash and cash equivalents at the end of the year	13,997,441	1,306,282

Key: (+) generated (-) absorbed

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Consolidated explanatory notes

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Key to abbreviations in tables:

FV: Fair value

FV* = fair value calculated excluding value adjustments due to changes in the creditworthiness of the issuer since the issue date.

NV: Nominal or notional value

BV: Book value

L1: Fair value hierarchy – Level 1

L2: Fair value hierarchy – Level 2

L3: Fair value hierarchy – Level 3

X: not applicable

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Part A – Accounting policies

A.1 – General information

Section 1 - Declaration of compliance with international financial accounting standards

The consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Commission, as provided by EU Regulation no. 1606 dated 19 July 2002, and currently in force, including the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

Reference was also made, where necessary, to the "Conceptual Framework for Financial Reporting" and to the documents prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).

In the absence of a standard or interpretation specifically applicable to a particular transaction, the Parent Company makes use of the professional opinion of its own staff, in particular the Administration and Reporting Department, to develop a rule for accounting recognition that makes it possible to provide reliable financial information and to ensure that the consolidated financial statements give a true and fair view of the financial position, result of operations and cash flows of the Group, reflecting the economic substance of the transaction and its key aspects.

In formulating these accounting rules, reference is made as far as possible to International Accounting Standards and interpretations dealing with similar or comparable matters.

As part of its guidance and coordination activity, the Parent Company requires the other Group Banks and Companies to apply the Group's own accounting recognition rules, in the right circumstances.

As required by IAS 8, the following table shows the new international accounting standards or amendments to standards already in force, with the related Approval Regulations, whose application is mandatory from 2022.

EC Approval Regulation	Title	In force from years beginning
1080/2021	Commission Regulation (EU) no. 2021/1080 of 28 June 2021, amending Regulation (EC) no. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 16, 37 and 41 and International Financial Reporting Standards (IFRS) 1, 3 and 9, was published in the Official Journal of the European Union on 2 July 2021 (L 234).	1 January 2022

The following table shows the new international accounting standards or amendments to standards already in force, whose application is mandatory from 1 January 2023 or later date.

EC Approval Regulation	Title	In force from years beginning
2036/2021	Commission Regulation (EU) no. 2021/2036 of 19 November 2021 adopting IFRS17 Insurance Contracts was published in the Official Journal of the European Union L 416 on 23 November 2021. The Regulation gives companies the possibility not to apply the requirement laid down in paragraph 22 of the principle (i.e. grouping into annual cohorts) to contracts characterised by intergenerationally-mutualised and cash flow matched contracts.	1 January 2023
357/2022	Commission Regulation (EU) no. 2022/357 of 2 March 2022, adopting amendments to IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting policies, changes in accounting estimates and errors, was published in the Official Journal of the European Union L 68 on 3 March 2022. The amendments clarify the differences between accounting policies and accounting estimates in order to ensure consistent application of accounting policies and comparability of financial statements.	1 January 2023
1392/2022	Commission Regulation (EU) no. 2022/1392 of 11 August 2022 adopting IAS 12 Income Taxes was published in the Official Journal of the European Union L 211 on 12 August 2022. These amendments specify how companies must account for deferred tax liabilities on operations such as leasing and disposal obligations and seek to reduce the diversity in recognising deferred tax assets and liabilities on leasing and disposal obligations in the financial statements.	1 January 2023
1491/2022	Commission Regulation (EU) no. 2022/1491 of 08 September 2022 adopting IFRS 17 Insurance Contracts was published in the Official Journal of the European Union L 234 on 09 September 2022. The amendment to the transitional provisions of IFRS 17 allows companies to overcome the one-off classification differences of comparative information from the previous financial year upon first-time application of IFRS 17 and IFRS 9 Financial Instruments.	1 January 2023

The Group has not availed itself of the option of early application of the Regulation in force from 1 January 2023, given that these amendments are not expected to have significant impacts on the Group's balance sheet and income statement.

The 2004/109/EC Directive (the “Transparency” Directive) and Delegated Regulation (EU) 2019/815 (Regulation ESEF) introduced the obligation for issuers of securities listed on regulated markets of the European union to prepare their annual financial reports in XHTML language, based on the ESEF (European Single Electronic Format), approved by ESMA.

On 30 December 2022, Commission Delegated Regulation (EU) 2022/2553 of 21 September 2022 was published in the Official Journal of the European Union, amending the regulatory technical standards laid down in Delegated Regulation (EU) 2019/815 as regards the 2022 update of the taxonomy for the single electronic reporting format. The entry into force was set as 1 January 2023.

For the year 2022, the accounting schedules and the explanatory notes of the consolidated financial statements have been “marked” using the 2022 ESEF Taxonomy; therefore, the BPER Banca Group opted for the early application of Regulation 2019/815, as lastly updated.

Due to certain technical limits, some information contained in the Explanatory Notes to the Consolidated Financial Statements, when extracted from the XHTML to the XBRL reporting format, may not be reproduced identically to the corresponding information visible in the consolidated financial statements in XHTML format.

The documents for which, at the date of these consolidated financial statements, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of said amendments, are reported below.

- On 23 January 2020, the IASB published an amendment called “Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current” and on 31 October 2022 published an amendment called “Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants”. The documents aim to clarify how to classify debt and other short and long-term liabilities.
- On 22 September 2022, the IASB published an amendment called “Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback”. The document requires a seller-lessee to measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The directors do not expect the adoption of these amendments to have a significant impact on the Group's financial statements.

Section 2 - Basis of preparation

In terms of the schedules presented and its technical form, these Consolidated financial statements have been prepared on the basis of the Bank of Italy's Circular no. 262/2005, as amended (most recently by the 7th amendment dated 29 October 2021, effective for annual reporting periods beginning on or after 31 December 2021) – issued in implementation of art. 9 of Legislative Decree 38/2005 – and the additional instructions provided in separate communications not yet incorporated into the main document⁵⁷.

During preparation, account has been taken of the interpretative and support documents for the application of the accounting standards in relation to the impacts of Covid-19, issued by the Italian and European regulatory and supervisory bodies and by the standard setters, to the extent applicable⁵⁸. In particular, the most recent ones provided guidelines for better management of “Uncertainties in the use of accounting estimates”, better highlighted in the next paragraph dedicated to the topic.

Where not already included in these documents mentioned above, Italian laws on the financial statements of companies⁵⁹ and the Italian Civil Code have been taken into consideration.

The consolidated Financial Statements consist of the consolidated Balance Sheet, the consolidated Income Statement, the consolidated Statement of Comprehensive Income, the consolidated Statement of Changes in Shareholders' Equity, the consolidated Statement of Cash Flow and the Explanatory Notes. They are accompanied by the Directors' Report on Group Operations.

The currency used in the financial statements is the Euro. Figures are expressed in thousands of Euro⁶⁰.

The general criteria underlying the preparation of the Consolidated financial statements are presented below:

- **Going Concern⁶¹:** assets, liabilities and off-balance sheet transactions are measured in the context of continuity over time.
- **Accrual Basis of Accounting:** costs and revenues are recognised on the accrual basis, regardless of when they are settled.
- **Materiality and Aggregation:** each material class of similar items is presented separately in the financial statements. Items that are dissimilar in terms of their nature or use are only aggregated if they are individually immaterial.
- **Offsetting:** assets and liabilities, income and expenses are not offset unless required or permitted by a standard or an interpretation, or by the Bank of Italy's regulations for the preparation of financial statements.
- **Frequency of disclosures:** information must be prepared annually or more frequently; if an entity changes its accounting reference date, the reason must be indicated together with the fact that the information provided is not comparable.
- **Comparative Information:** comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements, unless required otherwise by a standard or an interpretation.
- **Consistency of Presentation:** the presentation and classification of items is maintained over time to ensure that information is comparable, unless specified otherwise in new accounting standards or their interpretations, or unless a change is required to improve the meaningfulness and reliability of the amounts reported. The nature of changes in account presentation or classification is described, together with the related reasons; where possible, the new criterion is applied on a retroactive basis.

⁵⁷ These include the indications contained in communication no. 1817260/21 of 22/12/2021 (repealing previous communication of 15 December 2020) with provisions concerning the impacts of Covid-19 and the measures to support the economy and amendments to IAS/IFRS.

⁵⁸ Amongst others, the following are worth mentioning: the communication from the EBA of 25 March 2020 "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid 19 measures", the communication of ESMA of 25 March 2020 "Public Statement. Accounting implications of the Covid 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9", the document of the IFRS Foundation of 27 March 2020 "IFRS 9 and Covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic", the letter from the ECB dated 1 April 2020 "IFRS 9 in the context of the coronavirus (Covid 19) pandemic" addressed to all significant institutions, the EBA guidelines of 2 April 2020 "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid19 crisis", the communication of ESMA of 20 May 2020 "Implications of the Covid-19 outbreak on interim financial reports", the EBA guidelines of 2 June 2020 "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid 19 crisis", the EBA guidelines of 2 December 2020 "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid 19 crisis", the letter from the ECB dated 4 December 2020 "Identification and measurement of credit risk in the context of the coronavirus (Covid 19) pandemic" addressed to all significant institutions, CONSOB warning notice no. 1/21 of 16/02/2021 - Covid 19 - measures to support the economy, the ESMA public statement of 13 May 2022 "Implications of Russia's invasion of Ukraine on half-yearly financial reports", ESMA public statement of 29 October 2021 "European Common Enforcement Priorities for 2021 Annual Financial Reports" and ESMA public statement of 28 October 2022 "European Common Enforcement Priorities for 2022 Annual Financial Reports".

⁵⁹ In particular, Legislative Decree 136 of 18 August 2015 - Implementation of Directive 2013/34 / EU relating to financial statements, consolidated financial statements and related reports of certain types of companies, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Directives 78/660/EEC and 83/349/EEC, for the part relating to the annual accounts and consolidated accounts of banks and other financial institutions, as well as the publication of the accounting documents of branches, established in a Member State, of credit institutions and financial institutions with registered offices outside that Member State, which repeals and replaces Legislative Decree 87 of 27 January 1992.

⁶⁰ As regards roundings, reference has been made to the instructions given in Bank of Italy's Circular 262/2005 and subsequent updates, entering the amount due to rounding in "Other assets/other liabilities" in the balance sheet and "Other operating expense/income" in the income statement.

⁶¹ Please refer to the paragraph below, dedicated to the going concern principle, for more information on the assessment conducted.

Uncertainties in the use of estimates

The preparation of the Consolidated financial statements requires recourse to estimates and assumptions that may affect the amounts recorded in the balance sheet and the income statement, as well as the information about contingent assets and liabilities. The development of such estimates involves the use of available information and the adoption of subjective assessments, partly based on historical experience, in order to make reasonable assumptions for the recognition of operating events. By their nature, the estimates and assumptions used may change from period to period and, accordingly, it may be that the actual amounts recorded in the financial statements in subsequent periods are significantly different as a consequence of changes in the subjective assessments made.

The principal situations in which management is required to make subjective assessments include:

- quantification of the losses arising from the impairment of loans and, in general, other financial assets;
- determination of the fair value of financial instruments, in particular, the use of measurement models to determine the fair value of financial instruments that are not listed in active markets and those that are not routinely measured at fair value;
- the determination of the fair value of owned properties;
- quantification of the provisions for employee benefits and the provisions for risks and charges;
- estimates and assumptions about the recoverability of deferred tax assets;
- measurement of goodwill and other intangible assets.

In relation to the “reasonableness and sustainability” of the information used for the accounting estimates, certain valuation areas were impacted in particular by: the Covid-19 pandemic, the war between Russia and Ukraine, the awareness acquired of climate risk and the relevant containment measures implemented at international level, the associated consequences on the macroeconomic context, already affected by the rapid rise in inflation (driven by the “cost of energy”) and the sudden rise in market interest rates. In relation to said areas, also make reference to what is better detailed in “Section 5 – Other aspects” below.

With reference *inter alia* to the IASB document dated 27 March 2020⁶², the usual measurement models adopted by the BPER Banca Group (in particular, the models used to estimate the ECL and determine the Significant Increase in Credit Risk (SICR) within the framework of IFRS 9 impairment) cannot be applied “mechanically” in highly exceptional situations, i.e. when the related input information needed does not satisfy the “reasonable and supportable” requirements. Given that this situation persisted in 2022, due to the uncertainty caused by the afore-mentioned events, the balance sheet valuations as at 31 December 2022 were carried out using alternative approaches (also known as the “Overlay approach”) as long as they also comply with the relevant IAS/IFRS.

Going concern⁶³

In preparing the consolidated financial statements for the year ended 31 December 2022, the Directors considered the going-concern assumption to be appropriate because they did not find any uncertainties related to events or circumstances that, individually or collectively, could give rise to doubts about the going concern. This assessment took account of the capitalisation of the Group, which has significant buffer capital with respect to the minimum requirement established by the European Central Bank for 2022, as well as the liquidity position and related buffer with respect to the regulatory threshold, and the likely outlook for operations despite the uncertainties linked to the current macroeconomic context.

Inspections and audits

Directors believe that the observations arising from the various inspection areas to which the BPER Banca Group is subject will not have a significant impact on the income, balance sheet and cash flows of the BPER Banca Group. Nevertheless, in all cases, suitable action plans are prepared by the Group in order to ensure a timely response to the recommendations made by the Supervisory Authorities⁶⁴.

⁶² IASB 27 March 2020: “IFRS 9 and Covid-19 – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of the current uncertainty resulting from the Covid-19 pandemic”.

⁶³ As required by document no. 2 issued with joint signature by the Bank of Italy, Consob and ISVAP (now IVASS) on 6 February 2009.

⁶⁴ For the update of events occurred in 2022 in relation to the inspection areas in which the BPER Banca Group is involved, please refer to paragraph 8.5 - “Inspections and audits” of the Directors' Report on Group Operations.

Section 3 – Scope of consolidation and methodology

The international accounting standards referred to when preparing the consolidated financial statements, when the circumstances arise, are IFRS 3 "Business Combinations" (issued with EC Regulation 495/2009, effective from 1 July 2009 and last updated in 2020), IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements", IAS 28 "Investments in associates and joint ventures" (all issued with EC Regulation 1254/2012 and in force since 1 January 2014 and subsequent updates).

Consolidation principles

The BPER Banca Group's consolidated financial statements include the balance sheet and income statement results of the Parent Company and of its direct and indirect subsidiaries; they include subsidiaries operating in sectors dissimilar from that of the Parent Company and vehicle companies (SPEs or SPVs)⁶⁵, when they fulfil the requirements for effective control, whether or not there is an equity interest.

The concept of control (IFRS 10 § 6) is based on the simultaneous presence of three elements:

- the power to direct the relevant activities, i.e. the activities of the investee that significantly affect its returns;
- exposure to variable returns arising from the activity of the investee;
- the exercise of power to influence the returns.

The following are considered:

- Subsidiaries are companies in which the Parent Company, directly or indirectly, owns more than half of the voting rights. However, the concept of control is considered to exist when at the same time the investor has power over the investee and there has to be the correlation between power and return, which occurs when the investor holds valid rights that give it the ability to direct the activities of the investee or have a significant effect on its returns. Structured entities are also consolidated, when effective control requirements are met, regardless of whether there is an equity interest.
- Jointly controlled companies are those in which the voting rights and control of economic activities are shared equally by the Parent Company, directly and indirectly, and by another external entity. An equity investment is also considered as subject to joint control when, in the absence of an equal share of voting rights, control over the company's economic activities and strategies are shared with other parties under contractual agreements.
- Associates are companies subject to significant influence, in which the Parent Company, directly or indirectly, holds at least a fifth of the voting rights (including "potential" rights to vote) and which has the power to take part in deciding the financial and operating policies. Associated companies are also those in which – despite a lower share of voting rights – the Parent Company has the power to take part in deciding the financial and operating policies under a particular legal relationship, such as, for example, participation in shareholder agreements.

Consolidation methodology

As a rule, subsidiaries are consolidated on a line-by-line basis, while jointly controlled entities and non-controlling interests in which the Group exercises significant influence are accounted for using the equity method.

The methods adopted for consolidation on a line-by-line basis are as follows:

- assets, liabilities and income statement items are recognised on a line-by-line basis;
- debit and credit balances, off-balance sheet transactions and income/expense and gains/losses arising from transactions between consolidated companies are eliminated;
- the shareholders' equity and profit for the year pertaining to minority interests in the consolidated companies are classified separately in the balance sheet (as a liability) and the income statement;
- on first-time consolidation, the book value of the equity investments in fully consolidated companies is eliminated against the shareholders' equity in these companies. The acquisition of interests in companies is recorded using the "purchase method" defined in IFRS 3, with the recognition of the assets, liabilities and contingent liabilities of purchased companies at their fair value at the time of acquisition, i.e. at the time that effective control over them is obtained. Accordingly, the results of a subsidiary purchased during the year are consolidated from the date of acquisition. Similarly, the results of a subsidiary that is sold are consolidated until the date that control is lost;
- any excess of the book value of the equity investments referred to above with respect to the interest held in their shareholders' equity, as adjusted to reflect the fair value of assets and liabilities, is recognised as goodwill in caption 100. "Intangible assets", while any shortfall is credited to income statement caption 275. "Gain on a bargain purchase";
- any changes in the interest held in equity investments are booked as transactions on capital. Any difference between the value of equity investments to be adjusted and the fair value of the consideration paid (or received) has to be booked

⁶⁵The consolidation of SPVs has the same effects as consolidation on a line-by-line basis.

directly as a change in shareholders' equity and suitably allocated to minority interests;

- the fairness of the value recorded for goodwill is tested at least once a year (or whenever there is evidence of impairment), as required by IAS 36. To meet regulatory requirements, the cash-generating unit to which goodwill is allocated has to be identified. Adjustments reflect the difference between the book value of goodwill and its recoverable value, if lower, as represented by the fair value of the cash generating unit, less costs to sell, or, if higher, its value in use.

In order to apply the equity method:

- the book value of significant equity investments held by the parent bank or by other group companies is compared with the related interest in the shareholders' equity of these associated companies carried at equity. Any excess book value - identified on initial consolidation - is included in the book value of the investment. Changes in shareholders' equity subsequent to first-time consolidation are classified in caption 250 "Gains (Losses) of equity investments" of the consolidated income statement, to the extent that they relate to their gains or losses, while other changes are recognised as a direct adjustment of shareholders' equity;
- if there is evidence that a significant investment in an associate may be impaired, its recoverable amount is estimated. If the recoverable amount is lower than the carrying amount, the related difference is charged to the income statement.

Current regulations require the scope of consolidation to be managed on two levels:

- the accounting scope of consolidation governed by IFRS 10⁶⁶ "Consolidated financial statements", IAS 27 "Separate financial statements", IAS 28 "Investments in Associates and Joint Ventures" and, if required by the circumstances, IFRS 11 "Joint Arrangements" (all adopted by Regulation (EU) 1254/2012 and effective from 1 January 2014 and subsequent amendments) and IFRS 3 "Business Combinations" (adopted by Regulation (EU) 495/2009 and subsequent amendments).
- the prudential scope of consolidation governed by Regulation (EU) 575/2013 and subsequent updates, in which art. 19 indicates the entities to be excluded from the prudential consolidation.

The above regulations contribute to determining the scope of consolidation at each level, as well as the methodologies to be used for each consolidation.

International accounting standards require subsidiaries to be consolidated on a line-by-line basis, while jointly controlled entities and non-controlling interests in which the Group exercises significant influence are accounted for using the equity method.

Art. 19 of the CRR⁶⁷ excludes from the scope of line-by-line consolidation all financial entities and operating companies, including members of the Banking Group, whose total assets and off-balance sheet amounts are less than the lower of the following two amounts:

- Euro 10 million;
- 1% of the total assets and off-balance sheet amounts of the parent company or the entity that holds the equity investment.

The BPER Banca Group has decided to adopt the consolidation method envisaged for prudential regulatory purposes. This approach has also been applied when determining the financial disclosures to be made, bringing the two scopes of consolidation ("for accounting purposes" and "for regulatory purposes") into line.

This decision was needed to rationalise, simplify and streamline the production of consolidated information for supervisory and financial reporting purposes. Its effects on the latter are negligible. In terms of the areas affected, the marginal dynamics previously indicated in the income statement on a line-by-line basis are now summarised in the "Profit (loss) from equity investments" line item; in the assets and liabilities sides of the balance sheet, the "Equity investments" caption reports the amounts that have not been eliminated that were previously recognised on a line-by-line basis, while shareholders' equity remains unchanged.

The following companies are included in the Banking Group but, at 31 December 2022, they do not satisfy the requirements of art. 19 of the CRR:

- Estense Covered Bond s.r.l.;
- BPER Trust Company s.p.a.;
- Estense CPT Covered Bond s.r.l.;
- Carige Covered Bond s.r.l.;
- Carige Covered Bond 2 s.r.l. - in liquidation;
- Argo Mortgage 2 s.r.l. - in liquidation;
- Lantern Finance s.r.l.;
- Lantern Lease s.r.l. - in liquidation;
- Lantern Mortgage s.r.l.;
- Centro Fiduciario C.F. s.p.a. - in liquidation.

The other subsidiaries that are not included in the Banking Group, since their activities do not contribute to its banking operations, are:

- Italiana Valorizzazioni Immobiliari s.r.l.

⁶⁶ IFRS 10 §B86 in relation to consolidation procedures.

⁶⁷ Regulation (EU) 575/2013 and subsequent amendments.

- Adras s.p.a.;
- SIFA* - Società Italiana Flotte Aziendali s.p.a.
- St'Anna Golf s.r.l.
- Commerciale Piccapietra s.r.l.

1. Equity investments in wholly owned subsidiaries

1.1 Equity investments within the Group consolidated line-by-line

Company name	Operational head office	Registered head office	Type of relationship(1)	Share capital in Euro	Nature of holding		% Availability of voting rights (2)
					Parent company	% holding	
1. Banco di Sardegna s.p.a.	Sassari	Cagliari	1	155,247,762	BPER Banca	99.281	100.000
2. Bibanca s.p.a.	Sassari	Sassari	1	74,458,607	BPER Banca B. Sard.	78.594 20.522	
3. BPER Bank Luxembourg SA	Luxembourg	Luxembourg	1	30,667,500	BPER Banca	100.000	
4. Banca Cesare Ponti s.p.a.	Milan	Milan	1	14,000,000	BPER Banca	100.000	
5. BPER Real Estate	Modena	Modena	1	138,694,095	BPER Banca B. Sard.	70.938 29.062	
6. Carige Reoco S.P.A.	Genoa	Genoa	1	8,326,160	BPER Banca	100.000	
7. Sardaleasing s.p.a.	Milan	Sassari	1	184,122,460	BPER Banca B. Sard.	52.846 46.933	
8. Optima s.p.a. S.I.M.	Modena	Modena	1	13,000,000	BPER Banca	100.000	
9. Modena Terminal s.r.l.	Campogalliano	Campogalliano	1	8,000,000	BPER Banca	100.000	
10. BPER Factor s.p.a.	Bologna	Bologna	1	54,590,910	BPER Banca	100.000	
11. BPER Credit Management s.cons.p.a.	Modena	Modena	1	1,000,000	BPER Banca B. Sard. Bibanca BPER Factor s.p.a. Sardaleasing	70.000 20.000 3.000 1.000 6.000	
12. Arca Holding s.p.a. (*)	Milan	Milan	1	50,000,000	BPER Banca	57.061	
13. Arca Fondi SGR s.p.a.	Milan	Milan	1	50,000,000	Arca Holding	100.000	
14. Finitalia s.p.a.	Milan	Milan	1	15,376,285	BPER Banca	100.000	

(*) not included in the banking Group.

The "% Availability of voting rights" column is only used if the actual share of votes exercisable at the Ordinary Shareholders' Meeting is different from the interest held in the company's share capital. The figure for share capital is provided as extra information as required by CONSOB Communication DEM/6064293 dated 28 July 2006.

Key:

(1) Type of relationship: 1 Majority of voting rights at the Ordinary Shareholders' Meeting;

(2) % Availability of voting rights at Ordinary Shareholders' Meeting, distinguishing between actual and potential.

1.2 Equity investments within the Group consolidated under the equity method

Company name	Operational head office	Registered head office	Type of relationship (1)	Share capital in Euro	Nature of holding		% Availability of voting rights (2)
					Parent company	% holding	
A. Subsidiaries that are not included in the Banking Group							
1. Adras s.p.a.	Milan	Milan	1	1,954,535	BPER Banca	100.000	
2. Italiana Valorizzazioni Immobiliari s.r.l.	Milan	Milan	1	2,000,000	BPER Banca	100.000	
3. SIFA' - Società Italiana Flotte Aziendali s.p.a.	Milan/Reggio Emilia	Trento	1	122,449	BPER Banca	100.000	
4. Sant'Anna Golf s.r.l.	Genoa	Genoa	1	50,000	Carige Reoco	100.000	
5. Commerciale Piccapietra s.r.l.	Genoa	Genoa	1	500,000	BPER Banca	100.000	
B. Subsidiaries that are included in the Banking Group but do not satisfy the requirements of art. 19 of the CRR							
6. Estense Covered Bond s.r.l.	Conegliano	Conegliano	1	10,000	BPER Banca	60.000	
7. BPER Trust Company s.p.a.	Modena	Modena	1	500,000	BPER Banca	100.000	
8. Estense CPT Covered Bond s.r.l.	Conegliano	Conegliano	1	10,000	BPER Banca	60.000	
9. Carige Covered Bond s.r.l.	Genoa	Genoa	1	10,000	BPER Banca	60.000	
10. Carige Covered Bond 2 s.r.l. in liquidation	Genoa	Genoa	1	10,000	BPER Banca	60.000	
11. Argo Mortgage 2 s.r.l. - in liquidation	Genoa	Genoa	1	10,000	BPER Banca	60.000	
12. Lanterna Finance s.r.l.	Genoa	Genoa	4	10,000	BPER Banca	5.000	
13. Lanterna Lease s.r.l. in liquidation	Genoa	Genoa	4	10,000	BPER Banca	5.000	
14. Lanterna Mortgage s.r.l.	Genoa	Genoa	4	10,000	BPER Banca	5.000	
15. Centro Fiduciario C.F s.p.a. - in liquidation	Genoa	Genoa	1	500,000	BPER Banca	96.950	

The "% Availability of voting rights" column is only used if the actual share of votes exercisable at the Ordinary Shareholders' Meeting is different from the interest held in the company's share capital. The figure for share capital is provided as extra information as required by CONSOB Communication DEM/6064293 dated 28 July 2006.

Key:

(1) Type of relationship: 1 Majority of voting rights at the Ordinary Shareholders' Meeting; 4 Other forms of control.

(2) % Availability of voting rights at Ordinary Shareholders' Meeting, distinguishing between actual and potential.

2. Significant assessments and assumptions made when determining the scope of consolidation

As regards the companies included in the scope of consolidation, no facts or circumstances have emerged over the year that, as envisaged in IFRS 10, might change the assessments made regarding the possession of control, joint control or significant influence.

3. Equity investments in wholly-owned subsidiaries with significant minority interests

Minority interests are considered significant based on the materiality of total equity compared with the equivalent consolidated figure.

3.1 Minority interests, availability of votes of minority interests and dividends distributed to minority interests

Company name	% Minority interests	% % Availability of voting rights of minority interests (1)	Dividends distributed to minority interests
1. Banco di Sardegna s.p.a.	0.719	-	-
2. Bibanca s.p.a.	0.884	0.884	124
3. Arca Holding s.p.a.	42.939	42.939	6,441
4. Sardaleasing s.p.a.	0.221	0.221	-

BPER Banca holds 100% of the ordinary shares of Banco di Sardegna s.p.a. For consolidation activities, the sub-consolidation of Arca Holding and its wholly-owned subsidiary, Arca Fondi SGR s.p.a. was used. The dividends relate to profits for 2021, distributed in 2022.

Key: (1) % Availability of voting rights at Ordinary Shareholders' Meeting.

3.2 Equity investments with significant minority interests: accounting information

Company name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial Liabilities
1. Banco di Sardegna s.p.a.	14,637,884	3,737,704	9,955,178	265,877	12,977,159
2. Bibanca s.p.a.	3,652,266	524,063	3,080,992	15,238	3,234,599
3. Arca Holding s.p.a.	589,371	103,815	212,843	138,159	2,110
4. Sardaleasing s.p.a.	3,647,261	8,149	3,467,757	45,310	3,377,982

(continued)					
Company name	Shareholders' equity	Net Interest Income	Net interest and other banking income	Operating costs	Profit (Loss) from current operations before tax
1. Banco di Sardegna s.p.a.	962,703	190,660	420,705	(235,551)	71,636
2. Bibanca s.p.a.	326,354	89,987	132,118	(65,056)	42,894
3. Arca Holding s.p.a.	502,216	(687)	134,916	(55,988)	78,973
4. Sardaleasing s.p.a.	157,586	56,988	56,013	(23,702)	1,309

(continued)					
Company name	Profit (Loss) from current operations after tax	Profit (Loss) from groups of assets held for sale after tax	Profit (Loss) for the year (1)	Other comprehensive income after tax (2)	Other comprehensive income (3)= (1)+(2)
1. Banco di Sardegna s.p.a.	76,840	-	76,840	(10,727)	66,113
2. Bibanca s.p.a.	28,459	-	28,459	598	29,057
3. Arca Holding s.p.a.	55,092	-	55,092	888	55,980
4. Sardaleasing s.p.a.	3,022	-	3,022	90	3,112

The amounts provided are before intercompany eliminations.

The economic and financial information refers to the situation at 31 December 2022.

4. Significant restrictions

Among the Banks and Companies included in the BPER Banca Group's scope of consolidation, there are no significant restrictions as foreseen by IFRS 12 § 13.

5. Other information

Line-by-line consolidation is based on the financial statements prepared and approved by the individual subsidiaries as at 31 December 2022. These financial statements have been prepared in accordance with IAS/IFRS by the individual banks and financial companies subject to Bank of Italy supervision. All the other Italian Group companies and BPER Bank Luxembourg s.a. included in the scope of consolidation normally prepare their financial statements under Italian accounting standards. These companies therefore prepared separate accounting schedules and data under the international accounting standards (a.k.a. the "Consolidation Reporting Package") used for consolidation purposes.

The value of Group subsidiaries carried at equity was measured on the basis of their accounting data prepared and approved at 31 December 2022.

For the other equity investments consolidated at equity, reference is made to latest available accounting information in accordance with IAS 28.

Section 4 - Events after the reporting period

These consolidated financial statements were approved on 9 March 2023 by BPER Banca's Board of Directors, which authorised their publication.

Information about the events that took place after the reporting date of this Consolidated Financial Statements, is presented and described in the section of the Directors' Report on Group operations entitled "Significant events and strategic transactions". These events did not affect the consolidated financial statements for the purposes of IAS 10.

Section 5 – Other aspects

Risks, uncertainties and impacts from: remaining restrictions linked to the Covid-19 pandemic, Russia-Ukraine war, climate risk, macroeconomic context

As already outlined in the comments of the Report on Operations⁶⁸, the general and sectoral macroeconomic framework is still affected by significant uncertainty brought about by the evolution of the Covid-19 pandemic and the remaining containment measures (hoped to be in its final phase), as well as by the Russia-Ukraine conflict and consequent international sanctions, and the awareness acquired at international level of climate risk and the associated measures to tackle it. It is, moreover, affected by a rapid rise in inflation (driven by the "cost of energy") and the sudden rise in market interest rates. Said elevated uncertainty prompts banks to continuously control and monitor, in particular, credit risk and the related balance sheet assessments.

In this regard, even in 2022 the Parent Company carried out dedicated analyses, aimed at identifying the best methods of intervention on the credit risk measurement and forecasting systems, later aligning them with the prevailing context and trying to avoid being excessively pro-cyclical in the definition of collective provisions, as indicated by the Regulators (among others especially ESMA and the ECB).

The BPER Banca Group had already implemented the various instructions issued by the Italian government (including the suspension of loan instalment payments - the "Covid-19 moratoria"), affirming its commitment to supporting business and retail customers, not least with its own dedicated initiatives, while at the same time identifying the best methods of recognition and presentation of these measures in the financial statements, in accordance with its accounting policies and instructions from the Regulators.

Summarised below are the criteria for the recognition, classification, measurement and derecognition of "Financial assets measured at amortised cost", represented by loans disbursed, adopted for the preparation of the consolidated financial statements as at 31 December 2022, to which reference was made to address the uncertainty arising from the foregoing factors. An explanation is also provided of the method of application of the Overlay approach, already introduced in the previous paragraph "Uncertainties in the use of estimates" in Section 2.

For the other methods used in the recognition, classification, measurement and derecognition of income statement items,

⁶⁸ Please refer to Chapter 7 - "Main risks and uncertainties" of the Directors' Consolidated Report on operations.

please refer to Part A.2 of the Explanatory Notes. In fact, the Group did not feel the need for further interventions on the valuation methods for the items in the financial statements regulated, in particular, by IFRS 16 (also based on what is discussed below in relation to the contractual modifications), by IAS 19, IAS 28, IFRS 2 and by IFRS 5, deeming the effects deriving from the above-mentioned uncertainties of the context to be immaterial. In relation to the valuations governed by IAS 36, please refer to the comments on Intangible assets with an indefinite useful life, particularly the information provided in Part B concerning the impairment test of goodwill, performed using financial forecasts of the BPER Banca Group and the individual CGUs updated according to the most recent macroeconomic scenarios released by the leading Italian company specialising in the processing of such data, to which the Group refers.

Contractual modifications resulting from Covid-19

1) Contractual modifications and accounting derecognition (IFRS 9)

The accounting treatment adopted by the BPER Banca Group for contractual modifications made to financial assets already recognised in the financial statements generally requires reflection of the amendments made to exposures known to be in financial difficulty (classified as forborne exposures) in the value of the loan, with an impact on income statement caption 140. "Gains (Losses) from contractual modifications without derecognition" ("modification accounting").

As stated by the EBA in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers pursuant to the law and sector agreements (ABI agreements), are not considered indicators of financial difficulty for the purpose of classifying the individual positions concerned as forborne exposures (with consequent inclusion in Stage 2).

More specifically, as regards implementation of the EBA's guidelines on moratoria in the light of the Covid-19 crisis, the Group has regulated internally, with appropriate circular letters, the methods of analysing counterparties requesting a moratorium or its renewal, with timely updates of EBA's publications, which took place in April, September and December 2020.

Consequently, the processes needed for case-by-case identification of forbearance measures, suspended only for the legislative and sector-wide moratoria between March and September 2020, were then reinstated and kept in place in 2021 and in 2022.

In line with the assessments already carried out on previous moratorium extensions, new moratoria until December 2022 were considered for potential classification as forbearance measures. An analysis of exposures was carried out by sector, and hence by rating, based on the sectors that had already been identified as vulnerable as they were more heavily exposed to the pandemic.

In application of the BPER Banca Group policy, Covid-19 moratoria that do not qualify as forbearance measures have not been recognised in accordance with modification accounting.

2) Amendment of IFRS 16

The amendment to IFRS 16 concerning contractual modifications of rent concessions made to take into account the situation caused by the Covid-19 pandemic, extended until 30 June 2022, did not have significant effects on the BPER Banca Group, as it did not make any Covid-related rent concessions.

Accounting estimates - Overlay approach applied in credit risk assessment

1) Assessment of a significant increase in credit risk (SICR)

The BPER Banca Group made some 'expert' Stage 2 classifications in relation to direct exposures to parties that are in different ways affected by the ongoing conflict between Russia and Ukraine and related sanctions imposed at international level.

The adjustments to the SICR model adopted by the Group, initially qualifying as Overlay, were essentially embedded in the model as at 31 December 2022.

2) Measurement of expected losses

Performing loans

As part of the application of the ECL model used by the BPER Banca Group in preparing the consolidated financial statements as at 31 December 2022, as regards the macroeconomic scenarios adopted at Group level, reference was made to the up-to-date forecasts made available by the specialised infoprovider usually consulted by the Group which duly make it so that the forecasts of the economic, financial and physical variables include the repercussions at national and sectoral level of the new

business context, including the Russian-Ukrainian conflict, inflationary pressure and climate change.

In order to exclude pro-cyclical effects o, a number of "top-down" adjustments have been applied, including:

- the "expert" attribution of the probability of occurrence of the macroeconomic scenarios considered by the model (so-called "multi-scenario") of ECL, in particular by intervening on the choice of the adverse scenario considered (so-called "extreme adverse" scenario as the most pessimistic macroeconomic scenario, drawn up by the provider used by BPER Banca), and increasing the relative probability of occurrence to 50% (same approach as adopted for the period ending 31 December 2021). The probability of occurrence of the "baseline" scenario was also set at 50% (same approach as for the reporting period ended 31 December 2021), leading to the absence of impact of the remaining "best" scenario - probability of occurrence equal to 0% (same approach as for the reporting period ended 31 December 2021); the increase in ECL attributable to said correction factor stands at roughly Euro 69.1 million, compared to the results of the ordinary model adopted by the Group (marking an income statement impact of Euro 31.6 million in 2022, with respect to the similar overlay already envisaged as at 31 December 2021);
- the application of a prudential correction factor to the ECL, downstream of the model's results, which pays special attention to the "energy-intensive" economic sectors, in order to take account of the probability of the customer encountering financial difficulties, also considering fears of negative effects on the economy stemming from the explosion of energy costs and raw materials, as well as the correlated increase in inflation; the latter also fuelled by the ongoing conflict between Russia and Ukraine. Similarly, the adjusting provisions of direct exposures to banks resident in Russia were booked to the same overlay. The increase in ECL attributable to said correction factors amounts to approximately Euro 188.9 million, compared to the ECL already integrated by the previous correction factor (marking an income statement impact of Euro 122.5 million in 2022 (of which Euro 19.5 million relating to exposures to Russian banks), with respect to the similar overlay already envisaged as at 31 December 2021);
- The application of an "expert" and prudential correction factor to take account of the impact of climate-environmental factors on credit risk. It is based on the adoption of an adverse climate scenario, characterised by the inertial conduct of the economic system with respect to the energy transition and an increase in temperature well above the limits agreed in the Paris Agreement ⁶⁹ («Current Policy» scenario). This scenario is to be considered adverse with respect to alternative climate scenarios, like that of the «Orderly Transition», which assume that the climate policy is able to contain the long-term increase in temperatures; the increase in ECL attributable to said correction factor amounts to approximately Euro 20.4 million, compared to the ECL already integrated by the previous two correction factors (marking an income statement impact of the same amount in 2022, namely an additional correction factor with respect to that already applied to the reporting period as at 31 December 2021).

The "top down" overlays described above, aimed at including in the Group's ECL calculation model specific safeguards against the still widespread market uncertainty, were applied to the results of the Group's ECL 'standard' model which, in the first half of 2022, underwent some additional parameter finetuning (mainly LGD), described in greater detail in the paragraph *Methods for determining the extent of impairment and in Part E, Section 2, para. 1.1 Credit Risk of these Explanatory Notes*.

The initiatives put in place by the Group on the analytically evaluated non-performing portfolio in previous years (mainly attributable to the review of the haircuts applied to the value of collateral for the exposures classified as non-performing and unlikely to pay) were fully reflected in its valuation policies, thereby losing the characteristics of contingency "correction factors" linked to the uncertainties stemming from the Covid-19 pandemic.

Domestic tax group election

BPER Banca has elected to establish a Domestic Tax Group, which was introduced by Legislative Decree 344/2003 and subsequent amendments and is governed by arts. 117-129 of the Consolidated Income Tax Law.

Under this optional arrangement, which is binding for three years, the subordinate members transfer their results to the parent, for fiscal purposes only, which then calculates the consolidated taxable income or tax loss.

The option for Bper Factor s.p.a., Finitalia s.p.a., Arca Fondi SGR spa and Arca Holding spa expired on 31 December 2022 and will be renewed for the three-year period 2023-2025 when the consolidating company submits its tax return.

⁶⁹ Reference is made to the Paris Agreement, negotiated by the 197 member states of the United Nations framework convention on climate change (UNFCCC) and adopted on 12 December 2015.

Consolidated companies	2021	2022	2023	2024	2025
Bibanca s.p.a.	x	x	x		
Banco di Sardegna s.p.a.		x	x	x	
Optima s.p.a. SIM		x	x	x	
BPER Factor s.p.a.			x	x	x
Sardaleasing s.p.a.	x	x	x		
SIFA' - Società Italiana Flotte Aziendali s.p.a.	x	x	x		
BPER Trust Company s.p.a.		x	x		
BPER Real Estate s.p.a.		x	x		
Finitalia s.p.a.			x		x
Arca Fondi SGR s.p.a.			x		x
Arca Holding s.p.a.			x		x

Information on public disbursements pursuant to art. 1, paragraph 125 of Law 124 of 4 August 2017 ("Annual market and competition law")

Law 124 of 4 August 2017 "Annual law for the market and competition" (hereafter Law 124/2017) introduced a series of measures designed to ensure transparency in the public disbursements system (art. 1, paragraphs 125⁷⁰ to 129). In particular, this law states that companies should provide in the Explanatory Notes to the financial statements and in any consolidated Explanatory Notes, information relating to "grants, contributions, remunerated offices and economic advantages of any type" (hereinafter referred to as "public disbursements") received from public administrations and other subjects indicated by the said law. Non-compliance with the disclosure requirement results in an administrative penalty of 1% of the amount received, with a minimum of Euro 2,000. At a later stage, the law requires return of the public disbursement⁷¹.

In order to avoid publishing insignificant information, there is no disclosure requirement for public disbursements of less than Euro 10,000 received by the same party.

Since August 2017, the National State Aid Register has been active in the Executive Board for incentives to companies of the Ministry of Economic Development, in which State aid and *de minimis* aid payments to any company by subjects that grant or manage such aid have to be published. For individual aid granted to BPER Banca Group companies, please refer to the "Transparency of the Register" section, whose access is publicly available.

That said, in compliance with the provisions of art. 1, paragraph 125, of law 124 of 4 August 2017, the amounts collected during 2022 by the Parent Company and by the subsidiaries by way of "grants, contributions, remunerated offices and economic advantages of any type" are listed below.

		(in thousands)
BPER Banca Group companies	Type of grants	Amounts received in 2022
BPER Banca s.p.a.	Regulation for inter-professional funds for continuing education for the granting of exempted State aid pursuant to EC regulation 651/2014 and under a <i>de minimis</i> aid scheme pursuant to EC regulation 1407/2013	1,424
BPER Banca s.p.a.	Grants for photovoltaic incentives	23
BPER Banca s.p.a.	Company nursery/kindergarten contributions	3
Modena Terminal s.r.l.	Grants for photovoltaic incentives	69
Banco di Sardegna s.p.a.	Regulation for inter-professional funds for continuing education for the granting of exempted State aid pursuant to EC regulation 651/2014 and under a <i>de minimis</i> aid scheme pursuant to EC regulation 1407/2013	182

Audit

The consolidated financial statements as at 31 December 2022 have been audited by Deloitte & Touche s.p.a., which was appointed for the period 2017-2025 at the Shareholders' Meeting held on 26 November 2016, as required by Legislative Decree 39 of 27 January 2010.

⁷⁰ Paragraph expanded by art. 35 of Decree 34/2019. Paragraphs 126 to 129 not amended.

⁷¹ As stated in Assonime Circular no. 32 dated 23 December 2019.

A.2 – Main captions in the financial statements

Classification of Financial assets - Business Model and SPPI test (captions 20, 30 and 40)

IFRS 9 requires financial assets represented by loans and receivables and debt securities to be classified into three accounting categories, using the following criteria:

- the business model used to manage them;
- the contractual characteristics of the cash flows of financial assets (or SPPI tests).

The classification of financial assets depends on a combination of these two criteria, as indicated below:

- Financial assets measured at amortised cost (AC): assets that include the "Hold to collect" business model (HTC) and pass the SPPI test;
- Financial assets measured at fair value through other comprehensive income (FVTOCI): assets that include the "Hold to Collect & Sell" business model (HTCS) and pass the SPPI test;
- Financial assets measured at fair value through profit or loss (FVTPL): assets that provide for an "Other" business model or, on a residual basis, assets that cannot be classified in the previous categories due to the negative outcome of the SPPI test.

Business Model

The BPER Banca Group has identified its own Business Models taking into consideration the core business sectors in which it operates, the strategies adopted to date in order to realise the cash flows of the assets in portfolio, as well as the strategic forecasts of business development.

This analysis was carried out primarily at Group level and, consequently, at the level of the individual Group Bank/Company, including the product companies.

The Group's core business is related to the generation and management of credit relationships for the Retail and Corporate sectors (including Large Corporate) and, therefore, follows a logic of holding them presumably until they expire in order to collect the contractual cash flows. According to IFRS 9, this operation is attributable to a "Hold to Collect" type Business Model.

Another sector of activity for the BPER Banca Group, supporting the pursuit of banking objectives, is the Finance sector which includes the balance sheet and income statement items of the Group deriving from treasury activities, management of proprietary portfolios, access to financial markets and specialist operational support to the sales network.

For the purpose of identifying the Business Model in the Finance sector, the analysis linked the relevant activities carried on by the Group finance department to management of the Group's proprietary portfolios. It is therefore possible to identify the following proprietary portfolios:

- *Investment Banking Book*, consisting of the set of instruments managed collectively in order to reduce volatility on the interest margin. This type of portfolio mainly pursues a strategy of holding financial instruments to maturity, thereby sterilising market risk. The strategy of this portfolio therefore involves management of the principal risks such as credit risk, interest rate risk and sovereign risk. In application of IFRS 9, this portfolio has been included in the "Hold to Collect" Business Model.
- *Liquidity Banking Book*, consisting of a set of financial instruments whose strategy is aimed at holding them in order to manage liquidity and optimise the risk-return profile at Group level. This type of portfolio pursues investment strategies in order to:
 - optimise net interest income;
 - increase the amount of assets that can be readily liquidated to mitigate the Group's exposure to liquidity risk;
 - diversify credit risk.

The strategy of this portfolio therefore involves management of the principal risks such as credit risk, interest rate risk, market risk and sovereign risk.

In application of IFRS 9, this portfolio has been included in the "Hold to Collect & Sell" Business Model.

- *Trading portfolio*, consisting of a set of financial instruments for trading purposes (government securities, ETFs, structured securities, UCITS units, ABS, etc.), guaranteeing the management of market risk. The profit purpose of this portfolio is mainly pursued through the change in the fair value of the instruments. The strategy of this portfolio therefore involves management of the principal risks such as market risk, credit risk, interest rate risk and sovereign risk. In application of IFRS 9, this portfolio has been included in the "Other" Business Model.
- *Customer Trading Portfolio*, consisting of financial assets repurchased from customers, or held to offer an investment service to them (residual portfolio). In application of IFRS 9, this portfolio has been included in the "Other" Business Model.
- *Capital Market*, consisting of financial instruments held for market making on securities (government, supranational, corporate, covered bond and government guaranteed debt securities), guaranteeing the management of market risk. The profit purpose of this portfolio is mainly pursued through the change in the fair value of the instruments. The strategy of this portfolio therefore involves management of the principal risks such as market risk, credit risk, interest rate risk and sovereign risk. In application of IFRS 9, this portfolio has been included in the "Other" Business Model.

IFRS 9 envisages the possibility of modifying the Business Model, highlighting that the situations that lead to this change are "very infrequent", to be attributed to significant events (internal or external) that affect the management strategy (and therefore derive from decisions of Senior Management of the Entity); in addition, they must be adequately supported by resolutions and linked to events or objective facts evidenced also towards third parties.

The change in business model must also take place before the consequent reclassification of the assets affected by that change, which is possible only on the first day of the next reporting period.

Regarding the combination of frequency and significance thresholds, the BPER Banca Group has defined quantitative limits (both in relative terms with respect to the portfolio size, and in absolute terms) to be applied to sales made on the "Hold to Collect" portfolio.

It also defines the concepts of "proximity to maturity", identifying the 12 months prior to the repayment date, and "increasing credit risk" in line with the staging criteria described below (classification in Stage 2 allows the sale of instruments).

SPPI Test

In order to analyse the characteristics of the contractual cash flows deriving from financial assets (loans and receivables, and debt securities), the BPER Banca Group has defined an SPPI test based on 12 decision-making trees, so as to consider all the contractual characteristics relevant to the test.

The BPER Banca Group has also adopted some assumptions regarding both the loan portfolio and the debt securities portfolio. The main choices are shown below.

- in relation to the debt securities portfolio, the mutual fund units, both open and closed-end, fail the SPPI test. In relation to the securities issued as part of securitisation transactions, for the purposes of credit risk assessment it has been assumed that the mezzanine and junior tranches generally bear a higher credit risk than the average risk of the underlying portfolio of instruments and, consequently, fail the test.
- in relation to the Benchmark Cash Flow Test (BCFT) required in situations of mismatch between "tenor" and periodicity of the "refixing" of interest rates, it was agreed that the change in the "time value of money element" should be considered significant for instruments indexed to parameters with a tenor higher than a year and, consequently, these fail the SPPI test.

The following are references to the accounting policies applied for the main items in the financial statements or transactions, where applicable, in preparing the consolidated financial statements.

1. Financial assets measured at fair value through profit or loss

Recognition

Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while derivative contracts are recognised on the date of signature.

In particular, any changes in the fair value of the asset to be received between the settlement date and the earlier arrangement date are recognised at the time of settlement, in the same way in which the asset acquired is recorded.

Financial assets measured at fair value through profit or loss are initially recorded at fair value; unless stated otherwise, this is represented by the consideration paid for the transaction, without considering any related costs or income attributable to them, which are recorded directly in the income statement.

Classification

a) financial assets held for trading

Financial assets held for trading comprise those whose business model is defined as "Other". This business model applies to financial assets whose cash flows will be generated from their sale.

This also includes equity securities held for trading, for which it is not possible to exercise the irrevocable choice to present subsequent changes in fair value in the statement of other comprehensive income.

Additionally, the model includes investments in mutual funds that are held for trading.

b) financial assets designated at fair value

This category comprises the financial assets for which the fair value option has been exercised.

c) other financial assets mandatorily measured at fair value

This category includes financial assets whose business model is defined as "Hold to Collect" or "Hold to Collect & Sell", but which fail the SPPI test and therefore do not satisfy the requirements for classification therein.

It also includes equity instruments not held for trading for which no irrevocable election was made to recognise subsequent

changes in fair value in the statement of other comprehensive income.
Additionally, the category includes investments in mutual funds that are not held for trading.

Measurement

Subsequent to initial recognition, these assets continue to be measured at fair value. If the fair value of derivatives classified as "financial assets held for trading" becomes negative, this caption is recognised as a financial liability.
The methods used to determine the fair value are reported in part A4 "Information on fair value" of these Explanatory Notes.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows deriving from them expire, when substantially all the risks/benefits associated with them are assigned, or when substantial changes are made to them.
If the Group sells a financial asset classified among the "Financial assets measured at fair value through profit or loss", it is derecognised on the transfer date (settlement date).

Criteria for the recognition of income

The positive components of income, represented by the interest income deriving from financial assets classified as "Financial assets measured at fair value through profit or loss", are recognised on an accruals basis in the "interest" captions of the income statement.

Gains and losses deriving from changes in the fair value of "Financial assets measured at fair value through profit or loss – financial assets held for trading" are recognised in income statement caption "Net income from trading activities".

Gains and losses deriving from changes in the fair value of financial assets designated at fair value are recognised in income statement caption "Net income on other financial assets and liabilities measured at fair value through profit or loss – financial assets and liabilities designated at fair value", while the other financial assets mandatorily measured at fair value are recognised in caption "Net income on other financial assets and liabilities measured at fair value through profit or loss – other financial assets mandatorily measured at fair value".

2. Financial assets measured at fair value through other comprehensive income

Recognition

Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while loans are recognised on the pay-out date.

On initial recognition, these financial assets are recorded at their fair value, which usually corresponds to the consideration paid, inclusive of the transaction costs or income directly attributable to the instruments concerned.

Classification

This category comprises:

- financial assets whose defined business model is "Hold to Collect & Sell" (HTC&S) and whose contractual terms pass the SPPI test;
- investments in equity instruments, held for purposes other than trading, for which an irrevocable election was made on initial recognition to record subsequent changes in fair value in the statement of other comprehensive income.

Measurement

Subsequent to initial recognition, these financial assets continue to be measured at fair value. Changes in the fair value of financial assets included in the HTC&S business model (debt securities) are classified in a specific equity reserve, net of Expected Credit Losses and the related tax effect.

Changes in the fair value of investments in equity instruments for which the above irrevocable election was made are also classified in a specific equity reserve, net of the related tax effect.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows deriving from them expire, when substantially all the risks/benefits associated with them are assigned, or when substantial changes are made to them.

If the Group sells a financial asset classified among the "Financial assets measured at fair value through other comprehensive income", it is derecognised on the transfer date (settlement date).

Recognition of components affecting the income statement

The components of income deriving from "Financial assets measured at fair value through other comprehensive income", excluding investments in equity instruments for which the above irrevocable election has been made, are recognised as described below:

- interest is calculated using the effective interest rate, i.e. the rate that exactly discounts cash flows over the expected life

of the instrument (IRR rate). The IRR is determined taking into account any discounts or premiums on the acquisition, costs or commissions that are an integral part of the carrying amount;

- Expected Credit Losses recognised during the period are recorded in the caption "Net impairment losses for credit risk relating to: b) financial assets measured at fair value through other comprehensive income";
- on derecognition, the amount accumulated in the specific equity reserve is released to the income statement caption "Gains/Losses on disposal or repurchase of: b) financial assets measured at fair value through other comprehensive income".

With regard to investments in equity instruments for which the above irrevocable election has been made, only the related dividends are recognised in the income statement, in the caption "Dividends and similar income". Changes in fair value subsequent to initial recognition are recorded in a specific equity reserve; on derecognition, the amount accumulated in the above reserve is not released to the income statement, but is reclassified among the profit reserves.

3. Financial assets measured at amortised cost

Recognition

Financial assets represented by debt instruments are initially recognised on the settlement date, while loans are recognised on the pay-out date; this caption includes:

- loans to banks⁷²;
- loans to customers.

The initial value reflects the fair value of the financial instrument, generally representing the amount of the loan granted inclusive of the costs/income directly attributable to each instrument, or the subscription price in the case of debt instruments. Factoring operations give rise to exposures to assignors representing loans disbursed for with-recourse assignments and exposures to assigned debtors representing the fair value of the receivables purchased versus without-recourse assignments. The first registration of a loan takes place on the date of sale following the signing of the contract (in the case of without-recourse assignment) and coincides with the disbursement date for with-recourse assignments.

For the assignor and factor, this activity entails an assessment of the presence or not of the conditions required by IFRS 9 for derecognition (a company can cancel a financial asset from its financial statements only if, as the result of a sale, it has transferred the risks and benefits connected with the instrument sold, or if and only if: a) the financial asset is transferred and with it substantially all the contractual risks and rights to the cash flows deriving from the asset expire; b) the benefits connected to its ownership cease to apply and consequent recognition on the factor's side.

To assess effective transfer of risks and benefits, it is necessary to compare the assignor's exposure to the variability of the current value or of the cash flows generated by the financial asset transferred, before and after the sale. The assignor essentially maintains all the risks and benefits when its exposure to the 'variability' of the present value of the net future cash flows of the financial asset does not change significantly following its transfer. Instead, transfer occurs when the exposure to this 'variability' is no longer significant.

The most frequently used forms of transfer of a financial instrument may have profoundly different accounting effects:

- in the case of a without-recourse assignment (without any guarantee obligation), the assets transferred can be cancelled from the transferor's financial statements;
- in the case of a with-recourse transfer, it is to be assumed that in most cases the risk associated with the asset sold remains with the seller and therefore the sale does not meet the requirements for derecognition of the instrument in question; only the amounts paid to the assignor as an advance of the consideration will be recorded.

Verification of the derecognition criteria, in the context of the without-recourse assignments underlying the factoring activity, also takes into consideration the risk mitigation clauses adopted by the Group through specific contractual provisions agreed with the assignors. These are clauses aimed at defining the limits on the individual debtors transferred, absolute and relative deductibles, so-called "*bonus-malus*" clauses and late payment.

Loans to customers also include receivables for finance leases (as lessor), including finance lease transactions involving assets under construction and those waiting to "earn income" in the case of contracts with transfer of risks (or in the event that the risks are transferred to the lessee prior to the taking over of the asset and the start of the lease contract).

Classification

This category comprises the financial assets whose defined business model is "Hold to Collect" and whose contractual terms pass the SPPI test.

The "Financial assets measured at amortised cost" caption includes loans to customers and loans to banks.

These captions comprise commercial loans, repurchase agreements, loans originated by finance leases (recognised using the "financial method" pursuant to IFRS 16) and debt securities.

⁷² Following the 7th update of Bank of Italy Circular 262, all on demand loans to banks and central banks in the technical forms of deposits and current accounts, are recognised in item 10 "Cash and cash equivalents", despite continuing to respect the criteria for the recognition, measurement and derecognition of income statement items of the category "Assets at amortised cost".

The Group has classified financial instruments (loans) purchased without recourse as "Financial assets measured at amortised cost", after checking that no contractual clauses prevent the transfer of substantially all risks and benefits. Advances paid to the assignor of portfolios purchased with recourse are also classified in that category.

Measurement

After initial recognition, loans are valued at their amortised cost, corresponding to the initially recognised amount less principal repayments, net adjustments and amortisation - calculated using the effective interest method - of the difference between the amount paid out and the amount repayable on maturity, which is generally attributable to the costs/income directly allocated to the individual loans.

The effective interest rate is the rate that discounts the flow of estimated payments over the expected duration of the loan back to its initial net book value, inclusive of directly-related costs and revenues. In financial terms, this method of recognition distributes the economic effect of these costs and revenues over the expected residual life of the loan.

The amortised cost method is not used in relation to short-term loans (up to 12 months), since the effect of discounting would be negligible. These loans are stated at historical cost.

Costs and revenues relating to loans without a fixed term or repayable on demand are recorded directly in the income statement. At each reporting date, financial assets measured at amortised cost are adjusted for impairment by recognising any Expected Credit Losses. Any adjustments are recorded in the income statement. The following items fall within this sphere, with specific assessment methods:

- Non-performing loans (in "Stage 3") which have been assigned the status of bad, unlikely to pay or past due loans in compliance with the current rules of the Bank of Italy's supervisory regulations, in line with IAS/IFRS and European supervisory regulations⁷³. The amount of the adjustment of each balance is equal to the difference between its book value at the time of measurement (amortised cost) and the present value of expected future cash flows. The estimate of expected cash flows, also formulated in relation to possible recovery scenarios, comes from assessing analytically the position of bad loans and unlikely-to-pay loans with exposures above the thresholds set by internal procedures. The expected losses on UTP loans below the thresholds established by internal regulations and on past due loans are determined using statistical impairment methodologies. For further details on the models adopted by the BPER Banca Group to estimate the Expected Credit Losses (ECL) on non-performing loans, please refer to paragraph below, entitled "Methods for determining impairment losses - Impairment". Any adjustments are recorded in the income statement.
- The original value of loans is reinstated in subsequent periods, to the extent that the reasons for the provisions made cease to apply, on condition that this assessment is objectively linked with events that took place subsequent to such impairment loss. Possible write-backs, also recognised in the income statement, may not exceed the amortised cost that the loan would have had if no impairment losses had been recognised previously.
- Ordinary loans, classified as performing loans, feed "Stage 1" and "Stage 2"; the measurement is carried out periodically in a differentiated manner, according to ECL model adopted by the BPER Banca Group, at 12 months or lifetime, respectively, the characteristics of which are summarised in the following paragraph "Method for determining the extent of impairment".

Forborne exposures, which by their nature can be classified as either non-performing or performing, are subject to the same valuation methods described above. If these are performing loans, the classification is in Stage 2. In the case of forborne exposures, contractual modifications made subsequent to initial recognition generally result in a change in the amount of the loan, with an impact on income statement caption 140. "Gains (Losses) from contractual modifications without derecognition". With regard to the procedures for identifying forborne loans, please refer to the indications provided in Part E - Credit risk of these Explanatory Notes.

As stated by the EBA in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers pursuant to the law and sector agreements (ABI agreements), are not considered indicators of financial difficulty for the purpose of classifying the individual positions concerned as forborne exposures (with consequent inclusion in Stage 2). The internal moratoria, granted to customers on the initiative of the BPER Banca Group, were agreed in a "standardised" manner on simple receipt of their applications. In this sense, the characteristics of the internal moratoria are similar to those of the law and, therefore, are not deemed to represent the provision of assistance for financial difficulties.

In line with the assessments already carried out on previous moratorium extensions, new moratoria until December 2021 were considered for potential classification as forbearance measures. An analysis of exposures was carried out by sector, and hence by rating, based on the sectors that had already been identified as vulnerable as they were more heavily exposed to the

⁷³ The scope of non-performing loans (or those in default) defined in art.178 of EU Reg. 575/2013 (CRR) has been updated with reference to the EBA Guidelines for applying the definition of default and the subsequent EU Reg. 1845/2018. The BPER Banca Group had been applying the "New Definition of Default - NDoD" using the "2-step approach" as of October 2019, which entailed:

- necessary alignment of internal classifications within the Group;
- application of the new materiality thresholds to credit obligations past due, without any offset between lines of credit;
- application of the new concept of "unlikely to pay", in relation to which a change in NPV of more than 1% following contractual modifications is considered substantial;
- application of the new "classification contagion" rules to counterparties that are associated with or belong to groups of connected customers;
- application of rules for managing the cure period that, in addition to an observation period of 12 months for forborne positions, envisages a minimum period of 3 months for other UTP positions.

pandemic.

In application of the BPER Banca Group policy, the Covid-19 moratoria that do not qualify as forbearance measures have not been recognised in accordance with modification accounting.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows deriving from them expire, when they are assigned with transfer of substantially all the risks/benefits associated with them, or when substantial changes are made to them (including, for example, change of the debtor, modification of the reference currency, modification of the technical form of disbursement, or introduction of clauses that could modify the positive outcome of the SPPI test).

If the Group sells a financial asset classified among the "Financial assets measured at amortised cost", it is derecognised on the transfer date (settlement date).

Recognition of components affecting the income statement

The interest on instruments measured at amortised cost (loans to banks and loans to customers) is calculated using the effective interest method, i.e. using the rate (IRR) that discounts the related cash flows exactly over the expected life of the instrument concerned. The IRR and, therefore, the amortised cost are determined having regard for any acquisition discounts or premiums, costs or commissions that are an integral part of the discounted cost.

Interest on non-performing loans is calculated on the net exposure of the Expected Credit Losses.

Write-downs or write-backs deriving from the model of adopted Expected Credit Losses are recognised in the income statement in the caption "Net impairment losses for credit risks".

Amounts deriving from alignment of the carrying amounts of financial assets to reflect changes in their contractual cash flows that do not result in accounting derecognition are recognised in income statement caption "140. Gains (losses) from contractual modifications without derecognition".

4. Hedging

The BPER Banca Group has adopted Chapter 6 Hedge Accounting of IFRS 9. Only macro-hedging, initiated by the BPER Banca Group in 2022, is still accounted for under IAS 39.

Recognition

Hedges are arranged to neutralise losses that may be incurred in relation to a given element or group of elements, as a consequence of a given risk, via profits that would be earned on another element or group of elements should that particular risk crystallise. There are two types of hedge:

- fair value hedges: arranged to hedge the exposure to changes in the fair value of a balance sheet caption;
- cash flow hedges: arranged to hedge the exposure to changes in future cash flows attributable to specific balance sheet captions.

Classification

Financial instruments are designated as hedges when the relationship between the hedged and the hedging instrument is adequately documented and formalised, if the hedge is effective both at the start and prospectively throughout its life.

Measurement

Hedging derivatives are measured at their fair value.

The method of accounting for the gains and losses deriving from changes in fair value depends on the type of hedge:

- fair value hedge: the change in the fair value of the hedged element representing the hedged risk is recognised in the income statement, together with the change in the fair value of the derivative instrument; any difference, which represents the ineffective portion of the hedge, determines the consequent net economic effect.
- cash-flow hedge: to the extent that the hedge is effective, changes in the fair value of the derivative are recognised in shareholders' equity; they are only recognised in the income statement when changes in the cash flows from the hedged item need to be offset, or when the hedge becomes ineffective.

Micro-hedging

In application of the IFRS 9, hedging relationships must satisfy the following requirements:

- there has to be an economic relationship between the hedged item and the hedging instrument;
- there must not be a predominance of credit risk within the fair value changes relating to this economic relationship;
- the definition of a hedge ratio that identifies the quantities of hedged items and hedging instruments considered in the hedging relationship, so as not to create a mismatch that generates an element of ineffectiveness that does not correctly reflect the objectives of the hedge.

The BPER Banca Group monitors compliance with these requirements when defining the hedging strategy and throughout its

duration; in particular, the presence of an economic relationship between the hedged item and the hedging instrument is identified in the first instance through a qualitative analysis of the characteristics of the two instruments and, in the event that they are imperfectly matched, a further quantitative analysis is carried out to verify the presence of a high degree of prospective correlation between the two (so-called "prospective hedge effectiveness testing" as explained below)

Even if not required by IFRS 9, for the sole purpose of further confirming the qualitative verification that there is an economic relationship between the hedged item and the hedging instrument, the BPER Banca Group has chosen to maintain the pre-existing system of quantitative tests to verify the effectiveness of hedging relationships (adapted to the new characteristics of the relationships) according to the so-called "Dollar Offset Method". This method involves comparing the change in fair value of the hedging instrument with that of the hedged instrument within a given time frame. The two changes must be attributable only to the type of risk being hedged.

The BPER Banca Group confirms the existence of the economic relationship when changes in the fair value of (or cash flows from) the hedging instrument, caused by the hedged risk factor, almost entirely offset those of the hedged instrument (the percentage limits fall into the range between 80% to 125%). This monitoring is carried out on a quarterly basis, using:

- prospective tests that justify the application of hedge accounting, by demonstrating the expected effectiveness of the hedge, especially in situations of imperfect matching between the characteristics of the hedging instrument and the hedged item;
- retrospective tests that show the effectiveness of the hedge during the period under review. In other words, they measure by how much the actual results differ from the perfect hedge, even if they no longer provide binding elements with respect to maintaining the relationship.

Macro-hedging

The BPER Banca Group has qualified portfolio relations having exclusively fair value hedge purposes. Pursuant to para. 78 c) of IAS 39, the hedged item in a portfolio hedge of interest rate risk can be a portion of the portfolio of financial assets or financial liabilities that share the risk being hedged. Designation of a net amount including assets and liabilities as a hedged item is not permitted.

All of the assets or liabilities from which the hedged amount is drawn must be:

- items whose fair value changes in response to changes in the interest rate being hedged; and
- items that may be individually fair value hedged

In the case of a portfolio hedge, the changes in the fair value of the hedged instrument are recognised as a gain or loss in profit or loss, but with no need for them to be allocated to individual assets or liabilities. If the hedged item is a financial asset, the change in its value is presented in a separate line item of the balance sheet (statement of financial position), where any such adjustments to the assets or liabilities that make up the hedged item are recognised (if the hedged items are financial assets: *Caption 60 – "Change in value of macro"-hedged financial assets*; if these are financial liabilities: *Caption 50 – "Change in value of macro-hedged financial liabilities"*).

As part of the identified hedging relationship, the methodology used to identify the hedged amount and to measure the effectiveness of the hedge must be specified. In particular, the following are specified:

- the methodology used to determine repricing dates;
- the number and duration of the repricing period;
- the expected frequency of effectiveness tests;
- the methodology used to determine the amount of assets/liabilities that is designated as the hedged amount;
- the methodology used to test the effectiveness of hedges.

The hedge effectiveness test is carried out periodically, specifically on a quarterly basis. The method chosen for conducting the test is the Dollar Offset Method, with relevant thresholds for the ratio of the change in fair value between the hedged item and the hedging instrument set at 80% - 125%.

Impact of the so-called: IBOR Reform

In application of the latest changes made to the IAS/IFRS standards governing the values potentially impacted by the so called IBOR Reform (Phase 1 - changes aimed at addressing the uncertainty arising from Risk Free Rates not yet defined; Phase 2 - changes aimed at managing the application of the new curves), it is expected that, in the circumstance that the new contractual terms: i. are modified as a direct consequence of the IBOR Reform, and ii. the new basis used to determine the contractual cash flows is economically equivalent to the previous one, they will be considered as susceptible to modify the variable interest rate, in the same way as fluctuations in market interest rates.

Similarly, changes made to contracts as a direct consequence of the IBOR reform, including as a practical expedient to manage the transition, will not be considered substantial enough to lead to the derecognition of the instruments; a new review of the existence of the IFRS 9 classification requirements (including the SPPI test) will therefore not have to be performed again.

Derecognition

If transactions do not meet the effectiveness test, hedge accounting - as described above - is terminated and the derivative contract is reclassified as an instrument held for trading, with recognition of the related impacts in the income statement. Hedge accounting is also terminated in the following situations:

- the hedged item is sold and redeemed;
- the hedging instrument expires, is sold, terminated or exercised.

Recognition of components affecting the income statement

Income elements are allocated to the relevant income statement captions on the following basis:

- differentials earned on derivatives that hedge interest-rate risk (and the interest on the hedged positions) are allocated to the captions "*Interest and similar income*" or "*Interest and similar expense*";
- capital gains and losses deriving from the measurement of hedging instruments and the positions covered by fair value hedges are allocated to the "*Net income from hedging activities*" caption;
- capital gains and losses deriving from measurement of the effective part of cash flow hedges are allocated to a specific valuation reserve in equity called "*Reserve for cash flow hedges*", net of the related deferred tax effect. Gains and losses relating to the ineffective part of such hedges are recorded in the "*Net income from hedging activities*" caption of the income statement.

In the case of hedging equity instruments for which the option for recognition in the statement of other comprehensive income of subsequent fair value changes has been irrevocably exercised, the capital gains and losses deriving from the measurement of hedging derivatives, relating to the hedged component, are allocated to the same shareholders' equity caption.

5. Equity Investments

Recognition

Equity investments are recognised on the settlement date. Equity investments are recorded at cost on initial recognition, including any costs and revenues directly attributable to the transaction.

Classification

This caption includes:

- subsidiaries not consolidated on a line-by-line basis and associates carried under the equity method, adjusting the initial cost of recognition for changes in net equity, including gains and losses realised by the company; companies in which at least 20% of the voting rights are held and those where the size of the investment guarantees influence over governance are considered associates;
- jointly controlled companies, which are also accounted for under the equity method;
- other investments with a low value, which are carried at cost.

Measurement

In the consolidated financial statements of the BPER Banca Group, companies not consolidated line-by-line, those subject to joint control and associated companies are valued according to the equity method.

If there is evidence that investment in an associate may be impaired, its recoverable amount is estimated. If the recoverable amount is lower than the carrying amount, the difference is charged to the income statement.

If the recoverable amount is lower than the carrying amount, the difference is charged to the income statement under caption "Gains (Losses) on equity investments", as described in the following paragraph "Method for determining the extent of impairment" below.

If the reasons for making the impairment loss cease to apply as a result of an event subsequent to recognition of the impairment loss, the related write-back is credited to the income statement without exceeding the amount of the impairment loss previously recorded.

The Parent Company's share of any losses of the investee, exceeding the book value of the investment, is recorded in a specific reserve to the extent that the company is required to fulfil legal or implicit obligations of the investee, or, in any case, to cover its losses.

Derecognition

Equity investments are derecognised when the contractual rights to the cash flows deriving from them expire, or when they are assigned with transfer of substantially all the risks/benefits associated with them.

Recognition of components affecting the income statement

Dividends are recorded in the "Dividends and similar income" caption when the right to collection is established.

Any impairment losses/write-backs relating to the impairment of equity investments and gains or losses on the disposal of

equity investments are recorded in the caption "Gains (Losses) of equity investments".

6. Property, plant and equipment

Recognition

Property, plant and equipment are initially recorded at purchase price, including all directly attributable costs of purchasing and bringing the asset to working condition.

Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Leases (in which the Bank is the lessee) are recognised (pursuant to IFRS 16) using the "right of use" model. At the initial recognition date, the value of the right of use is equal to the initial recognition value of the lease liability, adjusted for the following components:

- payments due for leases made on or before the effective date, net of lease incentives received;
- direct initial costs incurred by the lessee;
- an estimate of the costs that the lessee will incur for the dismantling and removal of the underlying asset and for the restoration of the site on which it is located or for the restoration of the underlying asset under the conditions set by the terms and conditions of the lease.

When the asset is made available to the BPER Banca Group for its use (initial recognition date), the related right of use is recognised.

In identifying the rights of use, the BPER Banca Group applies the "simplifications" permitted by IFRS 16; contracts with the following characteristics are therefore not considered:

- "Short-term", i.e. with a residual life of less than 12 months;
- "Low-value", i.e. with an estimated value of the asset of less than Euro 5,000.

As regards the other application choices adopted by the BPER Banca Group, it should be noted that:

- with reference to the duration of the "property" leases, the Group considers as "reasonably certain" only the first renewal period, subject to contractual clauses and specific circumstances that involve considering different contractual durations;
- as regards "Cars" and "Other contracts", the Group makes use of the practical expedient by which the lessee is allowed to not separate the lease components from the other components, treating them as a single lease component. As regards property leases, the Group considers the non-lease component as not material.

Classification

Property, plant and equipment comprise land, property used for operating purposes, installations, furniture, furnishings and all types of equipment.

These are tangible assets that will be used for more than one accounting period and which are held for use in the production of business or the supply of goods and services, for rental to third parties or for administrative purposes.

Rights of use acquired under leases (in the capacity of lessee) are included, if these rights relate to assets classified as property, plant and equipment.

This caption also includes assets awaiting finance lease and assets under construction intended for finance leasing (in the capacity of lessor), in the case of contracts "with retention of risks", as well as assets granted under operating leases (again as lessor).

This caption also includes certain real estate assets classified in accordance with IAS 2 "Inventories" within the portfolios of the Group's real estate companies, including construction land, buildings under construction, completed buildings and property development initiatives held for sale, to be achieved within a reasonable time horizon.

This caption also includes leasehold improvements, relating to identifiable and separable property, plant and equipment.

Measurement

After their initial recognition, property, plant and equipment, including rights of use, are measured under the cost model, net of accumulated depreciation and impairment, with the exception of the following categories:

- own properties used in operations (IAS 16), which are measured under the revaluation model, according to which property, plant and equipment, whose fair value can be reliably determined, are recognised at a restated value, equal to the fair value at the date of the restatement, net of accumulated depreciation and any accumulated impairment losses;
- properties held for investment purposes (IAS 40), including rights of use, which are measured according to the fair value method, by which all property investments are measured at fair value and no longer subject to depreciation or impairment;
- Inventories of property (IAS 2), which are measured at the lower of cost and net realisable value, represented by the estimated selling price less the estimated cost of completion and other costs necessary to make the sale.

After initial recognition, at the end of each financial period, the following accounting entries may take place for properties used in operations:

- if the carrying amount has increased following a restatement, the increase must be recognised in a specific revaluation reserve in shareholders' equity. However, the increase has to be recognised in the income statement to the extent that it reinstates a write-down of the same asset previously recognised in the income statement;
- if the carrying amount has decreased following a restatement, the decrease must be recognised in the income statement. However, the decrease has to be recognised in the statement of other comprehensive income as a revaluation surplus, to the extent that there are any credit balances in the revaluation reserve that refer to this asset. The decrease recognised in the statement of other comprehensive income reduces the amount accumulated in equity under the revaluation reserve.

When an IAS 16 real estate unit is revalued, the carrying amount of the asset is brought into line with the revalued amount by eliminating accumulated depreciation against the gross carrying amount of the asset (the so-called "elimination approach"). For properties held for investment purposes, on the other hand, following initial recognition and at each balance sheet date, the following is recognised in the income statement:

- a positive income component in the event of a positive difference between the fair value and the carrying amount;
- a negative income component in the event of a negative difference between the fair value and the carrying amount.

For more information on how to determine the fair value of properties, please refer below to Part A.4 - "Information on fair value", paragraph "Methods and frequency of identifying the fair value of own properties".

Property, plant and equipment are systematically depreciated over their useful life, identified by single homogeneous category or, for real estate assets, charged to the individual property at the time of initial registration, adopting the straight-line method of depreciation, with the exception of:

- land acquired separately or included in the value of property (excluding value in use on buildings), since it has an indefinite useful life. The value of land included in property is deemed to be separable from the value of buildings; the division between the value of the land and the value of the building takes place on the basis of independent expert appraisals;
- properties held for investment purposes as, being valued at fair value, they are not subject to depreciation;
- works of art, since the useful life of a work of art cannot be estimated and its value normally appreciates over time;
- inventories classified in accordance with IAS 2.

The useful life of business assets is reviewed at least once a year, at the end of each accounting period, and any change with respect to the previous year is treated as a change in accounting estimate, governed by IAS 8. It is therefore accounted for prospectively, determining an impact on the depreciation charge of the year in which the change takes place and on the depreciation charges of subsequent years.

If there is any evidence at a reporting date that the value of an asset may be impaired, its carrying amount is compared with its recoverable value, being the higher of its fair value net of any selling costs or its value in use, as represented by the present value of the cash flows generated by the asset, as explained in the following paragraph "Method for determining the extent of impairment". Any adjustments are recorded in the income statement.

Property held for investment purposes is excluded from impairment testing.

If the reasons for recognising an impairment loss cease to apply, the loss can be written back but without exceeding the book value that the asset would have had (net of depreciation) if no impairment losses had been recognised in prior years.

For properties used in operations, measured under the revaluation model, any loss due to impairment of a revalued asset must be treated as a decrease in the revaluation up to its amount, after which any difference is recognised in the income statement. Assets recognised pursuant to IAS 2 are measured at the lower of cost or net realisable value. Any adjustments are recognised in the income statement.

Change of use of properties

The BPER Banca Group only transfers properties between the various categories (regulated respectively by IAS 16, IAS 40 and IAS 2) if there is an effective change in the use of the property. In the event of a change in use from being a property held for investment recognised at fair value to being a property used in operation by the owner or held for sale in inventory, the fair value at the date of the change in use must be considered as a replacement for the cost of the property for subsequent accounting, according to the provisions of IAS 16, IFRS 16 or IAS 2.

If a property used in operation becomes a property held for investment that has to be recognised at fair value, the BPER Banca Group applies IAS 16 for its own properties and IFRS 16 for properties held by the lessee as an asset consisting of the right of use until the date on which the change of use occurs. The BPER Banca Group treats any difference existing at that date between the carrying amount of the property in accordance with IAS 16 or IFRS 16 and the fair value in the same way as a revaluation, in accordance with IAS 16.

Up to the date on which a property used by the owner becomes a property held for investment recorded at fair value, the BPER Banca Group depreciates the property (or the right of use asset) and recognises any impairment that may occur. The BPER Banca Group treats any difference existing at that date between the carrying amount of the property in accordance with IAS 16 or IFRS 16 and the fair value in the same way as a revaluation, in accordance with IAS 16. In particular, any resulting decrease in the carrying amount of the property is charged to profit or loss for the year. However, to the extent that the amount is included in the revaluation reserve of that particular property, the decrease is recognised in the statement of other comprehensive income and reduces the revaluation reserve included in shareholders' equity.

Any resulting increase in the carrying amount is treated as follows:

- to the extent that if the increase adjusts a previous loss due to a reduction in the value of that property, it is charged to the income statement. The amount recognised in the income statement must not exceed the amount needed to restore the carrying amount that would have been (net of depreciation) if no impairment loss had been recognised;
- any remainder of the increase is recognised in the statement of other comprehensive income and increases the revaluation reserve included in equity. At the time of subsequent disposal of the property held for investment, the revaluation reserve included in shareholders' equity is transferred to retained earnings. The transfer from the revaluation reserve to retained earnings does not go through the income statement.

Derecognition

Property, plant and equipment are derecognised on disposal, or when the assets concerned are permanently taken out of use and no further economic benefits are expected from their disposal. When a property used in operation is eliminated from the financial statements, any valuation reserve recognised in equity is transferred directly to "Reserves - Retained earnings", without passing through the income statement.

Recognition of components affecting the income statement

Depreciation, calculated pro-rata temporis, of assets measured at cost or fair value in accordance with the requirements of IAS 16 are recognised in the income statement under "Net adjustments to property, plant and equipment".

Positive restatements of properties used in operations are recognised in equity under "Valuation reserves", unless they are restoring a decrease in the value of the asset previously recognised in the income statement (in this case, the positive changes in value are recognised in the income statement under "Gains (Losses) on property, plant and equipment and intangible assets measured at fair value").

Negative restatements of properties used in operations are recognised in the income statement under "Gains (Losses) on property, plant and equipment and intangible assets measured at fair value" unless the "Valuation reserve" for the specific property is not sufficiently large (in which case, the negative changes are recognised in equity as a decrease in the "Valuation reserve").

Any adjustments or write-backs due to the impairment of property, plant and equipment valued under the cost or revaluation models are recognised in the income statement under "*Net adjustments to property, plant and equipment*", unless, for the assets measured under the revaluation model, the valuation reserve relating to the specific property is not sufficiently large.

The changes in fair value, both positive and negative, relating to properties held for investment purposes are recognised in the income statement under "Gains (Losses) on property, plant and equipment and intangible assets measured at fair value".

Disposal gains and losses are however recorded in caption "Gains (Losses) on disposal of investments" of the income statement.

7. Intangible assets

Recognition

Intangible assets other than goodwill are initially recognised at cost, as represented by the purchase price paid plus any directly-related costs incurred to obtain use of the assets concerned.

Goodwill may be recognised as an intangible asset when the positive difference between the acquisition cost of an equity interest (including related charges) and the fair value of the net assets acquired, including those identified as part of the Purchase Price Allocation (PPA), is representative of the investee's ability to generate income in the future (goodwill).

If the difference is negative (badwill) or the goodwill is not justified by the investee's ability to generate income in the future, the difference is recognised in the income statement.

Classification

Intangible assets are identifiable, non-monetary assets without physical form that are expected to generate economic benefits. The qualifying characteristics of intangible assets are:

- identifiability;
- control over the resources concerned;
- expectation of economic benefits.

In the absence of any one of the above characteristics, the acquisition or internal production costs are expensed in the year incurred.

Goodwill is represented by the difference between the acquisition cost of an equity investment and the fair value, at the acquisition date, of the assets and liabilities acquired.

Other intangible assets are recognised if they are identifiable and reflect legal or contractual rights. Among these, rights of use acquired under operating leases (in the capacity of lessee) and relating to the use of an intangible asset are not included since the BPER Banca Group, with respect to the faculty given by IFRS 16.4, has decided not to apply IFRS 16 to any operating leases on intangible assets other than those that can be acquired under licence.

Intangible assets include licensed software that satisfies the conditions specified in IAS 38. More specifically, with reference to

the indications provided in the IFRIC Staff Paper dated November 2018 (Agenda ref 5 – Customer’s right to access the supplier’s software hosted on the cloud (IAS 38)), the BPER Banca Group has identified the following conditions as significant for the recognition of purchased software as an intangible asset:

- existence of an exclusive right of use (linked to the user licence acquired);
- right and ability to obtain copies of the software (“download right”);
- possession and real ability to use the copy of the software acquired, recognised if installed on its servers.

If these three conditions are satisfied in relation to purchased software, the BPER Banca Group recognises it an intangible asset to be amortised over its estimated useful life. The initial expenses incurred (even in the form of external services) to set-up, customise and implement the software can also be considered part of the initial carrying amount of the intangible asset, if linked to the functional analyses and subsequent implementation phases.

By contrast, if the above conditions for the recognition of an intangible asset are not satisfied, the purchase will relate to services giving access to software that, in substance, remains in the possession of the provider (these situations generally arise in relation to Cloud software). These purchased services are recognised as Other administrative expenses on an accruals basis; when the initial cost incurred refers to a long-term time horizon it can be deferred (prepaid expenses – Other assets) and released to the income statement over the duration of the entire contract. If the total fee paid to the supplier for access to the software covers a variety of services, the cost will be allocated and recognised on an accruals basis with reference to each specific service.

Measurement

An intangible asset with an indefinite useful life, such as goodwill, is not amortised, but is tested periodically for impairment. An impairment test is performed annually, or whenever there is an indication of impairment, as explained in the following paragraph “Method for determining the extent of impairment”. Any impairment loss is recognised in the income statement and the reversal thereof is prohibited.

In contrast to the treatment of goodwill, the cost of intangible assets with a finite useful life is amortised on a straight-line basis or, possibly, by use of the reducing balance method based on the flow of economic benefits expected from the asset. If there is any evidence of impairment, it is envisaged that an asset would be assessed for impairment by comparing its recoverable value to its carrying amount.

An estimate of recoverable value is made if there is any evidence of asset impairment at the reporting date. The impairment loss, expensed to income statement, is the difference between the book value of an asset and its recoverable amount, if the latter is lower, as explained in the following paragraph “Method for determining the extent of impairment”.

Derecognition

Intangible assets are derecognised on disposal and when no further economic benefits are expected.

Recognition of components affecting the income statement

Both the amortisation charge and any net adjustments to intangible assets other than goodwill are recorded in the caption “Net adjustments to intangible assets” of the income statement.

Disposal gains and losses are however recorded in the “Gains (Losses) on disposal of investments” caption.

Any impairment losses to the value of goodwill are recorded in the caption “Impairment losses on goodwill”.

8. Non-current assets and disposal groups classified as held for sale

Recognition and classification

Non-current assets and groups of assets/liabilities subject to a disposal process (tangible, intangible and financial assets) are classified in the asset caption “Non-current assets and disposal groups classified as held for sale” and the liability caption “Liabilities associated with assets classified as held for sale”, when such sale is deemed to be highly probable.

Measurement

These assets and liabilities are valued at the lower of their carrying amount, determined according to the relevant IFRS, and their fair value, less costs to sell, unless they are properties held for investment purposes, which, on the basis of paragraph 5 of IFRS 5, even if they are classified in “Non-current assets and disposal groups held for sale”, are valued in accordance with IAS 40 and therefore at fair value through profit or loss.

Derecognition

Non-current assets or groups of assets/liabilities held for sale and discontinued operations are derecognised from the balance sheet upon disposal.

Recognition of components affecting the income statement

Income and charges (net of tax effect) relating to disposal groups held for sale are classified in the “Gains (Losses) from non-

current assets and disposal groups classified as held for sale after tax" caption of the income statement.

9. Current and deferred taxation

Taxes for the year were calculated by applying the regulations in force at 31 December 2022, also taking into account the changes introduced by the latest Finance Act.

Deferred tax assets and liabilities are recorded following the positive outcome of the probability test required by IAS 12 relating to temporary changes, tax losses and tax credits. The BPER Banca Group has adopted a time horizon of 5 years (2022-2026) when forecasting recoveries, consistent with other types of estimate made by projecting future results.

Recognition and classification

Current taxation comprises the net balance of income tax payable for the year and the current tax receivable due from the tax authorities consisting of advances and other withholding tax credits or other tax credits recoverable by future offset.

Current tax assets also represent tax credit that the Group companies have requested the relevant authorities to reimburse.

Deferred taxes represent the income taxes recoverable in future periods as a result of deductible temporary differences and past tax losses (deferred tax assets), and the income taxes payable in future periods as a result of taxable temporary differences (deferred tax liabilities).

Measurement

Deferred tax assets, representing the future tax benefit deriving from deductible temporary differences and tax losses carried forward, are recognised to the extent that their recovery is highly likely. The estimate is made by performing the "probability test", as required by IAS 12. This test is based on an economic forecast developed over a prospective 5-year horizon, adjusting the pre-tax profit to consider future temporary and permanent changes in accordance with the tax legislation in force at the measurement date, so as to arrive at an estimate of the future tax profits able to reabsorb the deferred tax assets.

Derecognition

Net current taxes are generally derecognised from the balance sheet at the time of payment of the tax charge in the reference year.

Deferred tax assets and deferred tax liabilities are instead cancelled following the realignment of the tax and financial statement accrual for each income statement or balance sheet component that originated the deferred tax asset or liability. Deferred tax assets are also derecognised from the balance sheet for any portion no longer deemed recoverable following the "probability test" carried out periodically.

Recognition of components affecting the income statement

Changes in tax assets and liabilities are normally recorded in the "Income taxes on current operations" caption.

As an exception, those deriving from transactions recognised directly in equity are treated in the same way, and those deriving from business combinations are included in the calculation of goodwill (or badwill).

10. Provisions for risks and charges

Recognition

The provisions for risks and charges cover liabilities whose timing and extent are uncertain, when all the following conditions are met:

- a current obligation exists at the balance sheet date, deriving from a past event. The origin of the obligation must either be legal (deriving from a contract, regulation or the provisions of law) or implicit (arising when the business causes third parties to expect that commitments will be met, even if these do not fall into the category of legal obligations);
- a financial outflow is likely;
- the extent of the obligation can be estimated reliably.

No provision is recognised for liabilities that are only possible and not probable, but information on the related contingencies is provided in the Explanatory notes.

Classification

This caption includes the provisions relating to long-term benefits and post-employment benefits governed by IAS 19, discussed in paragraph "Employee benefits" below, and the provisions for risks and charges governed by IAS 37.

Sub-caption "commitments and guarantees granted" comprises the credit risk provisions for funding commitments and financial guarantees given that are subject to the impairment rules of IFRS 9 (see para. 2.1, letter e); para. 5.5; appendix A), as well as the

provisions for other commitments and other guarantees not subject to IFRS 9 impairment rules.

Measurement

Where the time element is significant, the provisions are discounted using current market rates. Provisions are charged to the income statement. The measurement of "commitments and guarantees granted" is described in the related section. Method for determining the extent of impairment.

Derecognition

The allocated provisions are re-examined as at each financial reporting date and adjusted to reflect the best current estimate. When the use of resources aimed at producing economic benefits to fulfil the obligation becomes unlikely, the provision is cancelled.

In addition, each provision is used solely to cover outgoings for which it was originally established.

Recognition of components affecting the income statement

Impairment losses and write-backs of commitments and other guarantees granted are recorded in caption 200. a) "Net provisions for risks and charges – commitments and guarantees granted" of the income statement.

Provisions for risks and charges and the related write-backs, including the effects of the passage of time, are classified in caption 200. b) "Net provisions for risks and charges – Other net provisions" of the income statement. The provisions for employee remuneration recognised pursuant to IAS 19 are classified in income statement caption 190. a) Administrative expenses - Staff costs of the income statement.

Provisions are made on the basis of the best estimate of the amount that the company would reasonably pay to settle the obligation or to transfer it to third parties at 31 December 2022. When the financial effect of time is significant and the payment dates of obligations can be reliably estimated, the provision is calculated by discounting the expected future cash flows taking into account the risks associated with the obligation; the increase in the provision due to the passage of time is recognised in the income statement.

11. Financial liabilities measured at amortised cost

Recognition

These liabilities are initially recognised at their fair value, usually corresponding to the amount collected or the issue price, plus any additional costs/proceeds directly attributable to the individual funding transaction or issue.

This caption includes:

- due to banks;
- due to customers;
- debt securities issued;
- lease liabilities.

On the start date, the lessee measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease contract, if that rate can be readily determined, or at the incremental borrowing rate that, for the BPER Banca Group, is the Internal Transfer Rate (ITR) of funding.

The future lease payments to be included in the measurement of the lease liability comprise the following:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Classification

"Due to banks", "Due to customers" and "Debt securities issued" comprise the various forms of interbank and customer funding. These captions also include liabilities recognised by the lessee under leases, as well as funding through certificates of deposit and debt securities in issue, net of any repurchases.

Measurement

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for current liabilities given the negligible effect of the time factor.

Modifications to the contractual conditions of the medium-long term items (also including lease liabilities) will entail the adjustment of the carrying amount by discounting the flows envisaged by the revised contract to the original effective interest

rate, without prejudice to the changes made to lease liabilities which, as clarified in IFRS 16, shall use a revised discount rate (for example if there is a change either in the lease term or in the lease payments).
Debt securities issued are recognised net of the repurchased amount.

Derecognition

Financial liabilities are derecognised when they expire or are settled. The repurchase of debt securities in issue in prior periods results in their derecognition.

In the event of a change in the contractual conditions, if the discounting of the new flows would lead to a change in the carrying amount of the liability greater than 10%, the change is deemed by the BPER Banca Group to be "substantial" and relevant for the purpose of derecognition of the original liability.

The difference between the carrying amount of the liability and the amount paid to repurchase it is recorded in the income statement.

Recognition of components affecting the income statement

The negative elements of income represented by interest and similar expense are recorded in the interest captions of the income statement on an accruals basis, using the effective interest method.

Costs/revenues relating to short-term payables are recorded directly in the income statement.

The difference between the carrying amount of a liability and the amount paid to acquire it is recorded in income statement caption "Gains (Losses) on disposal or repurchase of financial liabilities".

12. Financial liabilities held for trading

Recognition

These financial instruments are recognised at their fair value on the subscription or issue date, without considering any transaction costs or income directly attributable to them.

Classification

This category of liabilities includes trading derivatives with a negative fair value, as well as derivatives with negative fair value that are embedded in complex contracts - in which the primary contract is a financial liability - but not closely correlated with them and therefore they are represented separately in the financial statements.

Measurement

All financial liabilities held for trading are measured at fair value. The methods used to determine fair value are described in Part A4 - "Information on fair value" of these notes.

Derecognition

Financial liabilities held for trading are derecognised on expiry of the contractual rights over the related cash flows, or when the financial liability is assigned with the transfer of substantially all the risks and benefits deriving from its ownership.

Recognition of components affecting the income statement

The criteria applied for the recognition of income components of financial assets held for trading are adopted with suitable modifications.

13. Financial liabilities designated at fair value

Recognition

These liabilities are initially recognised at fair value, net of transaction costs or revenues.

Classification

A financial liability is designated at fair value if one of the following conditions applies:

- classification in this category eliminates "accounting mismatch", i.e. it makes it possible to significantly reduce a lack of consistency in the valuation or recognition of assets and liabilities that would otherwise lead to the recognition of gains/losses on a different measurement basis;
- it is part of groups of liabilities, or of assets and liabilities, managed together whose performance is measured at fair value, according to a documented risk-management strategy;
- there is a hybrid contract containing one or more embedded derivatives and the embedded derivative is such that it would

significantly alter the cash flows that would otherwise be under the contract.

The option to designate a liability at fair value is irrevocable, is made on the individual financial instrument and does not require the same application to all instruments with similar characteristics. However, the designation at fair value of only a portion of a financial instrument attributable to a single component of risk to which the instrument is subject is not allowed.

Certificates issued

The BPER Banca Group classifies its issuances of certificates as financial liabilities designated at fair value.

Certificates are securitised derivative instruments issued by the Group and traded on multilateral trading facilities that replicate, with or without leverage, the performance of the underlying assets. Such products may provide for protection of the amount subscribed by the client or a portion thereof unconditionally with respect to the performance of the financial parameters to which they are indexed. From a substantive point of view, certificates can be defined as combinations of derivative strategies or of basic financial assets and derivatives, thanks to which it is possible to generate financial instruments with their own characteristics, substantially different from those of the assets from which they originate.

In general, market practice has traced certificates back to the following two main types of instruments:

- *Certificates with unconditional capital protection*: these are products that provide an unconditional guarantee of more than 50% of the capital initially invested. For accounting purposes, these instruments are considered “structured securities”, given the preponderance of the guaranteed component over the variable component based on the performance of the certificate's underlying;
- *Other certificates*: these are products without any protection, with conditional protection, or with unconditional protection of the initial capital of 50% or less. For such products, the value depends exclusively or predominantly on the performance of the parameter to which it is indexed. For this reason, they are classified as “derivative financial instruments”, and in particular among the options issued. For such instruments, the only permissible accounting portfolio is “Financial liabilities held for trading”.

That said, starting in 2022, the Parent Company BPER Banca began issuing unconditionally protected capital certificates, mainly for funding purposes and classified in the accounting portfolio of “Financial liabilities designated at fair value”. The aforementioned classification derives primarily from the reconciliation of these liabilities to the portfolios managed by the Capital Market, which, according to Group policy considering the objectives pursued and related reporting on performance, are measured at fair value. In addition, this classification makes it possible to pursue a kind of “natural hedge” with respect to derivatives stipulated in order to “balance” the risks assumed with derivatives embedded in issued liabilities.

With reference to the criteria for recognising the balance sheet and income statement components of certificates recognised under “Financial liabilities designated at fair value” and the related management hedging instruments, it is noted that

- the entire margin for the Group related to the issuances under review is included in *Item 110. “Net income on other financial assets and liabilities measured at fair value through profit or loss”*. This item also includes the valuation effects related to the measurement of fair value, resulting from changes in the market parameters to which the certificate is indexed, with the exception of changes in its creditworthiness, as well as spreads paid to customers, either periodically or at maturity. The effects attributable to changes in one's own creditworthiness are recognised in a specific equity reserve (*item 120. “Valuation reserves”*);
- the derivatives operationally connected to financial liabilities measured at fair value are classified under assets in *Item 20. “Financial assets measured at fair value through profit or loss: a) Financial assets held for trading”* or under liabilities in *Item 20. “Financial liabilities held for trading”*. Capital losses and capital gains from valuation, as well as realised effects including any spreads received and paid, are recognised in the income statement item “80. “Net income from trading activities”.

Measurement

Subsequent to initial recognition, these assets continue to be measured at fair value: the methodologies used in this regard are described in Part A.4 of these Explanatory notes.

The accounting treatment required by IFRS 9 for such liabilities requires that changes in fair value associated with the creditworthiness of the issuer must be recognised as a contra-entry to a specific equity reserve. The standard also establishes that the amount recognised in the specific equity reserve must not be “released” to the income statement, even if the liability is settled or expires.

Derecognition

Financial liabilities designated at fair value are derecognised when they expire or are settled.

The repurchase of debt securities in issue in prior periods results in their derecognition.

The renewed placement of treasury securities subsequent to their repurchase is deemed to represent a new issue, with the recognition of a new placement price, without any effect on the income statement.

Recognition of components affecting the income statement

The entire margin related to the issuances under review is included in *Item 110. “Net income on other financial assets and liabilities measured at fair value through profit or loss”*. Only the valuation effects attributable to changes in own

creditworthiness are recognised as opposite entries to a specific equity reserve (Caption 120. "Valuation reserves").

14. Foreign currency transactions

Recognition

On initial recognition, foreign currency transactions are recorded in the reporting currency, by translating the foreign currency amounts using the exchange rates prevailing on the transaction dates.

Measurement

At each reporting date, the amounts originally denominated in a foreign currency are measured as follows:

- monetary items are translated using the exchange rate at the closing date;
- non-monetary items carried at historical cost are translated using the exchange rate on the date of the transaction;
- non-monetary items carried at fair value are translated at the rates at the end of the reporting period.

Classification

These comprise all assets and liabilities not denominated in euro.

Derecognition

The criteria applying to the balance sheet captions concerned are used. The exchange rate applying on the settlement date is used.

Recognition of components affecting the income statement

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period in which they arise.

When gains or losses relating to a non-monetary item are recorded in shareholders' equity, the related exchange differences are also recorded in shareholders' equity. Conversely, when gains or losses are recorded in the income statement, the related exchange differences are also recorded in the income statement.

15. Other information

Treasury shares

Treasury shares held following repurchase are stated at purchase cost and shown with a negative sign in caption "Treasury shares" under liabilities in the balance sheet. Profits or losses deriving from their subsequent sale are recorded as changes in shareholders' equity in the caption "Share premium reserve" under liabilities in the balance sheet.

Leasehold improvement expenditures

These costs are classified as "Other assets", since they cannot be recorded as part of "Property, plant and equipment", as required by Bank of Italy instructions.

The related amortisation is recorded in the "Other operating expenses (income)" caption.

16. Income statement: Revenues

In addition to the information about the principal balance sheet captions provided above in the sections on the "Recognition of components affecting the income statement", it is noted that revenue from contracts with customers is recognised, as required by IFRS 15, at an amount equal to the consideration that the BPER Banca Group is entitled to collect in exchange for the transfer of goods or services to the customer. Revenues may be recognised:

- at a specific point-in-time, when the entity fulfils the obligation to transfer the promised goods or services to the customer, or
- over time, as the entity fulfils the obligation to transfer the promised goods or services to the customer.

In this context, goods are transferred when, or over the period in which, the customer obtains control over them.

The price of the transaction is the amount of consideration that the entity is entitled to receive in exchange for the transfer to the customer of the promised goods or services, excluding any amounts collected on behalf of third parties (e.g. sales taxes). In order to determine the price of the transaction, the BPER Banca Group considers the contract terms and conditions and its

normal business practices, including all the following elements to the extent applicable:

- variable consideration, if it is highly likely that the amount will not be adjusted in the future;
- restrictions on the estimates of variable consideration;
- existence in the contract of a significant financial component;
- non-monetary consideration;
- consideration payable to the customer.

The BPER Banca Group has identified types of revenue linked to services provided to customers only as regards item 40 "Commission income". The BPER Banca Group has not identified any significant situations in relation to:

- fees relating to various performance obligations given to customers;
- costs incurred and suspended to obtain and fulfil contracts with customers.

Other types of revenue, such as interest and dividends, are recognised applying the following criteria:

- interest on instruments measured at amortised cost is calculated using the effective interest method;
- dividends are recognised when the shareholders' right to receive payment is determined.

17. Income statement: Costs

In addition to the information about the principal balance sheet captions provided above in the sections on the "Recognition of components affecting the income statement", costs are recognised in the income statement on an accruals basis; as already highlighted, no costs were identified for obtaining and fulfilling contracts with customers to be recognised in the income statement in a manner correlated with the related revenue.

Marginal costs and revenues directly attributable to the acquisition of an asset or issue of a financial liability measured at amortised cost are recognised in the income statement together with the interest on the financial asset or liability using the effective interest method.

18. Employee benefits

Classification

Employee benefits, excluding short-term amounts such as wages and salaries, comprise:

- post-employment benefits;
- other long-term benefits

Post-employment benefits are, in turn, divided into defined-contribution plans and defined benefit plans, depending on the nature of the benefits envisaged:

- under defined contribution plans, the employer makes fixed contributions and has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits;
- defined benefit plans are all post-employment benefit plans other than defined contribution plans.

Pursuant to Law 296 dated 27 December 2006 (2007 Finance Law):

- the employee termination indemnities earned from 1 January 2007 are deemed to be a defined contributions plan for which no actuarial calculations are required;
- the employee termination indemnities already earned up to the date indicated above, on the other hand, continue to be treated as a defined benefits plan, even though such benefits have already been fully earned. As a consequence, the actuarial value of the liability must be restated at every accounting date subsequent to 31 December 2006.

Other long-term benefits comprise employee benefits that are not due entirely within twelve months of the end of the year in which employees accumulated their right to them.

Recognition and measurement

The value of a defined-benefit obligation is represented by the present value of the future payments necessary to settle the obligations deriving from work performed by employees in the current and prior years.

This present value is determined using the "Projected Unit Credit Method".

The employee benefits included as other long-term benefits, such as long-service bonuses that are paid on reaching a pre-determined level of seniority, are recorded for an amount determined at the reporting date using the "Projected Unit Credit Method".

Employee termination indemnities are recorded as a separate liability, while the other post-employment benefits and long-term

benefits are recorded among the "Provisions for risks and charges".

Recognition of components affecting the income statement

Service costs are recorded as staff costs, together with the related accrued interest.

Actuarial gains and losses (remeasurements) relating to post-employment, defined benefit plans are recorded in shareholders' equity in the year they are identified. These actuarial gains and losses are reported in the "Consolidated statement of other comprehensive income", as required by IAS 1.

The actuarial gains and losses (remeasurements) relating to other long-term benefits are recognised in full as part of staff costs in the year in which they arise. On this last point, in 2012 the BPER Banca Group aligned itself to the guidance given by the National Institute of Actuaries in Circular 35 dated 21 December 2012, valid with effect from the measurements carried out at 31 December 2012. This document confirmed the guidelines already issued with the previous Circular dated 22 May 2012, in which it was expected that the component represented by interest cost should be calculated using the rate of the curve corresponding to the duration of the liability, instead of the 1-year rate of the same curve used up to 31 December 2011.

19. Share-based payment plans

In general, share-based payments to employees (or other equivalent parties) represent consideration for services received.

In 2019, the BPER Banca Group approved its first share-based payment plan. This plan envisages granting without charge a certain number of ordinary shares in the Parent Company to beneficiaries who are considered Material Risk Takers at Group level, without any increase in capital and therefore by using outstanding shares temporarily purchased by the Parent Company for this purpose (by contrast, no stock option plans have been activated at Group level).

In accordance with IFRS 2 - Share-based payments, the cost of employee compensation plans based on own equity instruments is recognised in the income statement with reference to their fair value on the grant date spreading the related charge over the vesting period.

Since it is difficult to measure reliably the fair value of the services received in exchange for the equity instruments, reference is made to the fair value of the latter, determined on the grant date. Based on the instructions contained in IFRS 2, this date corresponds to the moment in which the parties to the agreement become aware of its existence.

The charges relating to share-based compensation plans are recognised on an accruals basis as a cost in income statement caption 190. a) "Administrative expenses: staff costs", with a matching entry to equity caption 150. "Reserves".

Long-Term Incentive Plan – LTI of BPER Banca Group

The 2019-2021 LTI Plan approved at the Ordinary Shareholders' Meeting held on 17 April 2019 is a share-based incentive plan for the key personnel of the Parent Company and other Group companies.

This Plan is designed to award beneficiaries an incentive that will be paid exclusively in BPER ordinary shares, in compliance with the relevant regulations and consistent with the 2019-2021 Business Plan.

In the context of the compensation policies adopted by the Group for 2019, the Plan was approved with the following objectives:

- align management's interests with the creation of long-term shareholder value;
- motivate management to achieve the objectives of the Business Plan 2019-2021, within a framework of healthy, prudent risk management and ESG sustainability;
- strengthen key persons' sense of belonging in order to implement the Group's medium-long term strategy.

Implementation of the Plan is subject to achieving predetermined access conditions that guarantee not only profitability, but also the Group's capital stability and liquidity.

The bonus recognised at the end of the performance period - the size of which also depends on the achievement of specific objectives in terms of results, stock performance and sustainability - is paid by means of a free allocation of BPER Banca ordinary shares, subject to deferral and retention clauses.

Between 55% and 60% of the bonus is deferred, depending on the amount awarded at the end of the three-year period 2019-2021 (whether or not less than the "particularly high variable amount" defined in the remuneration policies for 2021). Deferral lasts for five years (2022-2026), during which the deferred portion is allocated in five annual instalments of the same amount, subject to verification of the malus conditions. Each portion that is allocated, whether up-front or deferred, is then subjected to a retention period of one year. Including the retention period, the Plan will end in 2027.

The LTI Plan of the BPER Banca Group is an operation with payment settled using equity instruments and, therefore, is governed by IFRS 2.

The overall cost of the plan is equal to the sum of the cost of each tranche, calculated with reference to the fair value of BPER Banca shares at the grant date (considering in each case the period until the expected vesting date), multiplied by the number of shares that may vest in relation to the performance condition, the probability of satisfying the service condition and achievement of the entry gate condition.

This cost is allocated over the vesting period of 8 years, starting from the date on which the parties become aware of its existence or, in the specific case of the BPER Banca plan, the date on which the individual plan beneficiaries were informed about their

participation. The cost of the services (work) provided by the employees/recipients only includes the costs associated with the LTI Plan from that date. The costs recognised are matched by a specific equity reserve.

20. Targeted Longer-Term Refinancing Operation – TLTRO-III

Generally speaking, Targeted Longer-Term Refinancing Operations (TLTRO) have since their introduction offered banks in the Eurozone loans with multi-year maturities designed to improve the functioning of the monetary policy transmission mechanism, supporting the provision of bank credit to the real economy.

In March 2019 the Governing Council of the ECB announced a third series of Targeted Longer-Term Refinancing Operations (TLTRO-III) to be carried out on a quarterly basis from September 2019 to December 2021 (with the ECB's decision of 10 December 2020, three new operations were scheduled between June and December 2021).

During the course of 2020, starting from March, the Governing Council of the ECB, faced by the Covid-19 emergency, introduced more favourable conditions for the operations in question, which were first expected to be applied from 24 June 2020 to 23 June 2021 and then extended from December 2020 until June 2022.

Each of these operations has a duration of three years; counterparties whose net eligible loans, between 1 March 2020 and 31 March 2021, are at least equal to their benchmark net lending levels is granted a reduction in the rate to the same level as that on deposits with the central bank during the respective operation, except for the period between 24 June 2020 and 23 June 2021 when a reduction of 50 bps is applied as compared to the rate on deposits with the central bank. With the ECB's decision of December 2020, this reduction was also extended to the period between 24 June 2021 and 23 June 2022 for counterparties whose net eligible loans between 1 October 2020 and 31 December 2021 are at least equal to their benchmark net lending. Lastly, on 27 October 2022, the Governing Council of the ECB decided to adopt monetary policy measures aimed at quickly returning inflation to the ECB's 2% medium-term target. As part of said set of measures, the Governing Council established that, effective from 23 November 2022 and until the maturity date or the date of early reimbursement of each transaction in place, the interest rate applied to each transaction in place is indexed to the average reference interest rates of the ECB applicable to said period.

The characteristics of the TLTRO-III operations are such that it is impossible to equate them easily to cases specifically dealt with in IAS/IFRS; to identify the accounting treatment of the following situations in particular:

- change in the estimates of achievement of the objectives;
- recording of economic effects, "special interests" in particular,
- management of early repayments,

it is thought that reference can be made by analogy to "IAS 20 - Accounting for government grants and disclosure of public assistance" or to "IFRS 9 - Financial instruments".

The choice made by the BPER Banca Group in accounting for such transactions is to refer to IFRS 9, given that the funding to which banks have access through the ECB's TLTRO is at market conditions. In our opinion, in fact, the ECB rates can be considered as "market rates" since it is the ECB itself that establishes the level, keeping this level in line with the lending objectives to be achieved (monetary policy operations). The ECB also has the power to change the TLTRO III interest rate at any time. This right of modification by the ECB has to be traced back to what is indicated in para. B5.4.5 of IFRS 9 (floating rate loans), resulting in a change in the Internal Rate of Return (IRR) of the loan to reflect changes in the benchmark rate. On the other hand, the situation is different where the lending rate gets changed because of a modification of the forecasts of whether the benchmark will be reached in terms of net lending; in this situation, with the same IRR, a modification in the future flows can only lead to a change of the loan at amortised cost⁷⁴.

21. Purchase of tax credits originated from benefits mentioned in the "Cura Italia" and "Rilancio" Decree Laws (the so-called "Ecobonus" and "Sismabonus")

In order to counter the negative economic effects of the spread of the Covid-19 pandemic, by Law no. 77 of 17 July 2020 converting, with amendments, Decree-Law no. 34 of 19 May 2020 (the so-called "Relaunch" Decree) containing urgent measures in the field of health, support for work and the economy, as well as social policies related to the Covid-19 emergency, Parliament issued a series of measures which, among other things, make it possible under certain conditions to benefit from a deduction of the expenses incurred for specific interventions (e.g. interventions to increase the level of energy efficiency of existing buildings or reduce their seismic risk can attract a deduction of 110% of the costs incurred).

The law also introduces the possibility for taxpayers to opt, instead of using the deduction directly, for an advance contribution in the form of a discount from the suppliers of goods or services (so-called "invoice discount") or, alternatively, for the assignment of the credit corresponding to the deduction due to other parties, including credit institutions and other financial intermediaries; as part of its commercial policies, the BPER Banca Group has decided to offer itself as the assignee of tax credits to its customers.

⁷⁴ This accounting choice is consistent with the Public Statement issued by ESMA on 6 January 2021 dedicated to "[...] the third series of the ECB's Targeted Longer-Term Refinancing Operations (TLTRO III)"

The transferee bank may in turn use these credits to offset tax payments through the F24 form. The tax credit can be used with the same breakdown into annual instalments with which the deduction would have been used by the seller (for example in five annual instalments of the same amount). The portion of the tax credit not used during the year cannot be used in subsequent years and cannot be requested as a refund.

As regards the responsibilities as to the existence of the credit, the law provides that:

- a) suppliers and buyers of credits are liable only for any use of the tax credit that is irregular or for a larger amount than the tax credit received;
- b) if the Revenue Agency finds out that one does not have all or some of the requisites that give the right to a tax deduction, it will recover the amount of the deduction not due from those to whom the bonus was granted (i.e. the seller).

With reference to the accounting treatment to be adopted in the financial statements of the buying bank, since the case in question is not subject to clear instructions in the IAS/IFRS, in application of the provisions of IAS 8, paras. 10 and 11, various possible scenarios were assessed concerning the applicability of the following international accounting standards by analogy:

- a) IAS 20 "Accounting for government grants and disclosure of government assistance";
- b) IAS 12 "Income Taxes";
- c) IAS 38 "Intangible Assets";
- d) IFRS 9 "Financial Instruments".

The choice made by the BPER Banca Group is to refer by analogy to the indications of IFRS 9⁷⁵, considering that these tax credits are in essence financial assets, as they can be:

- used to pay off a debt (e.g. a tax debt);
- classified in an HTC business model, or with a hold-to-maturity strategy, even if considered as Other assets.

Furthermore, the tax credits are bought by the bank at a price that discounts both the time value of money and the ability to use them within a certain time limit. So at the time of initial recognition the tax credit is recognised at the price of the individual transaction - equating it to the fair value of a Level 3 instrument, as there are no official markets or comparable transactions - and thereby satisfy the condition set by IFRS 9 according to which financial assets and liabilities are to be initially recognised at fair value.

Subsequent valuation (or remeasurement) of this asset, again in line with IFRS 9, is envisaged at amortised cost, considering: i) the time value of money; ii) the use of a correct effective interest rate; and iii) the uses made of the tax credit through offsets. The effective interest rate is originally set so that the discounted cash flows of the estimated future offsets over the expected duration of the tax credit equal the purchase price of the tax credits.

In addition, if the Bank were to revise its estimates of the use of the tax credit through offsets, it would have to adjust the gross carrying amount of the tax credit to reflect the estimated, actual and restated uses of the tax credit through offsets. In such situations, the Bank would recalculate the gross carrying amount of the tax credit as the present value of the new estimated uses of the tax credit through offsets discounted back to the original effective interest rate. In this restatement, taking into account that there is no chance of reimbursement by the counterparty (i.e. the Treasury), an impairment loss due to any failure to use the tax credits bought would be included.

Moreover, as part of the remeasurement at amortised cost, not finding a counterparty credit risk as realising the instrument takes place exclusively through offsetting against tax liabilities and not by receiving money from the counterparty, the IFRS 9 rules on Expected Credit Losses are not applicable.

The treatment described is consistent with paragraph B5.4.6 of IFRS 9⁷⁶, which requires the entity to review its cash flow estimates periodically and adjust the gross carrying amount of the financial asset to reflect the actual and restated cash flows. This accounting treatment also makes it possible to allocate income (in the form of interest income) on an accrual basis during the life of the tax credit, as well as to recognise any losses from the transaction immediately.

22. Macro Fair Value Hedge on Demand (PAV) items

As of 2022, within the BPER Banca Group, the macro fair value hedge regime is applied to hedge the interest rate risk inherent in formally on-demand funding items, limited to the portion of such items with "inelastic core" funding characteristics, i.e. those that are substantially characterised by a tendentially fixed cost and a stable duration over time, according to the results of the behavioural model adopted by the Group.

⁷⁵ The approach adopted is consistent with what is indicated in the Bank of Italy/Consob/Ivass Document no. 9 - Coordination table between the Bank of Italy, Consob and Ivass on the application of IAS/IFRS.

⁷⁶ If the entity revises its payment or collection estimates (excluding modifications in accordance with paragraph 5.4.3 and changes in ECL estimates), the entity has to adjust the gross carrying amount of the financial asset or the amortised cost of the financial liability (or group of financial instruments) to reflect the actual and restated estimated contractual cash flows. The entity recalculates the gross carrying amount of the financial asset or the amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate (or at the adjusted effective interest rate for the credit for non-performing financial assets purchased or originated) or, where applicable, at the revised effective interest rate calculated in accordance with paragraph 6.5.10. The adjustment is recognised as income or expense in profit or loss for the year.

"Inelastic core" funding is therefore assimilated to a portfolio of fixed-rate deposit liabilities, each with a rate of return equal to the fixed market rate relative to its maturity. More specifically, the elaborated model is constructed as a series of monthly fixed-rate deposits with different maturities and periodic interest payments. Liabilities identified as fixed-rate by the behavioural model are therefore considered hedged items and are subject to macro fair value hedges for accounting purposes.

Any change in the amounts identified by the behavioural model with these characteristics, resulting from the periodic updating of the estimates themselves (either in relation to the parameters used by the behavioural model, or in relation to the decrease in the amount of funding), does not give rise to ineffectiveness in the relationship until the amount of funding included in the bucket reaches the minimum level hedged (a decrease exceeding the amount of unhedged funding). In such a case, the withdrawal of part of the hedge constitutes voluntary discontinuing.

23. Method for determining the extent of impairment⁷⁷

A. Financial assets

Impairment models

The calculation of adjustments of financial assets according to the Expected Credit Losses (ECL model envisaged by IFRS 9 is the result of a complex process of estimates that includes numerous subjective variables regarding the criteria used to identify a significant increase in credit risk, for the purpose of allocating financial assets to the stages provided for in the Standard; it also involves defining models for measuring expected losses, with the use of assumptions and parameters, which take into account current and future (or "forward-looking") macroeconomic information including, for non-performing exposures, possible sale scenarios where the Bank's strategy envisages recovery of the loans by selling them.

In accordance with the instructions contained in the standard, the impairment model adopted by the BPER Banca Group is based on the concept of "forward-looking" evaluation, i.e. on the concept of expected loss, whether calculated for the next 12 months (Stage 1) or for the residual life of the instrument (Stage 2 and Stage 3), based on the concept of a Significant Increase in Credit Risk (SICR) with respect to the date of origin of the instrument. According to the Expected Credit Loss model, the losses must be recorded not only on the basis of objective evidence of impairment losses already manifest as of the reporting date, but also on the basis of the expectation of future losses in value not yet manifest as of the reporting date, and must reflect:

- the probability of occurrence of the various system scenarios;
- the discounting effect using the effective interest rate;
- historical experiences and current and future assessments.

To this end, the BPER Banca Group has adopted a model for calculating the expected lifetime loss of the financial instrument, applied to instruments classified in Stage 2, which takes into consideration the following multi-period parameters:

$$LtEL_t = \sum_{t=1}^T PDF_t \times LGD_t \times EaD_t \times D_t$$

where:

- PDF_t is the Probability of Default between 1 and t ,
- LGD_t is the Loss Given Default at a forward default event between 1 and t ,
- EaD_t is the Exposure at Default at time t ,
- D_t is the discounting factor for the expected loss at time t , up to the current reporting date, determined using the effective interest rate,
- T is the contract maturity date.

The calculation parameters contained in the Lifetime Expected Loss formula, as they are multi-period, they evolve over time, or in the time frame coinciding with the expected life of the exposure that must be evaluated. In particular, the criteria adopted by the BPER Group envisage that:

- the EaD evolves in accordance with the amortisation plans, if they exist, and with the contractual repayment plans in general, possibly amended by "behavioural" hypotheses (e.g. loans with pre-payment options);
- the PD and LGD parameters evolve as a result of the changes in the credit quality observed over time and represented by the transition or migration matrices (e.g. migrations between rating classes or for situations such as Danger Rate).

The calculation of the expected 12-month loss (applied to instruments classified in Stage 1) can therefore be considered as the sum of expected multi-period losses for the first prospective year, or less if the deadline is within 12 months, of the Lifetime

⁷⁷ As required by document No. 2 issued with joint signature by the Bank of Italy, CONSOB and ISVAP (now IVASS) on 6 February 2009.

Expected Loss:

$$EL = EaD \times LGD \times PD \times D$$

where:

- EaD is Exposure at Default,
- LGD is the Loss Given Default,
- PD is the 12-month Probability of Default,
- D is the discounting factor for the expected loss, discounted for 12 months from the first period subsequent to the reporting date.

Lastly, for loans already classified in Stage 3 whose amount is lower than the threshold set in the Group's internal regulations for analytical assessment, a statistical write-down is applied using the following formula:

$$LtEL_t = EaD \times LGD$$

where:

- EaD is Exposure at Default,
- LGD is the loss resulting from a default event, which can differ according to the administrative status at the calculation date.

For the purposes of a homogeneous application of the impairment model described to the financial asset portfolios of the BPER Group, the same methods of calculating the value adjustments described above are applied, in addition to the on- and off-balance sheet scope of the loans, also to the portfolio of debt securities. With regard to the latter portfolio, it should be noted that, where the risk information deriving from internal models (PD and LGD) is missing, external information from qualified info providers was used.

The Expected Credit Loss (ECL) model adopted by the BPER Banca Group is based on the use of risk parameters estimated for regulatory purposes (disclosure of which is given in the relevant internal regulations and in Part E of the Explanatory Notes, to which reference should be made), appropriately amended to guarantee full consistency with the requirements of IFRS 9. The main changes concerned the following aspects:

- introduction of "point-in-time" elements in the regulatory parameters estimated according to "through-the-cycle" logic;
- implementation of components based on forecast information (scenario analysis);
- extension of the time horizon (multi-year) of the credit risk parameters.

Estimate of the PD parameter

The introduction of a Lifetime Expected Loss model implies the need to estimate the probability of default not only in the twelve months following the reporting date, but also in subsequent years.

For this purpose, multi-year PD dynamics accumulated by rating class based on the product among the matrices of Point-In-Time (PIT) migrations conditioned to the expected economic cycle were defined for each model of the internal rating system.

More specifically, the cumulative PD curves are determined, for the first three years from the reporting date, by multiplying future PIT matrices derived from the conditioning of PIT matrices, according to the application of satellite models, to different weighted macro-economic scenarios with the relative probabilities of occurrence. From the fourth year onwards, long-term matrices Through-The-Cycle (TTC) are used, obtained as the average of historical PIT migration matrices.

The ordinary "satellite models", used to link risk parameters to the evolution of macroeconomic variables, have been supplemented by some prudential elements in the estimates which, if activated, generate more conservative default rate forecasts. These include:

- "trend" adjustment, which is an econometric mechanism to reduce the sharp decline in default rates in recent years so that the long-term component of the time series is given more weight in forecasts;
- sectoral adjustments, which aim to quantify an adjustment for the economic activities most affected by the pandemic containment measures, so as to incorporate a more conservative profile in the default rate projections. More specifically, the reasoning behind the definition of this adjustment is to estimate, for all those sectors identified as vulnerable (tourism, hotels, etc.), the amount of default flows during 2020 through an econometric model and compare this estimated value with the observed one.

The introduction of these prudential elements is, moreover, optional, as a operational management choice made by the BPER Banca Group depending on the observed evolution of the macroeconomic context and the consequent perceived risk of the loan portfolio.

Estimate of the LGD parameter

The need to implement a long-term approach, also through the inclusion of "forward looking" factors has involved the removal of the corrective components required for regulatory purposes ("downturn", indirect costs and margins of conservatism) and conditioning to the expected economic cycle to obtain point-in-time and forward-looking parameters by using satellite models.

status and the loss given default of bad loans.

EAD Estimate

The concept of exposure (EAD) considered in the various future payment moments foreseen in the amortisation plan is based on the residual debt, increased by any unpaid or overdue instalments.

With reference to off-balance sheet exposures (guarantees and margins), EAD is determined by applying a credit conversion factor (CCF) to the nominal value of the exposure.

As required by IFRS 9, the BPER Banca Group's impairment model is reflected in the risk parameters used to calculate the ECL (and the stage assignment explained below):

- current conditions in the economic cycle (Point-in-Time risk measures);
- forward-looking information about risks, considering the dynamics of the (external) macroeconomic factors that affect the lifetime expected loss;
- the probability that three possible scenarios might occur (Probability weighted).

Therefore, all the risk parameters (with the exception of Exposure at Default, for which no significant relationship with macro-economic variables has been found) are conditioned by macro economic scenarios.

With reference to the multiple prospective scenarios similar to those used to estimate the ECL, the BPER Banca Group has decided to use the same scenarios used by the Bank's main processes such as Planning and Budget, Risk Appetite Framework (RAF) and Lending Policies, limiting the forward-looking time horizon to a maximum of 3 years following the date of each assessment.

In the context of the performing loan portfolio and the related impairment model adopted by the Group, the risk parameters for certain technical forms, including finance leases, factoring loans and consumer credit, are determined differently.

As described in the ITG "Inclusion of cash flows expected from the sale on default of loans" from the staff of the IFRS Foundation and in the "Guidelines for banks on non-performing loans (NPL)" published by the ECB in March 2017 to encourage their proactive management, the BPER Banca Group has included forward-looking factors in the assessment of non-performing loans (classified in particular as bad and UTP loans) by forecasting recoveries on a multi-scenario basis. More specifically, in line with the current processes of recovery of non-performing assets, which envisage their realisation also through sale on the market, the impairment model has integrated a sale scenario (so-called "Disposal Scenario"), in line with what is defined in the Group's NPE Strategy plans for the management and reduction of the non-performing portfolio, as a possible method of recovering exposures, as an alternative to internal recovery ("Workout Scenario").

When envisaged and possible, loans classified in Stage 3 are therefore measured by weighting their estimated realisable value determined under the two possible scenarios ("workout" and "disposal") by applying a probability of occurrence to each. To this end, the BPER Banca Group has adopted a model for calculating the multi-scenario net value of impaired financial assets, which considers the following parameters:

$$NBV_Multiscenario = FMV \times \text{Disposal Scenario \%} + NBV_Workout \times (1 - \text{Disposal Scenario \%})$$

where:

- FMV is the best estimate of the "disposal" price;
- NBV_Workout is the net book value of the loan according to internal management logic ("workout");
- Disposal Scenario% is the probability of occurrence of the disposal scenario;
- (1 – Disposal Scenario %) is the probability of occurrence of the workout scenario.

This methodology for measuring Stage 3 exposures provides the best representation of possible recoveries from, on the one hand, the application of routine internal procedures and, on the other, market disposals in implementation of the specific strategies (NPE Strategy) and targets that the Group has committed to achieving in communications with the financial community.

The measurement process therefore retains unchanged the methodology for identifying recoverable value under the workout scenario, but is supplemented by an assessment based on market parameters under the disposal scenario. The two measurement processes are carried out in parallel and their results are summarised by determining a weighted average based on the relative probabilities of occurrence.

The resulting impairment model requires the parameters used for both scenarios to be updated constantly. Specifically with regard to the workout scenario, the internal assessment of the recoverability of the exposure is revised constantly, based on the strategies/rescheduling/recovery actions implemented in application of a methodology that is both customised and "expert"; with reference to the disposal scenario, the FMV is updated regularly (every quarter) with reference to the information available about disposal conditions until the selling prices are matched by a "welcome" binding offer from a potential purchaser (probability of disposal close to 100%). The best estimate of the disposal price of the individual positions is determined by considering, where available, the potential market value of the portfolio concerned and, where unavailable, the likely disposal value of each position under a mark-to-model approach.

The probability of disposal is determined by taking into account the expected timing of the disposal, the type of transaction contemplated and the (homogeneous) characteristics of the exposures identified for disposal.

The probabilities associated with the workout and disposal scenarios for each position are not fixed over time, but in turn are subject to amendments and changes due, principally, to conditions in the NPE market and cumulative achievement of the

subject to amendments and changes due, principally, to conditions in the NPE market and cumulative achievement of the objectives established in the current Group NPE Strategy. Dynamic management of the Group's non-performing portfolio in fact requires the addition of new positions and the exclusion of others initially identified for disposal, depending on the interest of operators in the NPE market and the internal assessments carried out by Group management; these circumstances must be recognised as entirely physiological and unavoidable in such a dynamic context, with accounting consequences in terms of loan impairment losses and write-backs.

Notably, during the time dedicated to the selection of disposal opportunities and completion of the operation, the positions concerned are still managed in accordance with the normal workout procedures that, understandably, often result in resolution of the problem before the positions are actually sold. It follows that the ideal disposal perimeter identified originally must be updated constantly, in terms of quality, quantity and provisions, to keep it aligned with the objectives established in the NPE Strategy.

Criteria for the classification of financial instruments in Stages

The Stage Assignment Framework adopted by the BPER Banca Group establishes the requirements for classifying financial instruments with reference to the actual "deterioration" of credit risk, consistent with the requirements of IFRS 9, applying an approach that is consistent among the various portfolios and within the Banking Group. This classification in stages of increasing risk is determined using all the significant information contained in Group processes, as supported where applicable by updates and the credit monitoring processes.

Specifically, financial assets are classified into three stages of risk, each of which applies a different method to calculate the related impairment adjustments, while consistently applying the "Expected Loss" or "Expected Credit Losses" (ECL) concept:

- Stage 1: includes all performing loans (originated or acquired) for which there is no "significant increase in credit risk" (SICR) since initial recognition; impairments are equal to the expected losses that could occur if a default occurs in the next 12 months (12-month ECL);
- Stage 2: comprises all performing loans with a "SICR" since initial recognition; the impairment adjustments reflect the expected losses that might arise on default at any time in the life of the financial instrument (lifetime ECL);
- Stage 3: comprises all accounts in default at the reporting date, the impairment adjustments for which consider the lifetime ECL.

In particular, regarding the classification of loans in Stage 2, it is essential to identify correctly the SICR criteria used in the stage assignment process. For this purpose, the BPER Banca Group has structured a framework designed to identify the increase in credit risk before the credit lines granted show clear signs of impending default.

While the distinction between performing and non-performing is made at counterparty level, classification into stages of risk is carried out at account level. In order to distinguish loans within the performing portfolio that do not show SICR (Stage 1) from those that do (Stage 2), the BPER Banca Group has decided to use all the following available significant factors as criteria for the analysis of credit quality:

- relative quantitative criteria, reflected in the internal thresholds of change between the PD identified on originating the contractual relationship and the PD at the measurement date, that identify a significant increase in credit risk if exceeded. In this context, a framework is in use to identify the changes in PD and related thresholds, which makes reference to the Lifetime PD curves, containing forward-looking information. The SICR thresholds, with the quantitative criterion being triggered if breached, are differentiated by counterparty risk segment, residual maturity cluster of the financial instrument and source rating class.

The table below offers a summary view of the granularity of definition of the relevant "lifetime PD delta" thresholds for SICR, i.e. the internal thresholds of change between the PD identified on originating the contractual relationship and the PD at the measurement date and used by the Group:

Rating class at origination	Risk segment	Residual maturity cluster
From 1 to 9 years	Large Corporate	<= 1 year > 1 year
From 1 to 13 years	Holdings & Financial companies SMEs Corporate Real estate SMEs	<= 1 year > 1 year
	PMI Retail	<= 1 year > 1 year
	Sole Proprietorships and Small Business	<= 1 year <= 3 years > 3 years
	Consumer customers	<= 1 year <= 3 years > 3 years

- absolute qualitative criteria that, via the identification of a risk threshold, identify the transactions to be classified in Stage 2 based on the specific risk information available. This category includes the adverse events impacting credit risk that are identified by the Early Warning credit performance monitoring system ("watchlist"). In order to avoid overlapping, some qualitative counterparty information has not been included among the staging criteria, as it is already considered in the rating models;
- backstop indicators, including:
 - the presence of exposures with a significant past due balance for more than 30 days;
 - the presence of a regulatory probation period of 24 months for forbearance measures;
 - the absence of a rating or the presence of a default status at the credit origination date.

To date, the BPER Banca Group has not envisaged the possibility for a manual override of the classification resulting from application of the staging rules (except as indicated in the paragraph dedicated to the Overlay Approach in response to the situation caused by the Covid-19 pandemic and similar strategies adopted for better addressing the uncertainty surrounding the Russia-Ukraine conflict).

For a homogeneous application of the impairment model between portfolios of the BPER Banca Group, the classification criteria in stages for the portfolio of debt securities were taken, where possible, from the staging logic applied to the loan portfolio. Specifically, the BPER Banca Group has defined a staging model for debt securities based on the following criteria:

- management of an "inventory" of debit securities for staging purposes, applying the FIFO method to relieve sold tranches from the portfolio;
- model for identifying significant increases in credit risk, in order to classify debt securities in Stage 1 or Stage 2, based on the following criteria:
 - primary use of the internal rating model and, if unavailable, reference to an external rating agency;
 - determination of the rating downgrade threshold based on a comparison of rating classes at origination with rating classes at the measurement date (notching between rating classes);
- classification in Stage 3 of all debt securities in default at the reporting date, applying the definition of default contained in the ISDA document entitled "Credit Derivatives Definition" of 2003.

The standard also envisages the possible use of a practical expedient, intended to reduce the implementation burden for transactions that, at the measurement date, have a *low credit risk* and can be classified in Stage 1 without first carrying out the SICR test. The standard considers an asset to have a low credit risk if the debtor is well able to meet the short-term cash flow requirements deriving from its contractual obligations and adverse changes in the long-term economic situation might reduce that ability, but not necessarily.

The BPER Banca Group has decided not to adopt this practical expedient.

Should the conditions giving rise to the SICR cease to apply at a subsequent measurement date, the financial instrument is once again measured with reference to the 12-month ECL, which might result in a write-back to the income statement.

It should be noted, however, that in the event of reclassification of a loan from non-performing (Stage 3) to performing, the BPER Banca Group does not deem necessary a forced classification in Stage 2 with the application of a Lifetime ECL, since no probation period has been set for the return from Stage 3 to Stage 1. In this case, the stage assignment approach mentioned previously will be valid. In line with this approach and with the regulatory requirements, also in the event of a return from Stage 2 to Stage 1, probation periods are not envisaged as the combination of the various SICR rules implemented already permits an adequate level of prudence in the case of a return to Stage 1.

The only exception to this concerns the application of the regulations on "forborne exposures", for which the Group expects that the official rating valid on the day the forborne attribute is activated may not be changed before twelve months have elapsed.

B. Purchased or Originated Credit Impaired (POCI) financial assets

If a credit exposure (including those acquired through business combinations) classified at the time of initial recognition in the balance sheet caption 30 "*Financial assets measured at fair value through other comprehensive income*" or in caption 40 "*Financial assets measured at amortised cost*" becomes impaired, it is identified as "Purchased or Originated Credit Impaired - POCI".

By convention, POCI financial assets are classified in Stage 3 on initial recognition.

Should these assets become performing, following an improvement in the creditworthiness of the counterparty, they are reclassified to Stage 2.

They can never be classified in Stage 1, as the expected credit loss must always be calculated over the residual duration.

In addition to what was said above, the BPER Banca Group identifies as POCI financial assets any credit exposures originating from the restructuring of impaired exposures that resulted in the granting of significant new funds, either in absolute terms or in proportion to the amount of the original exposure.

C. Intangible assets with an indefinite useful life

As regards testing goodwill for impairment, when preparing the financial report, the Group carries out specific impairment tests on an annual basis as required by the accounting standards, normally at 31 December of each year, unless there have been

changes or there are completely new situations that are likely to have had a material impact on the carrying amounts of assets and on the assumptions used the previous time the assets were measured (particularly the assumptions used to calculate the discount rate (*Ke*) and profit forecast (budget and business plans) of the Companies or CGUs whose goodwill is to be tested, i.e. subsidiaries and associates).

Para. 9 of IAS 36 requires an assessment to be made on each accounting reference date about whether or not an asset may be impaired; in addition, paras. 12 to 14 of IAS 36 describe certain situations that might be evidence of impairment.

In the case of goodwill, the cash generating unit (CGU) to which it has been allocated is tested for impairment. Any reduction in the value of goodwill is based on the difference between the recoverable amount of the CGU and its carrying amount if the latter is higher, up to the amount of goodwill on the books. The recoverable amount is the higher of the cash-generating unit's fair value, net of any selling costs, or its related value in use. The difference between the book value and the value in use is recognised in the income statement as *"Net adjustments to intangible assets"*.

D. Equity investments

The Bank's equity investments are also subjected to impairment testing. In particular, the impairment test is carried out on an annual basis as required by the accounting standards, normally as at 31 December each year, unless there are changes or situations of discontinuity of particular importance with respect to the values and assumptions taken as a point of reference in the previous test; if specific impairment triggers are identified, the recoverable amount shall be determined, represented by the higher of the asset's fair value less costs of disposal and its value in use. These valuations are conducted in accordance with best market valuation practices (such as mainly income/financial valuation methods and, only residually, equity methods).

E. Property, plant, equipment and intangible assets with a finite useful life

Property, plant, equipment and intangible assets with a finite useful life, with the exception of properties held for investment purposes, are subjected to impairment testing if there is evidence that their carrying amounts may no longer be recoverable. The recoverable amount is determined with reference to the fair value of the property, plant and equipment or intangible asset, less costs of disposal, or to its value in use if this can be determined and exceeds fair value.

With regard to property, plant and equipment consisting in Property used in operations (IAS 16), paragraph 5 of IAS 36⁷⁸ applied by the BPER Banca Group leads to the conclusion that the only difference between an asset's fair value and its fair value less costs of disposal is the direct incremental costs attributable to the disposal of the asset. Two options are therefore possible:

- If the disposal costs are negligible, the recoverable amount of the revalued asset is necessarily close to its revalued amount. In this case, after the revaluation requirements have been applied, it is unlikely that the revalued asset is impaired;
- If the disposal costs are not negligible, the fair value less costs of disposal of the revalued asset is necessarily less than its fair value. Therefore, the revalued asset will be impaired.

If there is an indication that the remaining useful life of property may need to be significantly reviewed, this may be also be relevant for the recognition of an impairment.

In relation to the methods for determining the fair value, please refer to the following Part A.4 - "Information on fair value".

As with property owned by the Bank, the right-of-use assets recognised in relation to leased buildings used in operations (IFRS 16) are also subjected to periodic impairment tests that consider their expected use (decisions to close branches and related contract amendments already carried out) and suitable market indications regarding the costs to be incurred in order to rent them out.

24. Business combinations: purchase price allocation

Introduction

The following description covers the general process required by IFRS 3 for the recognition of business combinations, being transactions or other events in which a company acquires control over one or more business activities and expects to consolidate the assets, liabilities and contingent liabilities acquired at their respective fair values, including any identifiable intangible assets not already recorded in the financial statements of the acquired business.

According to IFRS 3⁷⁹, a specific analysis to identify the characteristics of "Company's Business", has to be carried out with respect to the acquired entity, in order to identify a business combination to be accounted for according to the Acquisition Method.

The BPER Banca Group then proceeds with a qualitative analysis of the characteristics of the assets acquired in order to verify the simultaneous presence of i. Factors of production, ii. Processes, iii. Production as defined in IFRS 3, in particular with respect

⁷⁸ Pursuant to para. 5 of IAS 36, impairment tests apply to assets that are carried at revalued amount in accordance with other IFRSs, such as the revaluation model in IAS 16 (i.e. fair value at the date of the revaluation less any subsequent accumulated depreciation).

⁷⁹ The amendments made to IFRS 3 with Commission Regulation (EU) 2020/551 have i) modified para. 3 and ii) introduced paras. B7 - B12D, substantially revising the definition of "business" for the purpose of identifying transactions that can be classified as "business combinations".

to the concept of Substantive Process.

Subsequently, on the basis of the Acquisition Method and on the date of acquisition of control, the Group allocates the price of the combination (Purchase Price Allocation - PPA) by recognising the assets acquired, liabilities assumed (including contingent liabilities) and minority interests to the related fair value, in addition to identifying the implicit intangible assets previously not accounted for in the accounts of the acquiree. Any differences that emerge between the price paid for the acquisition (also measured at fair value and considering any "potential consideration") and the fair value (net of tax effect) of the assets and liabilities acquired are, if positive, recognised as goodwill in the balance sheet and, if negative, credited to the income statement as badwill (or "gain on a bargain purchase").

IFRS 3 allows for the final allocation of the cost of the business combination to be made within twelve months of the acquisition date.

Fair value of purchased assets and liabilities

When accounting for a business combination, the Bank determines the fair value of the assets, liabilities and contingent liabilities purchased. Such amount is only identified separately if, at the acquisition date, the following criteria are met:

- in the case of assets other than intangible assets, it is likely that the purchaser will obtain any future economic benefits;
- in the case of liabilities other than contingent liabilities, it is likely that their settlement will require the use of resources capable of producing economic benefits;
- in the case of an intangible asset (IAS 38) or a contingent liability (IAS 37), the related fair value can be measured in a reliable manner.

Financial assets and liabilities must be measured at their fair value on the date of the business combination, even if they are measured using other criteria in the financial statements of the acquired company. The fair value of financial instruments not listed in active markets is determined in the manner described in Part A.4 below, applying the internal measurement model that is most appropriate for the instrument concerned.

Identification of intangible assets

Depending on the characteristics of the business acquired, an analysis is performed to identify any unrecorded assets that should be recognised separately, for example customer-related intangibles or client relationship, and marketing-related intangibles (brand name).

Customer-related intangible assets: these are recognised as intangible assets when they are separable and can be measured reliably, even though they may not always derive from contractual rights such as marketing-related intangibles. This category includes:

- client lists: these comprise all the information held about clients (database containing: names, addresses, transaction history, demographic information etc.) that has a recognised market value, on condition that it can be rented or exchanged; such information cannot be treated as an intangible asset if it is considered so confidential that the combination agreement forbids its sale, rental or exchange in other forms;
- contracts with clients and the client relationships established as a consequence: contracts with clients satisfy the contractual/legal requirement for the recognition of an intangible asset, even if the combination contract forbids their sale or transfer separately from the business acquired; this category also includes long-established contacts with clients, even if there is no formal contract, and all other non-contractual relationships that can be separated and measured on their own;
- non-contractual relations with clients: this category includes all intangible assets that, being separable and transferable independently of the business acquired, may be valued individually and recognised as intangibles.

Marketing-related intangible assets: trademarks, commercial names, service brands, collective names and quality marks that derive from contractual rights or which are usually separable. Such assets reflect the collection of productive conditions that are economically correlated with the commercial name, the relationship with the market, and the reach of distribution.

An intangible asset must be measured initially at cost. If acquired as part of a business combination, its cost is its fair value at the time control is obtained.

Fair value, in this context, reflects market expectations about the likelihood that the owner will obtain the future economic benefits deriving from the asset. The entity must assess the probability of obtaining future economic benefits using reasonable and justifiable assumptions that reflect Management's best estimate of the economic conditions that will apply over the useful life of the asset.

The accounting standards do not specify the methodology to be used to measure the fair value of such assets but, among the possible alternatives, preference is given to those making reference to observable market prices. Failing this, the accounting standards allow the use of valuation models that include assumptions which are generally used and recognised by the market.

The fair value of customer-related intangible assets is determined by discounting the profit flows generated by deposits over the expected residual period of the relationships outstanding at the time of acquisition.

In general, brands are valued using market methods as well as methods based on the flows deriving from their management or a royalty recognised by the market.

Determination of Goodwill (Gain on a bargain purchase or "Badwill")

Goodwill represents the unallocated amount of purchase cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired (including those intangibles and

contingent liabilities that satisfy the requirements for recognition in the financial statements).

This represents the consideration recognised by the purchaser in exchange for the future economic benefits deriving from assets that cannot be identified individually and recognised separately. In substance, this includes the value of the expected synergies, the corporate image of the company acquired, its know how, its professionalism, its procedures and other non-specific factors. The goodwill acquired as a result of a business combination is not amortised. The BPER Banca Group verifies each year, or at the end of the period in which a business combination was carried out and whenever there is evidence of possible impairment, that the recorded value of goodwill has not been impaired (impairment test).

If the residual amount allocated to the purchase value is negative, it is recognised as a benefit in the income statement under caption 275 "Gain on a bargain purchase".

A.3 – Information on transfers of financial assets between portfolios

No financial assets were reclassified during the year.

A.4 – Information on fair value

Qualitative information

Techniques for the determination of fair value

Paragraph 9 of IFRS 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

When determining whether the fair value at initial recognition equals the transaction price, it is necessary to take into account factors specific to the transaction and to the asset and liability. It follows that, if the transaction price (consideration) differs from fair value, the difference should be recognised in the income statement.

It is also established that fair value excludes transaction costs.

In addition to the measurement of stand-alone financial instruments at fair value, the Group may also measure groups of similar assets and liabilities at fair value, where it is permitted to do so.

Measurement at fair value assumes that the transaction to sell an asset or transfer a liability takes place in a principal market, defined as the market with the greatest volume and level of trading for the asset or liability to be measured. In the absence of a principal market, reference should be made to the most advantageous market, which is the market that maximises the amount that would be received to sell an asset or minimises the amount that would be paid to transfer a liability, after taking into account transaction costs.

Identification of active markets

The process for measurement of fair value starts with determining whether there is an active market with regularly available quoted prices.

In order to consider a market as active, the Group takes account of the following factors:

- number of participants;
- frequency of price quotation or price update;
- the presence and size of a bid-ask spread;
- trading volume.

Whether a financial instrument qualifies as traded on an active market can only be determined through extensive research of all the existing markets in order to identify the principal or most advantageous market, taking into account "all information that is reasonably available" (IFRS 13 § 17). This needs to be done for each financial instrument for which the fair value has to be determined.

To determine whether, based on the information that is available, a market can be considered to be active, the Group assesses the importance and relevance of factors that include the following:

- low level of recent trading activity;
- available prices are not current;
- available prices vary significantly over time or between market-makers;

- it can be demonstrated that indices that previously had a close correlation with the fair value of an asset or a liability no longer have this correlation based on recent indications of fair value of that asset or liability;
- the presence of a significant increase in the embedded risk premiums (or default rates) of the transactions being considered or in quoted prices;
- the presence of a wide bid-ask spread or of a significant increase in it;
- a significant decline in the level of trading activity;
- a lack of publicly available information.

If compliance with the necessary requirements is verified periodically, a financial instrument can be considered to be traded on one or more active markets. Within the possible markets, a search is undertaken to identify the principal market or, in the absence of a principal market, the most advantageous market.

Fair value is determined with reference to:

- the closing bid price for assets held or liabilities to be issued;
- the closing ask price for liabilities already issued or assets to be purchased.

Closing bid and ask prices are the bid and ask prices referred to by the entity that regulates the market on which an instrument is traded.

In the absence of reference bid and ask prices, the last price set by the entity which regulates the market could be taken, provided that this price has the following features: advertising, liquidity, prompt adaptation to changing conditions and availability as envisaged by the standards.

For assets and liabilities with offsetting positions in market risks, the average of the bid and ask price can be used, provided that this is commonly used by market participants and is consistent with the objective of measuring fair value in accordance with IFRS 13.

In the case of open-ended mutual funds, the BPER Banca Group considers the Net Asset Value (NAV) as the best expression of the fair value of the instrument. No adjustments are made to the NAV to take into account the interval between the date redemption is requested and the actual redemption date (considered insignificant).

In the case of listed closed-end funds, the fair value is derived from the market quotation.

With regard to foreign shares, if these are listed on regulated stock exchanges, then they are considered to be traded in an active market. The price provided for this type of share, if the bid-ask spread is not available, is the last price. On the contrary, equity trading in OTC markets is not considered to take place in an active market.

Listed derivatives are measured using the last prices supplied by the clearing house.

Financial instruments listed on non-active markets are considered as "unlisted" instruments.

With regard to bonds not listed on regulated markets, in view of the role played by the Bank in the institutional market for financial instruments, the Bloomberg Professional system has been identified as an active market for front office operations, if the prices recorded therein have the appropriate features mentioned above.

Identification of the fair value of financial instruments not listed on active markets

If the market for a financial instrument does not meet the conditions required to qualify as an active market, the fair value of the instrument is determined through the use of valuation techniques.

Valuation techniques indicated by international accounting standards are:

- market approach: this uses prices and other relevant information generated by market transactions involving comparable assets;
- cost approach: this reflects the amount that would be required currently to replace the service capacity of an asset ("current replacement cost");
- income approach: this converts future cash flows or income and expenses to a single current amount.

For BPER Banca Group purposes, the following valuation techniques are valid:

- market approach for identical or comparable assets and liabilities;
- use of matrix pricing;
- present value techniques;
- option pricing models;
- the multi-period excess earnings method.

These techniques may be used if:

- they maximise the use of market data, while minimising the use of Group estimates and assumptions;
- they reasonably reflect how the market expects the price to be determined;
- the fair value measurement is determined on the basis of the value indicated by current market expectations and the risk and yield of the instrument being valued;
- they reflect the assumptions that market participants would use when pricing an asset or liability;

- they are consistent with commonly accepted methodologies;
- they are periodically subjected to verification and calibration to verify their capability to determine a fair value in line with actual trading prices for the instrument being valued.

In summary, the BPER Banca Group's preference is to adopt a market approach for the determination of fair value, even if an active market does not exist. Only in the event that it is not possible to apply the above valuation techniques, quantitative valuation methods may be used.

It is apparent that regulations governing valuation techniques do not authorise a neutral and objective use of quantitative methods. However, their use should be understood to be the development by the Group of an internal process that matches the fair value measurement with a price at which an instrument could be exchanged in a market transaction at current conditions.

As part of this process, it would thus appear necessary to give priority to the use of recent transaction prices (prices on non-active markets, prices provided by third-party participants), or the prices of similar instruments. In this context, quantitative methods can provide a benchmark to supplement, or correct, any differences between the instrument being valued and that observed in the market, or to reflect the impact of changes in the economic environment on market transactions.

Valuation techniques used to measure fair value are applied consistently. A change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. That might be the case if any of the following events take place:

- new markets develop;
- new information becomes available;
- information previously used is no longer available;
- valuation techniques improve;
- market conditions change.

A.4.1 Fair value Levels 2 and 3: valuation techniques and inputs used

Valuation techniques

Specific techniques are applied in relation to particular types of financial instrument, in order to correctly identify their characteristics.

Equities

For all unlisted shares, the valuation methodologies set out above apply. Failing this, they are measured at cost.

For unlisted shares, other than equity investments, the methods used the most for fair value measurement fall into the following categories:

- discounted cash flow;
- the use of multiples.

These methods require the availability of a significant amount of data to estimate future cash flows generated by a company or to identify the correct market multiples. They use uncertain estimates of various parameters (cash flows, dividends, beta, risk premium, cost of capital, asset values, etc.), the measurement of which is subjective and which do not always reflect market conditions. This leads to a valuation of a distribution of theoretical fair values. Where it is not possible to reliably determine the fair value with the above methods, securities and instruments are measured at cost.

As an alternative to the valuation techniques above, the value of the share may be based on book value, computed as the ratio between equity and the number of issued ordinary shares.

Plain vanilla debt securities

With regard to plain vanilla debt securities, the valuation technique applied is discounted cash flow analysis. There are three steps:

- mapping of cash flows: recognition of the cash flows expected from the instrument and their distribution of the duration of the contract;
- selection of the discounting curve, having regard for the risk factors affecting the cash flows;
- calculation of the present value of the instrument at the measurement date.

Having identified the cash flows, the appropriate discounting curve is calculated using the discount rate adjustment approach, which takes account of both rate risk and credit/liquidity risk. This information is used to calculate the instrument's fair value, as the sum of the present values of its cash flows.

Structured debt securities

Given the non-determinant nature of the future cash flows from structured securities, their fair value is calculated by breaking them down into a portfolio of elementary instruments using the replica portfolio technique. The fair value of the structured product is obtained by summing the individual values obtained for elementary instruments comprising the product.

The Group started issuing protection certificates in 2013. They combine two financial instruments:

- a zero coupon bond;
- an option which seeks to replicate the performance of an underlying asset and to protect, partially or completely, the amount invested.

The methods used for the calculation of fair value are similar to those described above for structured debt securities.

Closed-end funds

In order to take into account certain specific problems of unlisted closed-end real estate funds, such as the underlying's lack of liquidity, the absence of a liquid market and the specificity of the underlying, the most up-to-date NAV available may be corrected by a difference that takes account of credit risk, non-disposal risk and market risk.

Private equity funds

Closed-end private equity funds are first measured at the NAV determined from time to time by the SGR concerned. In addition, the NAV determined using the principles envisaged by the Bank of Italy for the preparation of management reports is compared periodically with the NAV determined by calculating the fair market value of the initiatives underlying⁸⁰ the fund, in order to identify any differences that might be reflected immediately in market value, but not in the NAV calculated in the normal way. Should the market value of a fund be lower than the official NAV, further analyses are required in order to correct the NAV and determine the fair value to be recognised in the financial statements.

Funds that specialise in managing NPLs

In order to take into consideration some specific problems of unlisted closed-end funds that invest in non-performing loans (NPLs), such as the fair value measurement of the underlying and the absence of a liquid market, the most up-to-date NAV available is used as input, together with the other market parameters generally used in measuring this type of asset at fair value (mainly the expected rate of return), in a model that is able to simulate the perspective of an operator in the NPL market, considering its limited liquidity.

Asset-Backed Securities (ABS)

With regard to the Asset-Backed Securities (ABS) held in the portfolio, the Group has defined specific measurement criteria that maximise the use of market information, applying the following hierarchy:

- i. "qualified" contributions (contribution approach);
- ii. method based on market information (comparable approach);
- iii. internal measurement model (waterfall).

Derivatives

The fair value of derivatives is determined using quantitative models that differ depending on the type of instrument concerned. In particular, a distinction is made between:

- Over-The-Counter (OTC) options represented by either stand-alone options or options embedded in complex financial instruments. Pricing techniques include:
 - options with pay-off that can be calculated precisely, priced using models generally accepted by the market (e.g. Black & Scholes and variants);
 - options with pay-off that cannot be calculated precisely, usually priced using "Montecarlo" simulation techniques;
- Interest Rate Swaps (IRS): the fair value of IRS is determined using net discounted cash flow analysis. In the case of a structured IRS, the instrument is decomposed into a plain component and an optional component ("building blocks"), so that their separate values can be determined and summed;
- Forward Outright contracts: the fair value measurement of FX Forward Outrights is given by the amount to be traded forward times the strike price, adjusted for the current difference between the spot exchange rate and the forward

⁸⁰ Fair market value included, for example, in the EVCA reports.

- exchange rate.
- Credit default swaps (CDS): for the fair value measurement of CDS, the Standard ISDA model (v1) developed by Markit Group Ltd. is used
- Commodity Swap: the “net discounted cash flow analysis” technique is used for fair value measurement, applied to both fixed price flows (strike) and variable price flows;
- FX Swap: the “net discounted cash flow analysis” technique is used for FX Swap measurement, applied to the spot leg and the forward leg.

Forward currency transactions

These transactions are measured with reference to the forward rates at period end for maturities corresponding to those of the contracts to be priced.

Balance sheet items measured at amortised cost

For financial instruments measured at amortised cost, the fair value is determined for the sole purpose of providing appropriate information in the financial statements.

The fair value of loans with a contractual duration of less than twelve months is estimated to be their book value; the fair value of other loans is obtained by discounting the contract cash flows, net of the expected losses determined with reference to the credit rating of the borrower, using the corresponding rate curve for their maturities.

Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA)

Current regulations state that the pricing of a derivative, in addition to being based on market factors, should also reflect the Credit risk of the counterparty determined by a Credit Valuation Adjustment (CVA) and a Debit Valuation Adjustment (DVA).

To assess the credit risk of the counterparty, the BPER Banca Group adopts the following methodology.

The term Credit Valuation Adjustment (CVA) refers to an adjustment in order to properly reflect the credit risk of the derivative counterparty made on the valuation of an OTC derivative (on positions with a positive fair value) transaction entered into by the Group with an external counterparty and may be considered to be the market value of a potential loss amount derived from changes in market prices, due to a worsening of the credit or default risk of the counterparty.

Conversely, the term Debit Valuation Adjustment (DVA) refers to an adjustment in order to properly reflect the Bank's own default risk made on the valuation of an OTC derivative (on positions with a negative fair value) entered into by the Group with an external counterparty, i.e. the market value of a potential gain derived from changes in market prices, due to a worsening of the BPER Banca Group's credit or default risk.

For the quantification of a CVA and a DVA, under certain conditions, IFRS 13 refers to a calculation that must be made by netting set or by counterparty and, thus, based on net exposure and not at individual contract level. In addition, it is necessary to consider whether any collateral has been provided or if there are any netting agreements.

BPER Banca Group currently makes use of bilateral agreements for the netting of derivative contracts, in accordance with which the reciprocal mark to market receivable and payable positions are offset automatically on a daily basis, leading to a single net balance, without any novation: this results in margin settlement being made solely by the net creditor. The foregoing has led to a considerable reduction in exposure to credit risk and, consequently, the impact of CVAs and DVAs on fair value.

In particular, for the BPER Banca Group, there are two factors that mitigate the impact of creditworthiness on fair value:

- the signing of ISDA (International Swap and Derivatives Association, the international standard of reference on OTC derivatives) agreements with major corporate counterparties and all institutional counterparties in OTC derivatives. Credit Support Annexes (CSA) were also concluded with institutional counterparties to regulate the pledging of collateral and further reduce the current exposure and resulting risk;
- the entry into force of the new platform on EMIR (European Market Infrastructure Regulation), with reference to the exclusion of derivatives stipulated on this platform/market from the scope of the CVA/DVA. On the basis of the assessments made, it is presumable that a large part of derivative transactions will be included in the new system as they are mainly composed of derivatives eligible for the purposes of the regulation.

IFRS 13 does not indicate a specific methodology for the calculation of CVAs and DVAs, but it requires the use of valuation techniques that, on the one hand, must be appropriate for the data available and, on the other hand, maximise the use of observable market data.

With reference to the above, in order to align with the best market practice, the Group decided to use the bilateral CVA approach that considers the presence of two components to the calculation, with the aim of including the potential loss/gain arising from changes in the credit risk of the counterparty/Bank, but taking into account the joint probability of default by counterparties.

Market parameters

The following types of yield curve are used:

- "par swap" curves;
- bond curves derived from baskets of bonds;
- corporate curves by issuer, rating, and sector.

The following are derived from the "par swap" curves:

- zero coupon curves;
- forward rate curves;
- discount factor curves.

The zero coupon rate curves are obtained using the bootstrapping technique. These are used to extrapolate the discount factors used to determine the present value of the cash flows generated by the financial instruments to be priced. The forward rates are implicit in the zero coupon curve are determined with reference to the non-arbitrage theory.

The issuer curves are obtained by adding to the par swap rates the spreads that reflect the credit rating of the instrument's issuer. These are used to price unlisted bonds.

The credit rating curve of the BPER Banca Group is obtained by creating a basket of issues by banking issuers that have similar characteristics and ratings. This is used to price all issued bonds.

The prices thus obtained are applied daily to organised systems of trading for the bonds issued by the Group Banks (HI-MTF) that are reflected in the fair value valuation in the financial statements.

Volatility and other parameters

Volatilities and correlations are used principally to price unlisted derivatives. The volatilities are classified as follows:

- historical volatilities, estimated as the standard deviation of a time series of daily observations of the logarithm of the yields of the underlying concerned;
- contributed volatilities, obtained from information providers;
- implicit volatilities, obtained from the market prices of listed options.

With regard to the correlations, multi-variant derivatives are priced using historical correlations.

Methods and frequency of identifying the fair value of own properties

For the purpose of determining the fair value of its properties, the BPER Banca Group uses an independent firm of expert appraisers.

The mandate given to this firm envisages the possible methods of estimating fair values, depending on the characteristics, intended use and potential of each property, with the most relevant ones including⁸⁾:

- comparative method: the value of the property derives from a comparison with current market prices for comparable properties through an adjustment process that appreciates the peculiarities of the property being valued with respect to the characteristics of the comparable properties;
- Discounted Cash Flow (DCF): the value of the property derives from discounting the cash flows expected from the lease agreements and/or from the proceeds of sales, net of costs pertaining to the property; the procedure uses an appropriate discount rate, which analytically considers the characteristic risks of the property in question;
- transformation method: transformation value means the market value of the asset in the hypothesis of its transformation according to the use envisaged by the urban planning instruments. The transformation value is obtained by determining the final market value of the property after the transformation, after deducting the costs to be incurred to carry out the transformation, taking into account the element of risk related to the uncertainty of the timing of the intervention and the future trend of the property market.

Furthermore, for properties held for investment purposes, the Group requests a "desktop" valuation every year from a firm of expert appraisers, according to which the fair value is determined on the basis of the average value of comparable properties, without requiring an on-site inspection. Only for properties (individual buildings) with a value greater than Euro 1 million or in the event of a significant difference in value compared with the previous year, the Group requests a "full" valuation from the appraisal firm, according to which the fair value is determined on the basis of all information relating to the property, also acquired through an on-site inspection.

For properties used in operations, the Group provides for an annual updating of the valuations in "desktop" mode. On the other hand, a "full" valuation is carried out only for properties that show a significant difference between their carrying amount at the

⁸⁾ The specific characteristics of some assets could require different valuation methodologies from those indicated, whose application is shared by the specialised company with the competent functions of BPER Banca, once the consistency with the need to determine a fair value has been evaluated.

measurement date and the "desktop" fair value estimate.

For the purposes of determining the fair value and useful life, the external appraiser takes into account any extraordinary maintenance costs (e.g. costs incurred for the expansion, modernisation or improvement of the structural elements of the property).

A.4.2 Measurement process and sensitivity

Financial assets and liabilities measured at fair value and classified in Level 3 of the fair value hierarchy mainly consist of:

- minority equity investments (unlisted equity instruments), often held in order to preserve local roots, or for the development of commercial relationships (measured at fair value mainly on the basis of equity methods);
- investments in Asset-Backed Securities (ABS) classified as "*Financial assets measured at fair value through profit or loss - other financial assets mandatorily measured at fair value*"⁸²;
- investments in closed-end real estate investment funds, classified as "*Financial assets measured at fair value through profit or loss - other financial assets mandatorily measured at fair value*" and acquired in exchange for real estate sales;
- investments in closed-end alternative investment funds, classified as "*Financial assets measured at fair value through profit or loss - other financial assets mandatorily measured at fair value*" and acquired in exchange for sales of UTP loan portfolios.

IFRS 13 requires that an analysis of the sensitivity of the fair value measurement to changes in unobservable inputs be provided for assets measured at fair value on a recurring basis and classified in Level 3 of the fair value hierarchy. The following analysis is provided for ABS instruments, Real Estate Funds and Non-Performing Loans Funds measured at fair value:

Financial asset/liability	Non-observable parameter	Change in parameter	Sensitivity (in thousands)	Change in parameter	Sensitivity (in thousands)
Investments in Asset Backed Securities	Credit Spread*	+50 bps	(191)	-50 bps	194
Investments in Real Estate Funds	Financial charges**	+50 bps	(633)	-50 bps	633
Investments in Non-Performing Loan Funds	Financial charges**	+50 bps	(1,286)	-50 bps	1,286

* Investments in Asset-Backed Securities: the unobservable parameter used to construct the sensitivity is the credit spread used in the construction of the rate used to discount future cash flows.

** Real Estate Funds and Non-performing Loans Funds: the unobservable parameter used to construct the sensitivity is the opportunity cost considered in the construction of the NAV adjustment component dedicated to the appreciation of the liquidity risk of the instruments.

For the other instruments held in the portfolio (derivatives and equity instruments, in particular), no quantitative sensitivity analysis of the fair value was carried out with respect to the change in unobservable inputs, as either the fair value was drawn from third-party sources without making any adjustment, or it is the result of a model whose inputs are specific to the entity being valued (for example, the company's equity figures) and for which it is not reasonably conceivable to provide alternative amounts.

A.4.3 Fair value hierarchy

The BPER Banca Group classifies its financial assets and liabilities by decreasing levels of fair value quality on the basis of the following principles:

- Fair value Level 1. Measurement is based on the price of the financial instrument concerned, being a quoted price in an active market.
- Fair value level 2. Measurement is not based on quoted prices in active markets for the financial instrument concerned, but on meaningful prices obtained from non-active markets or reliable info-providers, or on prices determined using an appropriate valuation technique largely based on observable market parameters, including credit spreads, derived from quotations of instruments that are substantially similar in terms of risk factors considered. The objective of the use of valuation techniques is to reaffirm the aim of obtaining a closing price at the valuation date from the point of view of a market participant that holds the financial instrument.

⁸² For the sake of completeness, it should be noted that the portfolio contains ABS securities measured at amortised cost as they are part of the Hold To Collect (HTC) business model and with technical-financial characteristics such as to have passed the SPPI test required by IFRS 9. The fair value is also calculated for these instruments and provided for disclosure purposes only.

- Fair value Level 3. Measurement is based on various inputs that include subjective parameters, that is, parameters whose value cannot be derived from quoted prices observable in active markets. Since the parameters are not observable directly in the market, it follows that the value is required to make estimates and assumptions.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The BPER Banca Group has defined the analyses to be carried out ⁸³in the event of:

- the analyses to be performed in the event of changes in valuation techniques used to measure fair value;
- the policy for determining when transfers between fair value hierarchy levels are deemed to have occurred and which is constantly adhered to.

As a general principle, to be allocated to Level 1 of the fair value hierarchy, if there is a quoted price in an active market for an asset or a liability, that price should be used without adjustment when measuring fair value. In fact, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

An allocation to Levels 2 and 3 depends on how the inputs used for the fair value measurement of an asset or liability are categorised within different levels of the fair value hierarchy: in those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or liability.

The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques.

A.4.4 Other information

IFRS 13 requires an entity to "disclose information that helps users of an entity's financial statements to assess the following:

- for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements;
- for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the year."

The BPER Banca Group has a procedure in place to:

- identify transfers between levels;
- analyse and document the reasons for such transfers;
- monitor and control the reliability of the fair value of financial instruments.

In particular, for assets and liabilities measured at fair value on a recurring and non-recurring basis, adequate disclosure is made of the following aspects:

- the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement;
- the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3);
- for assets and liabilities categorised within Level 2 or 3, a description of the valuation techniques and inputs used and the reasons for any changes in valuation techniques used.

The BPER Banca Group provides, for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the policy for determining when transfers between levels are deemed to have occurred, while, for those categorised on a recurring basis within Level 3 of the fair value hierarchy, a reconciliation is provided from the opening balances to the closing balances.

Information is also provided on the policy for determining when transfers between fair value hierarchy levels are deemed to have occurred.

For assets or liabilities categorised within Level 3 of the fair value hierarchy, the following disclosures are provided:

⁸³ Please refer to the set of regulations that the Group has adopted: Group Guidelines for the application of the Fair Value Option, Group Guidelines for fair value measurement of financial instruments, Group Regulation for determining the fair value of financial instruments and Group Manual of valuation techniques for financial instruments of the BPER Banca Group.

- quantitative information about the significant unobservable inputs used in the fair value measurement;
- for recurring fair value measurements, the amount of the total gains or losses for the period included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period, and the caption(s) in profit or loss in which those unrealised gains or losses are recognised;
- a description of the valuation processes used for recurring and non-recurring fair value measurements;
- a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.

For financial assets and liabilities measured at amortised cost (not thus measured at fair value, but with fair value disclosure obligations) the following information is provided:

- the fair value hierarchy level;
- a description of the valuation techniques adopted for Levels 2 and 3, as well as the inputs used;
- if there has been any change in the valuation technique, a description of the change and the reason for it.

For own financial liabilities measured at fair value with credit enhancement (e.g. inseparable guarantees), information is provided on the existence of credit enhancement and the impact thereof on the determination of the fair value of the liability. The application of the fair value option to loans and receivables and financial liabilities requires disclosure of the change in fair value attributable solely to changes in the credit risk associated with the instrument.

As mentioned, the risk factors are included in the discount curve using the discount rate adjustment approach.

This approach involves making separate and independent estimates of the various risk components (rate risk and credit risk), so that the partial fair value can be determined considering the changes in just one risk factor.

The following factors are considered in relation to credit risk:

- the risk-free market rate observed at the valuation date;
- the credit spread observed at the initial recording date or the previous valuation date;
- the credit spread observed at the valuation date.

The market fair value at the measurement date is compared with the fair value calculated using the credit risk observed at the initial recording date (or, alternatively, at the previous valuation date). This makes it possible to determine the changes in fair value due solely to changes in credit risk on a cumulative or periodic basis.

Quantitative Information

A.4.5 Fair value hierarchy

A. 4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

Assets/Liabilities measured at fair value	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	402,566	642,179	540,022	425,232	315,820	477,483
a) Financial assets held for trading	106,107	593,666	7,725	171,166	115,272	37,283
b) Financial assets designated at fair value	-	1,920	461	-	124,430	668
c) Other financial assets mandatorily measured at fair value	296,459	46,593	531,836	254,066	76,118	439,532
2. Financial assets measured at fair value through other comprehensive income	6,892,423	529,812	540,675	5,980,593	399,290	252,014
3. Hedging derivatives	-	1,808,515	-	-	178,108	-
4. Property, plant and equipment	-	-	1,825,229	-	-	1,394,001
5. Intangible assets	-	-	-	-	-	-
Total	7,294,989	2,980,506	2,905,926	6,405,825	893,218	2,123,498
1. Financial liabilities held for trading	65	459,500	12,033	153	100,217	23,587
2. Financial liabilities designated at fair value	-	879,198	-	-	-	-
3. Hedging derivatives	-	512,981	-	-	249,178	-
Total	65	1,851,679	12,033	153	349,395	23,587

Transfers of assets from Level 2 to Level 1 of the fair value hierarchy during the period amounted to Euro 40,442 thousand and those from Level 1 to Level 2 amounted to Euro 287,853 thousand.

The former were marked by an improvement in the market tradability of the instruments in terms of the volume, breadth and depth of the prices quoted and the number of contributors. The latter are due to the loss of the meaningfulness of the price quoted in the principal market and a reduction in the number of contributors below the minimum threshold.

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	477,483	37,283	668	439,532	252,014	-	1,394,001	-
2. Increases	178,605	3,964	-	174,641	312,167	-	556,203	-
2.1. Purchases	68,519	208	-	68,311	3,087	-	492,869	-
2.2. Gains recognised to:	15,354	3,717	-	11,637	61,240	-	37,178	-
2.2.1. Profit or loss	15,354	3,717	-	11,637	-	-	12,692	-
- of which capital gains	12,607	3,716	-	8,891	-	-	3,254	-
2.2.2. Shareholders' equity	-	X	X	X	61,240	-	24,486	-
2.3. Transfers from other levels	-	-	-	-	-	-	17,102	-
2.4. Other increases	94,732	39	-	94,693	247,840	-	9,054	-
3. Decreases	116,066	33,522	207	82,337	23,506	-	124,975	-
3.1. Sales	1,416	90	-	1,326	1,929	-	48,772	-
3.2. Refunds	12,498	3,750	-	8,748	3,696	-	-	-
3.3. Losses recognised to:	90,065	17,700	207	72,158	17,881	-	51,163	-
3.3.1. Profit or loss	90,065	17,700	207	72,158	15,367	-	50,128	-
- of which capital losses	59,041	17,700	207	41,134	-	-	4,957	-
3.3.2. Shareholders' equity	-	X	X	X	2,514	-	1,035	-
3.4. Transfers from other levels	-	-	-	-	-	-	325	-
3.5. Other decreases	12,087	11,982	-	105	-	-	24,715	-
4. Closing balance	540,022	7,725	461	531,836	540,675	-	1,825,229	-

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Hedging derivatives
1. Opening balance	23,587	-	-
2. Increases	4,602	-	-
2.1 Issues	144	-	-
2.2. Losses recognised to:	4,458	-	-
2.2.1. Profit or loss	4,458	-	-
- of which capital losses	4,458	-	-
2.2.2. Shareholders' equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	16,156	-	-
3.1. Refunds	3,750	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised to:	430	-	-
3.3.1. Profit or loss	430	-	-
- of which capital gains	430	-	-
3.3.2. Shareholders' equity	X	-	-
3.4. Transfers from other levels	-	-	-
3.5. Other decreases	11,976	-	-
4. Closing balance	12,033	-	-

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value levels

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2022				31.12.2021			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	115,311,297	18,413,075	378,776	96,853,102	121,294,912	19,468,214	273,710	107,006,916
2. Property, plant and equipment held for investment	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups classified as held for sale	1,192,429	-	-	1,192,429	97,730	-	-	97,730
Total	116,503,726	18,413,075	378,776	98,045,531	121,392,642	19,468,214	273,710	107,104,646
1. Financial liabilities measured at amortised cost	135,952,323	4,395,269	1,623,291	129,644,548	124,854,511	3,857,256	873,585	120,199,700
2. Liabilities associated with assets classified as held for sale	1,430,197	-	-	1,430,197	173,662	-	-	173,662
Total	137,382,520	4,395,269	1,623,291	131,074,745	125,028,173	3,857,256	873,585	120,373,362

Key: BV = Book value, L1 = Level 1, L2 = Level 2, L3 = Level 3

A.5 – Information on “day one profit/loss”

In the case of Level 3 transactions, the fair value according to the model may differ from the transaction price: in the case of a positive difference (day one profit), this is amortised over the residual life of the instrument; in case of a negative difference (day-one loss), it is charged to the income statement for prudential purposes.

There were no differences at 31 December 2022 between the value of transactions and their corresponding fair values.

Part B – Information on the consolidated balance sheet

Assets

Section 1 – Cash and cash equivalents

Caption 10

1.1 Cash and cash equivalents: breakdown

	Total 31.12.2022	Total 31.12.2021
a) Cash	824,620	706,790
b) Current accounts and on demand deposits with Central Banks	12,706,014	-
c) Current accounts and on demand deposits with banks	466,807	599,492
Total	13,997,441	1,306,282

The balance of the caption as at 31 December 2022 includes, as envisaged in the 7th update of Bank of Italy Circular 262/2005, all on demand loans to banks and central banks in the technical forms of deposits and current accounts, having the nature of cash and cash equivalents pursuant to IAS 7, despite continuing to respect the criteria for the recognition, measurement and derecognition of income statement items of the category “Assets at amortised cost”. In a context of rising interest rates, as at 31 December 2022, the Group was focussed more on “overnight” deposits at Central Banks for Euro 12.706 million.

Section 2 – Financial assets measured at fair value through profit or loss

Caption 20

2.1 Financial assets held for trading: breakdown by product

Description/Amounts	Total 31.12.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	49,365	5,205	10	86,824	8,535	8
1.1 Structured securities	22,440	1,427	-	40,698	1,561	-
1.2 Other debt securities	26,925	3,778	10	46,126	6,974	8
2. Equity instruments	56,742	2,830	23	84,163	3,634	35
3. UCITS units	-	-	-	162	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	106,107	8,035	33	171,149	12,169	43
B. Derivative instruments						
1. Financial derivatives	-	585,631	7,692	17	103,103	37,240
1.1 trading	-	585,631	7,692	17	103,103	37,240
1.2 connected with the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	-	585,631	7,692	17	103,103	37,240
Total (A+B)	106,107	593,666	7,725	171,166	115,272	37,283

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes in chapter "Techniques for the determination of fair value".

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

2.2 Financial assets held for trading: breakdown by borrowers/issuers/counterparties

Description/Amounts	Total	Total
	31.12.2022	31.12.2021
A. Cash assets		
1. Debt securities	54,580	95,367
a) Central Banks	-	-
b) Public Administrations	8,300	5,906
c) Banks	11,334	24,264
d) Other financial companies	34,040	57,415
of which: Insurance companies	5,098	-
e) Non-financial companies	906	7,782
2. Equity instruments	59,595	87,832
a) Banks	9,361	18,738
b) Other financial companies	7,839	7,737
of which: Insurance companies	2,432	2,349
c) Non financial companies	42,395	61,357
d) Other issuers	-	-
3. UCITS units	-	162
4. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: Insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	114,175	183,361
B. Derivative instruments		
a) Central counterparties	-	-
b) Other	593,323	140,360
Total (B)	593,323	140,360
Total (A+B)	707,498	323,721

2.3 Financial assets designated at fair value: breakdown by product

Description/Amounts	Total			Total		
	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	1,920	461	-	124,430	668
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	1,920	461	-	124,430	668
2. Loans	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
Total	-	1,920	461	-	124,430	668

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes in chapter "Techniques for the determination of fair value".

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

2.4 Financial assets designated at fair value: breakdown by borrowers/issuers

Description/Amounts	Total 31.12.2022	Total 31.12.2021
1. Debt securities	2,381	125,098
a) Central Banks	-	-
b) Public Administrations	-	122,447
c) Banks	1,920	1,983
d) Other financial companies	-	-
of which: Insurance companies	-	-
e) Non-financial companies	461	668
2. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: Insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	2,381	125,098

2.5 Other financial assets mandatorily measured at fair value: breakdown by product

Description/Amounts	Total 31.12.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	1,436	70,585	-	47,867	54,291
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	1,436	70,585	-	47,867	54,291
2. Equity instruments	1,613	297	18,235	2,415	-	20,657
3. UCITS units	294,846	-	355,087	251,651	-	337,878
4. Loans	-	44,860	87,929	-	28,251	26,706
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	44,860	87,929	-	28,251	26,706
Total	296,459	46,593	531,836	254,066	76,118	439,532

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes in chapter "Techniques for the determination of fair value".

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

2.6 Other financial assets mandatorily measured at fair value: breakdown by borrowers/issuer

	Total 31.12.2022	Total 31.12.2021
1. Equity instruments	20,145	23,072
of which: banks	297	19
of which: other financial companies	9,178	11,681
of which: non-financial companies	10,670	11,372
2. Debt securities	72,021	102,158
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	29,750
d) Other financial companies	71,593	71,920
of which: Insurance companies	-	-
e) Non-financial companies	428	488
3. UCITS units	649,933	589,529
4. Loans	132,789	54,957
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	83,878	26,707
of which: Insurance companies	26,747	26,707
e) Non-financial companies	48,583	27,941
f) Households	328	309
Total	874,888	769,716

2.6 bis UCITS units breakdown

Description	31.12.2022	31.12.2021
1. Equities	20,308	29,691
2. Property - closed end	105,854	108,839
3. Equities - open end	17,461	21,372
4. Balanced - open end	6,669	9,805
5. Bonds - open end	4,019	16,454
6. Equities closed end	58,755	34,317
7. Speculative securities	7,876	3,916
8. Bonds - short term	-	3,106
9. Bonds - long term	9,217	11,637
10. Other	419,774	350,392
Total	649,933	589,529

Section 3 – Financial assets measured at fair value through other comprehensive income

Caption 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by product

Description/Amounts	Total 31.12.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	6,890,765	527,575	656	5,978,109	396,896	4,357
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	6,890,765	527,575	656	5,978,109	396,896	4,357
2. Equity instruments	1,658	2,237	540,019	2,484	2,394	247,657
3. Loans	-	-	-	-	-	-
Total	6,892,423	529,812	540,675	5,980,593	399,290	252,014

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes in chapter "Techniques for the determination of fair value".

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by borrowers/issuers

Description/Amounts	Total 31.12.2022	Total 31.12.2021
1. Debt securities	7,418,996	6,379,362
a) Central Banks	-	-
b) Public Administrations	2,749,991	662,662
c) Banks	2,877,384	3,582,192
d) Other financial companies	937,866	1,205,336
of which: Insurance companies	45,121	50,595
e) Non-financial companies	853,755	929,172
2. Equity instruments	543,914	252,535
a) Banks	256,172	33,634
b) Other issuers:	287,742	218,901
- other financial companies	236,714	180,377
of which: Insurance companies	201,148	143,900
- non financial companies	50,951	38,446
- other	77	78
3. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: Insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	7,962,910	6,631,897

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total impairment provisions

		Gross value					Total impairment provisions				Overall partial write-off
		Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities		7,362,398	-	60,152	-	-	3,356	198	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	31.12.2022	7,362,398	-	60,152	-	-	3,356	198	-	-	-
Total	31.12.2021	6,266,642	110,921	115,462	22	-	2,425	334	5	-	-

At 31 December 2022 none of the debt securities classified in Stage 3 have been written off.

For the approach used in the presentation of the gross value and total impairment provisions of impaired financial assets, reference should be made to Part A of these Explanatory Notes.

3.3a Loans measured at fair value through other comprehensive income subject to Covid-19 support measures: gross value and total impairment provisions

No table is provided in these consolidated financial statements as the circumstances do not apply.

Section 4 - Financial assets measured at amortised cost

Caption 40

4.1 Financial assets measured at amortised cost: breakdown by product of loans to banks

Type of transaction/Amounts	Total 31.12.2022						Total 31.12.2021					
	Book Value			Fair value			Book Value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit	L1	L2	L3
A. Loans to Central Banks	1,347,747	-	-	-	-	1,347,747	20,353,522	-	-	-	-	20,353,522
1. Time deposits	-	-	-	X	X	X	43,388	-	-	X	X	X
2. Compulsory reserve	1,347,747	-	-	X	X	X	20,310,134	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	8,134,701	-	-	6,030,453	234,895	1,537,836	7,137,154	-	-	5,666,128	162,998	1,341,532
1. Loans	1,537,836	-	-	-	-	1,537,836	1,341,532	-	-	-	-	1,341,532
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	234,376	-	-	X	X	X	24,400	-	-	X	X	X
1.3. Other loans:	1,303,460	-	-	X	X	X	1,317,132	-	-	X	X	X
- Repurchase agreements	358,702	-	-	X	X	X	399,378	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	944,758	-	-	X	X	X	917,754	-	-	X	X	X
2. Debt securities	6,596,865	-	-	6,030,453	234,895	-	5,795,622	-	-	5,666,128	162,998	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	6,596,865	-	-	6,030,453	234,895	-	5,795,622	-	-	5,666,128	162,998	-
Total	9,482,448	-	-	6,030,453	234,895	2,885,583	27,490,676	-	-	5,666,128	162,998	21,695,054

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes in chapter "Techniques for the determination of fair value".

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown by product of loans to customers

Type of transaction/Amounts	Total 31.12.2022						Total 31.12.2021					
	Book Value			Fair value			Book Value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
1. Loans	89,558,304	779,822	836,709	-	-	92,954,208	77,111,323	1,046,260	864,370	-	-	84,331,491
1.1. Current accounts	5,333,127	58,564	91,088	X	X	X	4,790,368	96,461	79,792	X	X	X
1.2. Repurchase agreements	-	4,254	-	X	X	X	71,302	-	-	X	X	X
1.3. Mortgage loans	61,825,671	482,502	644,261	X	X	X	52,294,812	587,775	653,217	X	X	X
1.4. Credit cards, personal loans and assignments of one-fifth of salary	4,598,696	35,683	12,693	X	X	X	3,929,826	35,542	15,075	X	X	X
1.5. Finance leases	3,011,379	102,127	23,945	X	X	X	2,701,572	133,587	12,670	X	X	X
1.6. Factoring	1,896,399	17,821	-	X	X	X	1,188,499	48,065	6,504	X	X	X
1.7. Other loans	12,893,032	78,871	64,722	X	X	X	12,134,944	144,830	97,112	X	X	X
2. Debt securities	14,654,014	-	-	12,382,622	143,881	1,013,311	14,782,283	-	-	13,802,086	110,712	980,371
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	14,654,014	-	-	12,382,622	143,881	1,013,311	14,782,283	-	-	13,802,086	110,712	980,371
Total	104,212,318	779,822	836,709	12,382,622	143,881	93,967,519	91,893,606	1,046,260	864,370	13,802,086	110,712	85,311,862

The sub-item "Other loans", limited to the performing component (consisting of Stage 1 and 2 equal to Euro 12,893 million, as well as the portion of POCI assets classified in Stage 2, equal to Euro 8.2 million), is composed as follows: Euro 6,967 million of bullet loans (-10.02%), Euro 3,156 million of advances on invoices and bills subject to collection (+26.04%), Euro 1,424 million of import/export advances (+31.97%), Euro 49 million of credit assignments (+19.51%) and Euro 1,305 million of other miscellaneous items (+68.17%).

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes in chapter "Techniques for the determination of fair value".

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

4.3 Financial assets measured at amortised cost: breakdown by borrowers/issuers of loans to customers

Type of transaction/Amounts	Total 31.12.2022			Total 31.12.2021		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	Stage 1 and 2	Stage 3	Purchased or originated credit impaired
1. Debt securities	14,654,014	-	-	14,782,283	-	-
a) Public Administrations	12,298,897	-	-	12,562,841	-	-
b) Other financial companies	1,869,109	-	-	1,778,110	-	-
of which: Insurance companies	27,372	-	-	30,857	-	-
c) Non financial companies	486,008	-	-	441,332	-	-
2. Loans:	89,558,304	779,822	836,709	77,111,323	1,046,260	864,370
a) Public Administrations	2,663,371	5,455	75	2,365,307	8,050	2
b) Other financial companies	5,171,598	11,409	28,373	3,454,081	9,717	26,500
of which: Insurance companies	89,053	-	-	74,069	-	-
c) Non financial companies	40,872,272	509,642	529,412	37,412,635	688,086	554,771
d) Households	40,851,063	253,316	278,849	33,879,300	340,407	283,097
Total	104,212,318	779,822	836,709	91,893,606	1,046,260	864,370

The classification of loans to customers between Stage 1 and Stage 2 is shown below, analysed by type of product and counterparty.

4.3 bis - Financial assets measured at amortised cost: - details of loans to customers: breakdown by type of product, stage and type of counterparty

Type of Product/Counterparty	Public administrations			Other financial companies		
	Gross exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure
Loans						
Current accounts	134,473	(2,864)	131,609	698,626	(12,253)	686,373
of which Stage 1	101,525	(265)	101,260	673,715	(2,433)	671,282
of which Stage 2	28,859	(192)	28,667	15,980	(3,987)	11,993
of which Stage 3	4,087	(2,405)	1,682	8,632	(5,671)	2,961
of which: purchased or originated credit impaired	2	(2)	-	299	(162)	137
Repurchase agreements	-	-	-	-	-	-
of which Stage 1	-	-	-	-	-	-
of which Stage 2	-	-	-	-	-	-
of which Stage 3	-	-	-	-	-	-
of which: purchased or originated credit impaired	-	-	-	-	-	-
Mortgage loans	2,325,186	(4,347)	2,320,839	1,267,471	(21,753)	1,245,718
of which Stage 1	2,249,807	(2,976)	2,246,831	1,149,910	(5,645)	1,144,265
of which Stage 2	75,329	(1,365)	73,964	73,865	(7,229)	66,636
of which Stage 3	50	(6)	44	14,245	(6,742)	7,503
of which: purchased or originated credit impaired	-	-	-	29,451	(2,137)	27,314
Other loans	217,988	(1,535)	216,453	3,297,536	(18,247)	3,279,289
of which Stage 1	211,795	(189)	211,606	3,247,877	(11,952)	3,235,925
of which Stage 2	1,060	(17)	1,043	43,158	(1,661)	41,497
of which Stage 3	5,058	(1,329)	3,729	4,135	(3,190)	945
of which: purchased or originated credit impaired	75	-	75	2,366	(1,444)	922
Total	2,677,647	(8,746)	2,668,901	5,263,633	(52,253)	5,211,380

(cont.)

Type of Product/Counterparty	Non-financial companies			Households			Total (net exposure)
	Gross exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure	
Loans							
Current accounts	3,738,271	(301,573)	3,436,698	1,302,365	(74,266)	1,228,099	5,482,779
of which Stage 1	2,661,904	(15,958)	2,645,946	984,571	(7,784)	976,787	4,395,275
of which Stage 2	717,149	(42,798)	674,351	239,871	(17,030)	222,841	937,852
of which Stage 3	166,894	(125,616)	41,278	42,145	(29,502)	12,643	58,564
of which: purchased or originated credit impaired	192,324	(117,201)	75,123	35,778	(19,950)	15,828	91,088
Repurchase agreements	4,597	(343)	4,254	-	-	-	4,254
of which Stage 1	-	-	-	-	-	-	-
of which Stage 2	-	-	-	-	-	-	-
of which Stage 3	4,597	(343)	4,254	-	-	-	4,254
of which: purchased or originated credit impaired	-	-	-	-	-	-	-
Mortgage loans	25,297,335	(850,477)	24,446,858	35,311,196	(372,177)	34,939,019	62,952,434
of which Stage 1	19,834,421	(88,451)	19,745,970	31,764,974	(33,542)	31,731,432	54,868,498
of which Stage 2	4,257,583	(212,708)	4,044,875	2,859,849	(88,151)	2,771,698	6,957,173
of which Stage 3	620,273	(336,966)	283,307	352,795	(161,147)	191,648	482,502
of which: purchased or originated credit impaired	585,058	(212,352)	372,706	333,578	(89,337)	244,241	644,261
Other loans	14,667,104	(643,588)	14,023,516	5,319,145	(103,035)	5,216,110	22,735,368
of which Stage 1	12,085,426	(33,587)	12,051,839	4,760,889	(14,242)	4,746,647	20,246,017
of which Stage 2	1,779,216	(69,925)	1,709,291	419,002	(17,344)	401,658	2,153,489
of which Stage 3	619,508	(438,705)	180,803	107,604	(58,579)	49,025	234,502
of which: purchased or originated credit impaired	182,954	(101,371)	81,583	31,650	(12,870)	18,780	101,360
Total	43,707,307	(1,795,981)	41,911,326	41,932,706	(549,478)	41,383,228	91,174,835

4.4 Financial assets measured at amortised cost: gross value and total impairment provisions

		Gross value					Total impairment provisions				Overall partial write-off
		Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities		21,128,474	-	134,410	-	-	7,529	4,476	-	-	-
Loans		82,610,576	-	10,534,799	1,950,023	1,393,536	219,500	481,988	1,170,201	556,827	68,495
Total	31.12.2022	103,739,050	-	10,669,209	1,950,023	1,393,536	227,029	486,464	1,170,201	556,827	68,495
Total	31.12.2021	111,978,531	-	7,852,567	2,710,924	1,639,853	172,646	274,170	1,664,664	775,483	376,414

For the approach used in the presentation of the gross value and total impairment provisions of impaired financial assets, reference should be made to Part A of these Explanatory Notes.

Note that default interest is only recorded at the time of actual collection.

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total impairment provisions

		Gross value					Total impairment provisions				Overall partial write-off
		Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
1. Loans subject to forbearance measures compliant with GL		15	-	5	-	-	-	-	-	-	-
2. Loans subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures		-	-	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance measures		-	-	3,621	1,008	1,271	-	127	448	635	-
4. New loans		6,322,615	-	1,770,726	90,231	23,721	7,259	15,997	15,814	3,752	-
Total	31.12.2022	6,322,630	-	1,774,352	91,239	24,992	7,259	16,124	16,262	4,387	-
Total	31.12.2021	6,390,215	-	1,419,703	63,605	49,875	5,649	34,033	16,492	4,428	-

Section 5 – Hedging derivatives

Caption 50

5.1 Hedging derivatives: breakdown by type of hedge and hierarchy level

	FV 31.12.2022				NV 31.12.2022	FV 31.12.2021				NV 31.12.2021
	L1	L2	L3			L1	L2	L3		
A. Financial derivatives										
1. Fair Value	-	1,808,515	-		11,976,493	-	178,108	-		7,264,140
2. Cash flows	-	-	-		-	-	-	-		-
3. Foreign investments	-	-	-		-	-	-	-		-
B. Credit derivatives										
1. Fair Value	-	-	-		-	-	-	-		-
2. Cash flows	-	-	-		-	-	-	-		-
Total	-	1,808,515	-		11,976,493	-	178,108	-		7,264,140

Key: VN = Notional Value; L1 = Level 1; L2 = Level 2 L3 = Level 3

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value							Cash flows		Foreign investments	
	Micro-hedging							Macro-hedging	Micro-hedging		Macro-hedging
	debt securities and interest rates	equity instruments and stock indexes	currencies and gold	credit	commodities	other					
1. Financial assets measured at fair value through other comprehensive income	172,053	-	-	-		X	X	X	-	X	X
2. Financial assets measured at amortised cost	1,635,816	X	-	-		X	X	X	-	X	X
3. Portfolio	X	X	X	X		X	X	-	X	-	X
4. Other transactions	-	-	-	-		-	-	X	-	X	-
Total assets	1,807,869	-	-	-		-	-	-	-	-	-
1. Financial Liabilities	646	X	-	-		-	-	X	-	X	X
2. Portfolio	X	X	X	X		X	X	-	X	-	X
Total liabilities	646	-	-	-		-	-	-	-	-	-
1. Forecast transactions	X	X	X	X		X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X		X	X	-	X	-	

Section 6 – Change in value of macro-hedged financial assets

Caption 60

There are no amounts to be disclosed in this consolidated report.

Section 7 – Equity investments

Caption 70

7.1 Equity investments: information on shareholdings

Company name	Registered head office	Operational head office	Type of relationship	Currency	Share capital	Nature of holding		% Available votes
						Parent company	% holding	
A. Companies subject to joint control								
1 Società di Reskilling s.r.l.	Milan	Milan	7	eur	50,000	BPER Banca	50.000	
B. Companies subject to significant influence								
1 Alba Leasing s.p.a.	Milan	Milan	8	eur	357,953,058	BPER Banca	33.498	
2 Atriké s.p.a.	Modena	Modena	8	eur	120,000	BPER Banca	45.000	
3 Autostrada dei Fiori s.p.a.	Modena	Modena	8	eur	325,000,000	BPER Banca	20.620	
4 Cassa di Risparmio di Fossano s.p.a.	Imperia	Imperia	8	eur	31,200,000	BPER Banca	23.077	
5 Cassa di Risparmio di Savigliano s.p.a.	Savigliano	Savigliano	8	eur	38,011,495	BPER Banca	31.006	
6 CAT Progetto Impresa Modena s.c.r.l.	Modena	Modena	8	eur	90,000	BPER Banca	20.000	
7 Immobiliare Oasi nel Parco s.r.l.	Milan	Milan	8	eur	1,000,000	BPER Banca	36.800	
8 Lanciano Fiera - Polo Fieristico d'Abruzzo Consorzio	Lanciano	Lanciano	8	eur	250,000	BPER Banca	33.333	
9 Nuova Erzelli s.r.l.	Genoa	Genoa	8	eur	20,000	BPER Banca	40.000	
10 Resiban s.p.a.	Modena	Modena	8	eur	165,000	BPER Banca	20.000	
11 Sarda Factoring s.p.a.	Cagliari	Cagliari	8	eur	9,027,079	B. Sard.	13.401	
			8			BPER Banca	8.083	
12 Sofipo s.a. in liquidation	Lugano	Lugano	8	chf	2,000,000	BPER Luxembourg	30.000	
13 Unione Fiduciaria s.p.a.	Milan	Milan	8	eur	5,940,000	BPER Banca	24.000	

The figure for share capital is provided as extra information as required by CONSOB Communication DEM/6064293 dated 28 July 2006.

The "% Available votes" column is only used if the actual share of votes exercisable at the Ordinary Shareholders' Meeting is different from the interest held in the company's share capital.

Key - Type of relationship: 7 = joint control; 8 = associated company

7.2 Significant equity investments: book value, fair value and dividends earned

Company name	Book value	Fair value	Dividends received
A. Companies subject to joint control			
B. Companies subject to significant influence			
1. Alba Leasing s.p.a.	140,705	-	-
2. Autostrada dei Fiori s.p.a.	115,337	-	-
3. Cassa di Risparmio di Fossano s.p.a.	36,437	-	831
4. Cassa di Risparmio di Savigliano s.p.a.	31,088	-	748
5. Immobiliare Oasi nel Parco s.r.l.	2,039	-	-
6. Sarda Factoring s.p.a.	1,975	-	-
7. Unione Fiduciaria s.p.a.	10,980	-	-
Total	338,561	-	1,579

Please refer to Part A of the Explanatory Notes for an explanation of how these figures were calculated.

Equity investments are considered significant based on the materiality of total assets compared with the equivalent consolidated figure. Other investments, which are not considered significant, are reported in Table 7.4 "Non-significant equity investments: accounting information"; the controlling interests measured using the equity method are reported in table 7.10. "Companies subject to control measured with the application of the equity method".

7.3 Significant equity investments: accounting information

Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net Interest Income
A. Companies subject to joint control							
B. Companies subject to significant influence							
1. Alba Leasing s.p.a.	X	5,425,120	111,693	4,915,433	235,288	69,302	X
2. Autostrada dei Fiori s.p.a.	X	20,797	1,079,531	363,363	193,329	225,325	X
3. Cassa di Risparmio di Fossano s.p.a.	X	2,333,743	63,948	2,213,131	64,705	52,058	X
4. Cassa di Risparmio di Savigliano s.p.a.	X	1,673,917	78,207	1,655,987	68,480	40,355	X
5. Immobiliare Oasi nel Parco s.r.l.	X	124	3,158	271	6,506	5,637	X
6. Sarda Factoring s.p.a.	X	49,535	1,755	43,320	541	968	X
7. Unione Fiduciaria s.p.a.	X	23,644	32,824	25,517	8,077	10,776	X

							(cont.)
Company name	Net adjustments to property, plant and equipment and intangible assets	Profit (loss) from current operations before tax	Profit (Loss) from current operations after tax	Profit (Loss) after tax on non-current assets held for sale	Profit (Loss) for the year (1)	Other comprehensive income after tax (2)	Other comprehensive income (3)= (1)+(2)
A. Companies subject to joint control							
B. Companies subject to significant influence							
1. Alba Leasing s.p.a.	X	6,833	4,649	-	4,649	146	4,795
2. Autostrada dei Fiori s.p.a.	X	23,807	17,191	-	17,191	-	17,191
3. Cassa di Risparmio di Fossano s.p.a.	X	20,042	11,625	-	11,625	-	11,625
4. Cassa di Risparmio di Savigliano s.p.a.	X	13,309	8,816	-	8,816	-	8,816
5. Immobiliare Oasi nel Parco s.r.l.	X	(478)	(478)	-	(478)	-	(478)
6. Sarda Factoring s.p.a.	X	39	18	-	18	21	39
7. Unione Fiduciaria s.p.a.	X	270	127	-	127	-	127

Reconciliation of accounting information with the book value of significant equity investments pursuant to paragraph B14 b) IFRS 12

Company name	Shareholders' equity	Minority interests	Goodwill (former positive/negative differences in shareholders' equity)	Other	Book Value
A. Companies subject to joint control					
B. Companies subject to significant influence					
1. Alba Leasing s.p.a.	420,046	140,705	-	-	140,705
2. Autostrada dei Fiori s.p.a.	559,348	115,337	-	-	115,337
3. Cassa di Risparmio di Fossano s.p.a.	157,892	36,437	-	-	36,437
4. Cassa di Risparmio di Savigliano s.p.a.	100,264	31,088	-	-	31,088
5. Immobiliare Oasi nel Parco s.r.l.	5,541	2,039	-	-	2,039
6. Sarda Factoring s.p.a.	9,192	1,975	-	-	1,975
7. Unione Fiduciaria s.p.a.	51,286	12,309	(1,329)	-	10,980

For the values and parameters, please refer to Part A.1 of these Explanatory notes.

Alba Leasing s.p.a. was founded in 2010 on the initiative of some of the major Italian cooperative banks. It is a company that specialises in finance leases, which are distributed by the BPER Banca Group through its branch network.

Autostrada dei Fiori s.p.a.'s core business is the construction and operation of the motorway under concession and may assume and dispose of interests and equity investments in other companies or consortia that carry out similar business activities or ancillary or auxiliary activity of the motorway service.

Cassa di Risparmio di Fossano s.p.a. is a Piedmontese bank which offers a wide range of banking services, created with the aim of favouring the commercial, agricultural and industrial development of the Fossano area.

Cassa di Risparmio di Savigliano s.p.a. is an independent local bank at the service of that area, which dedicates resources and services to households, small/medium-sized enterprises, local institutions and associations.

Sarda Factoring s.p.a. offers financing and risk hedging services for businesses. It is the leader in Sardinia in factoring with recourse and has operations that are growing also at a national level.

Unione Fiduciaria s.p.a. was founded by a group of cooperative banks and offers organisational, administrative and tax services for companies, intermediaries and wealthy individuals, including complex situations.

Immobiliare Oasi nel Parco s.r.l. purchases, develops and sells land and buildings.

7.4 Non-significant equity investments: accounting information

Company name									
	Inv E	Total	Total	Total	ope fit	Profit	Profit	after	(3)
	Book							Car	Car
Companies subject to joint control	3,276	3,354	177	119	(99)	-	(99)	-	(99)
Companies subject to significant influence	213	2,009	1,878	533	47	-	47	-	47

On 24 June 2022, the company Società di reskilling s.r.l. was incorporated, with capital divided equally between the two investor shareholders. The financial statements will be approved by the shareholders' meeting within 120 days of the close of the year.

Impairment testing of equity investments in companies subject to significant influence

In compliance with the provisions of the IAS/IFRS principles, the book value of each equity investment, after the application of the equity method (IAS 28), was reconsidered in order to verify the existence or otherwise of objective evidence that would be grounds for considering that the carrying amount of the assets is not fully recoverable (impairment test).

A net investment is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment and that loss event has an impact on the recoverable value of the investment. Often the impairment may not be due to a single discrete event, but rather to the combined effect of several identifiable events with reference to specific parameters used to determine the recoverable amount of the investment, some of which are taken from the international reference principles.

For investments in associates and joint ventures, if the recoverable amount, represented by the higher of fair value less costs of disposal and value in use, is lower than the carrying amount, an impairment loss is recognised if it is not expected to be recovered.

The check carried out as at 31 December 2022 highlighted limited evidence of impairment with respect to the book value of the equity investments (totalling Euro 1.3 million, detailed hereunder), following the adjustment to the part of shareholders' equity according to the equity method.

7.5 Equity investments: annual changes

	Total 31.12.2022	Total 31.12.2021
A. Opening balance	240,534	225,558
B. Increases	143,186	16,148
B.1 Purchases	118,914	1,674
- of which: business combinations	115,638	-
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases	24,272	14,474
C. Decreases	7,562	1,172
C.1 Sales	-	75
- of which: business combinations	-	-
C.2 Adjustments	1,272	7
C.3 Depreciations	-	-
C.4 Other decreases	6,290	1,090
D. Closing balance	376,158	240,534
E. Total revaluations	-	-
F. Total adjustments	189,919	188,647

"Purchases" mainly refer to the business combination for the acquisition of control of Banca Carige s.p.a. in relation to the subsidiaries Commerciale Piccapietra s.r.l., Carige Covered Bond s.r.l., Carige Covered Bond 2 s.r.l., Centro Fiduciario C.F. in liquidazione s.p.a., Argo Mortgage 2 s.r.l. – in liquidation, Lanterna Finance s.r.l. Lanterna Lease s.r.l. - in liquidation, Lanterna Mortgage s.r.l., St. Anna Golf s.r.l., Autostrada dei Fiori s.p.a, and Nuova Erzelli s.r.l.; and to the incorporation of Società di reskilling s.r.l., with capital held equally by two investor shareholders (Euro 3,276 thousand).

"Impairment losses" refer to the impairment test carried out on the following companies subject to significant influence: Immobiliare Oasi nel Parco s.r.l. (Euro 163 thousand) and Atriké s.p.a. (Euro 47 thousand); and subsidiaries measured using the equity method: Italiana Valorizzazioni Immobiliari s.r.l. (Euro 309 thousand) and Sant'Anna Golf s.r. (Euro 753 thousand).

"Other increases/decreases" mainly include the Group's share of the positive or negative results of the investees and the consolidation entries under the equity method.

7.6. Significant assessments and assumptions to establish the existence of joint control or significant influence

Please refer to the explanations in Section 3 of Part A of these Explanatory Notes.

7.7 Commitments referred to equity investments in companies subject to joint control

At 31 December 2022 there are no commitments related to companies under joint control.

7.8 Commitments related to equity investments in companies subject to significant influence

At 31 December 2022 there are no commitments related to companies subject to significant influence.

7.9 Significant restrictions

Among the Banks and Companies included in the BPER Banca Group's scope of consolidation, there are no significant restrictions as foreseen by IFRS 12 § 13.

7.10 Other information

Companies subject to control measured with the application of the equity method

Company name	-								
	inve E ik v	Total	Total	Total	ope fit	CHFI	Profit	afte C ier	(3)= C ier
Companies subject to control measured with the application of the equity method	34,108	726,056	691,998	240,346	12,174	-	12,174	-	12,174

For the application of the equity method, reference is made to the last available financial statements.

With regard to group companies consolidated at equity, i.e. subsidiaries, the valuation has been carried out with reference to their financial statements available prepared and approved at 31 December 2022.

With regard to other companies consolidated at equity, the valuation has been carried out with reference to their latest available financial statements, being those prepared and approved at 30 September 2022 for Cassa di Risparmio di Fossano s.p.a. and Cassa di Risparmio di Savigliano s.p.a.

Section 8 – Technical reserves carried by reinsurers

Caption 80

There are no amounts to be disclosed in this consolidated report.

Section 9 – Property, plant and equipment

Caption 90

9.1 Property, plant and equipment used in operations: breakdown of assets measured at cost

Description/Amounts	Total 31.12.2022	Total 31.12.2021
1. Assets owned	243,468	193,424
a) land	-	-
b) buildings	-	-
c) furniture	72,755	46,349
d) electronic systems	77,000	60,326
e) other	93,713	86,749
2. Rights of use acquired through leases	359,089	324,103
a) land	-	-
b) buildings	335,398	291,212
c) furniture	-	-
d) electronic systems	16,688	25,850
e) other	7,003	7,041
Total	602,557	517,527
of which: arising from the enforcement of guarantees received	-	-

The increase recorded in assets owned reflects primarily the expansion of the perimeter with the acquisition of Banca Carige and its subsidiaries.

9.2 Property, plant and equipment held for investment: breakdown of assets measured at cost

There is no property, plant or equipment held for investment purposes measured at cost in these consolidated financial statements.

9.3 Property, plant and equipment used in operations: breakdown of revalued assets

Description/Amounts	Total 31.12.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Assets owned	-	-	1,372,883	-	-	1,096,493
a) land	-	-	658,737	-	-	474,108
b) buildings	-	-	714,146	-	-	622,385
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. Rights of use acquired through leases	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	-	-	1,372,883	-	-	1,096,493
of which: arising from the enforcement of guarantees received	-	-	-	-	-	-

The increase recorded in assets owned reflects primarily the expansion of the perimeter with the acquisition of Banca Carige and its subsidiaries.

Key: L1 = Level 1; L2 = Level 2 L3 = Level 3

9.4 Property, plant and equipment held for investment: breakdown of assets measured at fair value

Description/Amounts	Total 31.12.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Assets owned	-	-	452,346	-	-	297,508
a) land	-	-	197,037	-	-	127,795
b) buildings	-	-	255,309	-	-	169,713
2. Rights of use acquired through leases	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	-	-	452,346	-	-	297,508
of which: arising from the enforcement of guarantees received	-	-	39,807	-	-	58,219

The increase recorded in assets owned reflects primarily the expansion of the perimeter with the acquisition of Banca Carige and its subsidiaries.

Key: L1 = Level 1; L2 = Level 2 L3 = Level 3

9.5 Inventories of property, plant and equipment governed by IAS 2: breakdown

Description/Amounts	Total 31.12.2022	Total 31.12.2021
1. Inventories of property, plant and equipment arising from the enforcement of guarantees	118,441	-
a) land	69,414	-
b) buildings	49,027	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
2. Other inventories of property, plant and equipment	68	33,472
Total	118,509	33,472
of which: measured at fair value less costs to sell	-	-

This caption mainly refers to properties held by the BPER Banca Group's real estate company.

9.6 Property, plant and equipment used in operations: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	423,570	1,105,740	263,251	352,154	414,983	2,559,698
A.1 Total net value adjustments	(50,538)	192,143	216,902	265,978	321,193	945,678
A.2 Net opening balance	474,108	913,597	46,349	86,176	93,790	1,614,020
B. Increases:	225,196	294,188	31,787	47,011	42,921	641,103
B.1 Purchases	205,681	253,990	31,393	45,097	35,507	571,668
- of which: business combinations	197,036	181,537	25,170	3,150	8,814	415,707
B.2 Capitalised expenditure on improvements	347	4,744	-	-	-	5,091
B.3 Write-backs	1,610	1,742	-	-	-	3,352
B.4 Positive changes in fair value allocated to	15,019	13,228	-	-	-	28,247
a) shareholders' equity	11,625	12,379	-	-	-	24,004
b) profit or loss	3,394	849	-	-	-	4,243
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from property, plant and equipment held for investment	1,211	2,061	-	-	-	3,272
B.7 Other changes	1,328	18,423	394	1,914	7,414	29,473
C. Decreases	40,567	158,241	5,381	39,499	35,995	279,683
C.1 Sales	7,966	10,556	52	662	237	19,473
C.2 Depreciation	-	82,861	4,987	30,541	25,070	143,459
C.3 Impairment losses allocated to	274	3,693	-	-	-	3,967
a) shareholders' equity	-	-	-	-	-	-
b) profit or loss	274	3,693	-	-	-	3,967
C.4 Negative changes in fair value allocated to	11,883	14,536	-	-	-	26,419
a) shareholders' equity	1,035	209	-	-	-	1,244
b) profit or loss	10,848	14,327	-	-	-	25,175
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	20,051	30,693	-	-	-	50,744
a) property, plant and equipment held for investment	20,051	29,744	-	-	-	49,795
b) Non-current assets and groups of assets held for sale	-	949	-	-	-	949
C.7 Other changes	393	15,902	342	8,296	10,688	35,621
D. Net closing balance	658,737	1,049,544	72,755	93,688	100,716	1,975,440
D.1 Total net value adjustments	(46,125)	222,281	248,377	294,958	396,120	1,115,611
D.2 Gross closing balance	612,612	1,271,825	321,132	388,646	496,836	3,091,051
E. Carried at cost	443,056	816,790	-	-	-	1,259,846

Impairment losses included primarily refer to rights of use acquired through leases following the early closure of certain branches.

9.7 Property, plant and equipment held for investment: annual changes

	Total	
	Land	Buildings
A. Opening balance	127,795	169,713
B. Increases	97,012	120,084
B.1 Purchases	63,442	65,423
- of which: business combinations	62,548	63,312
B.2 Capitalised expenditure on improvements	9	12,296
B.3 Increases in fair value	4,072	3,441
B.4 Write-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from property, plant and equipment used in operations	20,051	29,744
B.7 Other changes	9,438	9,180
C. Decreases	27,770	34,488
C.1 Sales	6,329	8,517
C.2 Depreciation	-	59
C.3 Decreases in fair value	17,105	17,350
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers to:	4,293	6,105
a) property, plant and equipment used in operations	1,211	2,061
b) Non-current assets and groups of assets held for sale	3,082	4,044
C.7 Other changes	43	2,457
D. Closing balance	197,037	255,309

9.8 Inventories of property, plant and equipment governed by IAS 2: annual changes

	Inventories of property, plant and equipment arising from the enforcement of guarantees received					Other inventories of property, plant and equipment	Total
	Land	Buildings	Furniture	Electronic systems	Other		
A. Opening balance	-	-	-	-	-	33,472	33,472
B. Increases	87,002	62,191	-	-	-	-	149,193
B.1 Purchases	64,009	49,634	-	-	-	-	113,643
- of which: business combinations	64,009	49,634	-	-	-	-	113,643
B.2 Write-backs	-	1,051	-	-	-	-	1,051
B.3 Positive exchange differences	-	-	-	-	-	-	-
B.4 Other increases	22,993	11,506	-	-	-	-	34,499
C. Decreases	17,588	13,164	-	-	-	33,404	64,156
C.1 Sales	3,079	4,162	-	-	-	-	7,241
C.2 Impairment losses	5,401	542	-	-	-	-	5,943
C.3 Negative exchange differences	-	-	-	-	-	-	-
C.4 Other decreases	9,108	8,460	-	-	-	33,404	50,972
D. Closing balance	69,414	49,027	-	-	-	68	118,509

Captions B.4 and C.4 Other increases and Other decreases include some reclassifications made during the year due to the change of use of the properties.

Useful life of the main categories of fixed assets used in operations

Category	Useful life
Land	not depreciated
Real estate	based on the useful life identified from specific appraisals
Office furniture and machines	100 months
Furnishings	80 months
Lifting equipment	160 months
Motor vehicles	48 months
Alarm systems	40 months
EDP hardware	60 months

Depreciation is calculated with reference to the estimated useful life of the assets concerned, commencing from when they enter into service.

9.9 Commitments to purchase property, plant and equipment

There are no cases of commitments to purchase property, plant and equipment in these Consolidated financial statements.

Section 10 – Intangible assets

Caption 100

10.1 Intangible assets: breakdown by asset type

Description/Amounts	Total 31.12.2022		Total 31.12.2021	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	X	204,392	X	204,392
A.1.1 pertaining to group	X	204,392	X	204,392
A.1.2 pertaining to minority interests	X	-	X	-
A.2 Other intangible assets	359,110	-	254,805	-
of which Software	321,678	-	219,448	-
A.2.1 Assets measured at cost	359,110	-	254,805	-
a) intangible assets generated internally	-	-	-	-
b) other assets	359,110	-	254,805	-
A.2.2 Assets measured at fair value	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	359,110	204,392	254,805	204,392

“Other intangible assets” mainly comprise application software measured at cost and amortised on a straight-line basis over a period, not exceeding five years, that depends on the degree of obsolescence involved.

The remaining “Other intangible assets” mainly consist of intangibles recognised in previous Purchase Price Agreement processes.

The impairment test, carried out in compliance with IAS 36, called for the write-down of software deemed to have reached the end of its useful life ahead of time for Euro 7 million..

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		FIN	INDEF	FIN	INDEF	
A. Opening balance	641,947	-	-	544,468	-	1,186,415
A.1 Total net value adjustments	437,555	-	-	289,663	-	727,218
A.2 Net opening balance	204,392	-	-	254,805	-	459,197
B. Increases	-	-	-	184,311	-	184,311
B.1 Purchases	-	-	-	182,015	-	182,015
- of which: business combinations	-	-	-	11,486	-	11,486
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	2,296	-	2,296
C. Decreases	-	-	-	80,006	-	80,006
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	78,647	-	78,647
- Depreciation	X	-	-	71,694	-	71,694
- Impairment losses	-	-	-	6,953	-	6,953
+ shareholders' equity	X	-	-	-	-	-
+ profit or loss	-	-	-	6,953	-	6,953
C.3 Decreases in fair value:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- profit or loss	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	1,359	-	1,359
D. Net closing balance	204,392	-	-	359,110	-	563,502
D.1 Total net value adjustments	437,555	-	-	365,226	-	802,781
E. Gross closing balance	641,947	-	-	724,336	-	1,366,283

All intangible assets are measured at cost.

The impairment test, carried out in compliance with IAS 36, called for the write-down of software deemed to have reached the end of its useful life ahead of time for Euro 7 million.

10.3 Other information

10.3.1 Goodwill

The goodwill reported in the Consolidated financial statements is summarised in the following table:

(in thousands)		
Goodwill	31.12.2022	31.12.2021
Banks/Other companies	204,392	204,392
- <i>Banco di Sardegna s.p.a.</i>	27,606	27,606
- <i>BPER Factor s.p.a.</i>	6,768	6,768
- <i>Arca Holding s.p.a.</i>	170,018	170,018
Total	204,392	204,392

Information on goodwill

For the accounting treatment of business combinations, accounting standard IFRS 3 requires the recognition of any identifiable intangible assets and goodwill arising from a transaction; goodwill, in particular, is measured as the difference between the value of the consideration paid and (i) the fair value of the assets and liabilities of the acquired company at the transaction date, (ii) any specific intangible assets identified and (iii) any contingent liabilities recognised.

IFRS 3 and IAS 36 require the identification of the "Cash Generating Units" (CGUs) and allocation of goodwill to those that will benefit from the effects deriving from the business combination; a CGU is the smallest group of assets that can generate cash flows independently.

According to IAS 36, an impairment test, i.e. the verification of an asset's recoverable amount, is performed by comparing the carrying amount of the CGU with its recoverable value, where "recoverable value" means the higher of its fair value less costs of disposal and its value in use. Any adjustments are recorded in the income statement.

In accordance with IAS 36, intangible assets with an indefinite useful life, such as goodwill, are not amortised, but must be tested for impairment annually (or in any case whenever there is evidence of impairment) to verify the actual recoverability of the recorded value.

After 2021 saw a significant recovery after the economic slump recorded in 2020 due to the pandemic crisis, 2022 was expected to be the year in which the general economic context would return to pre-crisis values. However, the geopolitical tensions triggered by the conflict between Russia and Ukraine and the subsequent economic-financial repercussions, the sharp rise in the prices of consumer goods due, among other things, to the increase in the prices of the main energy sources, the launch of a restrictive monetary policy characterised by more pronounced measures with the objective of containing the growth in the inflation rate, led to a scenario of uncertainty over future developments and the impacts that the situation described will have on the economic scenario in the period ahead.

Aside from the evolution of the macroeconomic context, two relevant events concerned the BPER Banca Group more directly, i.e. the purchase of the Carige Group and the subsequent merger by absorption of Banca Carige and Banca del Monte di Lucca, and the approval on 9 June of the 2022-2025 "BPER e-volution" Business Plan by the Parent Company's Board of Directors, which outlines the future strategic actions that will involve extraordinary transactions and organic growth.

As a consequence of external events and their possible impact, in 2022 both ESMA and Consob published several warning notices, which reminded companies of the need to assess any potential reduction in recoverable amounts, considering the internal and external sources of information available, and to assess whether the effects of the ongoing conflict could specifically constitute an indication of impairment (ESMA - Public Statement of 13 May 2022 and Consob - Warning notice no. 3/22).

Identification of a Cash Generating Unit

Intangible assets, such as goodwill, do not generate financial flows except with the contribution of other company assets; it is therefore necessary to preliminarily assign these activities to largely autonomous operational units, a.k.a. CGUs, both in terms of independent cash flows generated and in terms of internal planning and reporting.

According to IAS 36, the level at which goodwill is tested has to be correlated with the level of internal reporting of business performance and planning of future trends used by management to monitor the dynamics. In this regard, the definition of this level is closely dependent on the organisational models and the attribution of management responsibilities for the definition of operating activities and subsequent monitoring.

Given the characteristics of the individual entities and the consolidated operational and organisational model of the BPER Banca

Group which governs the segment reporting system, which has not changed in terms of general framework compared with the end of 2021, each CGU is identified with an individual Group bank or product company.

Based on the above, the goodwill recognised in the consolidated financial statements prior to the impairment tests conducted during the year, is allocated to the following CGUs:

- Banco di Sardegna CGU;
- BPER Factor CGU (previously, Emilia Romagna Factor CGU);
- Arca Holding CGU.

Carrying amount of the CGUs

The carrying amount of the CGUs is determined in a way that is consistent with the method used to estimate its recoverable value.

Given that it refers to banks, it is not possible to identify the cash flows generated by a CGU without considering the flows deriving from financial assets/liabilities, which represent its core business. In other words, the recoverable value of the CGU is influenced by these flows, which means that the carrying amount has to be determined in line with the estimated recoverable value and therefore also has to include the financial assets/liabilities (so-called "equity side" approach).

The carrying amount of each CGU corresponds to the total of: (i) the interest held in the shareholders' equity of the legal entity, including its results for the period; (ii) the goodwill allocated, net of any adjustments deriving from previous impairment tests; (iii) the residual net carrying amount of the specific intangible assets with a finite useful life that were identified in the context of the business combination by applying the acquisition method (if any).

Criteria for estimating the recoverable value of CGUs

The recoverable value of the CGU is its fair value less costs of disposal or, if greater, its value in use. Under the standard it is not necessary to calculate both value in use and fair value when performing the impairment test, as it is sufficient for at least one of them to exceed the carrying amount in order to confirm that the asset is not impaired.

For the purpose of determining the recoverable amount, reference was made to the value in use estimated using the "Dividend Discount Model" - DDM. This method estimates the value in use of an asset by discounting the flows of potentially distributable dividends, determined by management on the basis of economic-financial projections linked to that asset.

The cash flow expected in the last year of the forecast period is projected in perpetuity using an appropriate long-term growth rate "g" and the opportunity cost of capital in order to estimate the terminal value.

In the case of banks and financial institutions in general, the expected dividend flow is understood to mean the distributable cash flow, taking account of capital restrictions imposed by the Regulatory Authorities or considered reasonable in order to cover the typical risks of the business. Accordingly, future cash flows are identifiable as flows that could potentially be distributed after meeting the minimum capital allocation constraints; given this, the "Excess Capital Method" variant of the DDM is commonly used for appraisals in the banking sector, applying the following formula:

$$W = \sum_{i=0}^n CF_i(1 + k_e)^{-i} + TV(1 + k_e)^{-n}$$

Key: W = value in use; CF_i = potential cash flow available for distribution over time i; i = reference year of cash flow; n = period of time covered by the financial projections; k_e = opportunity cost of capital, considering current assessments of the time value of money and specific business risks; TV = terminal value; this corresponds to the present value of a perpetuity calculated based on long-term sustainable cash flow with a constant growth rate of "g".

The verification process, conducted on the basis of the general considerations shown above, will be analysed in detail in the following paragraphs. Testing involved the goodwill recognised for the CGUs Banco di Sardegna, BPER Factor and Arca Holding.

The impairment test conducted on 31 December 2022

Carrying amount of the CGUs

The following table summarises the book values of the individual CGUs for which there is residual goodwill as at 31 December 2022 and prior to verification of the sustainability of the values.

(in millions)		
CGU	Book value	of which: goodwill
Banco di Sardegna	1,028.0	27.6
BPER Factor	143.0	6.8
Arca Holding	390.0	170.0

Estimation of the recoverable amount of CGUs

To estimate the recoverable amount, here identified with the value in use, the DDM-excess capital method was applied for the Banco di Sardegna CGU, BPER Factor CGU, and Arca Holding CGU given the availability of cash flow forecasts recently drawn up by the management of the BPER Banca Group.

Details are provided below regarding the estimate of cash flows and other valuation parameters used in applying the valuation method described above.

Estimate of future cash flows

The value in use of the CGUs was estimated by discounting the expected cash flows over an explicit forecasting period of five years, until 2027, in line with the requirements of IAS 36. The forecasts, approved by the relevant administrative bodies, were prepared for each CGU based on the most recent information on actual performance, on the strategic actions limited to those already undertaken and related effects and the most recent banking system forecasts available close to the time when the figures are verified. The projections are based on reasonable and supportable assumptions which represent the best estimate of the range of economic conditions that will exist in subsequent years at the time of impairment testing.

Analysing in detail:

- the forecasts were prepared following a typical top-down approach by the Group's Planning and Control Department, with the support and information gathered by the various functions. The calculations developed at a consolidated level were then taken as a point of reference for the development of forecasts by the individual CGUs for the same time horizon;
- for the year 2022, the preliminary year-end balance figures were used the best estimate available at the time of the impairment test;
- for 2023 reference was made to the budgets for the year presented at the meetings of the Boards of Directors at the end of 2022 and the start of 2023 and approved by said Boards;
- The forecasts referring to the years 2024-2027, likewise approved by the Boards of Directors of the individual Legal Entities, were developed by adopting an inertia-based approach, based on growth rates substantially in line with those of the previous period and on stable or slightly improving margins, reflecting the expectations at banking system level and final trends. The development of inertial forecasts, as required by the accounting standard, aims to reach a normalised situation at the end of the period, calculating a long-term sustainable income that can be used in estimating the Terminal Value. The normalisation process aims to mitigate the effects of anomalous and extraordinary external economic and market conditions, as well as the extraordinary and strategic transactions, already approved and being implemented, but which do not yet express their full effects at the time the impairment test is carried out. Moreover, following an inertial logic, the last few years of forecasting do not reflect any extraordinary transactions which are not yet defined in detail, not approved by the administrative bodies or still not in an advanced phase of implementation;
- as stated previously, reference was made to the forecasts of the most up-to-date economic and market scenarios with respect to the performance of the impairment test, which reflect the most likely short and medium/long-term effects of the protraction of the Russian-Ukrainian conflict, as well as the continuation of a restrictive monetary policy by the Central Banks, with the main objective of containing the increase in the inflation rate. Projections took account of forecast information from external info providers, issued in the last part of 2022, referring to the expected trend in both economic and financial macro-variables (such as the trend in GDP, the rate of unemployment, consumer prices, market interest rates, etc.) and more specific variables relating to the banking and financial system in general (such as the growth in loans, deposits, spread etc.); Generally speaking, the future scenario will see 2023 continue to be characterised by certain

difficulties, with contained growth in GDP slightly above zero, and a falling but still high inflation rate; the period after 2023 will be marked by a trend of normalising values, with GDP around 1.1% and an inflation rate of around 2%. Shifting the focus to the performance expected in relation to the variables most directly associated with the banking sector, the most recent update shows significant differences especially in terms of spreads between lending and deposit rates. The trend in benchmark rates will have a positive impact on the net interest income with structural growth in the spread between interest income and interest expense; with respect to the forecasts from roughly one year ago, the spread is expected to increase by at least +50 basis points. On the credit risk side, 2023 will still be a year characterised by major loan loss provisions, forecasting a reduction from 2024. Assets under management, after a 2022 marked by a decline due to the performance of the markets and a greater liquidity propensity owing to uncertainties connected with the effects of the increase in the inflation rate, are expected to see significant growth rates in the volumes of assets managed in subsequent years, largely recovering the gap recorded in 2022. Lastly, total loans will grow in 2023 at a rate of more than 1% despite the slowdown in GDP, followed by an almost linear growth trend in subsequent years, marked by contained but gradual increases. On the direct funding side, after a 2022 which recorded growth due to the greater propensity for liquidity, the years to come will see an almost stable value with growth rates of close to zero.

The estimates of the cash flows expected from the various CGUs subject to the impairment test take into account the scenario described and were developed, as mentioned above, for the year 2023 taking into account the budget data approved by the Boards of Directors, while for subsequent years the cash flow projections were determined by extrapolation, therefore without considering the effect of new managerial levers and assuming growth rates of loans and deposits in line with the most recent forecasts of future trends from external info-providers. The estimated flows are based on a revenue growth forecast and accompanied by a gradual reduction in the cost of risk. In particular, operating income, characterised by a trend in line with the most recent estimates at banking system level, will be marked by growth in net interest income, which will benefit from the rise in interest rates, and the net commission income; the latter all the more pronounced from 2024, with the gradual reduction in the preference for liquidity, with available resources being turned over to assets under management.

On the operating costs front, for the 2024-2025 period, the trends forecast at banking system level were taken as a reference, while for the years 2026-2027 a growth scenario in line with the expected inflation rate was assumed. Where possible, consistently with the requirements of IAS 36, the effects of restructuring and strategic actions approved by the Board of Directors and at an advanced phase of implementation were reflected in the estimates, as they are useful for the definition of a normalised medium/long-term situation.

The cash flows distributable by each CGU were estimated assuming a target minimum Supervisory requirement in line with the Supervisory provisions for the CGU in question. In particular, the development of risk-weighted assets reflects the full implementation of the EBA *guidelines* on all AIRB portfolios, the adjustment of the risk models to the new definition of default, the effects of the AIRB roll-out plan approved and the framework of regulatory reforms known as “Basel IV”. The Supervisory requirements are determined in accordance with the latest information available on the date of testing, taking into account the most up-to-date recommendations contained in the SREP Capital Demand and in the Overall Capital Ratio, in addition to reflecting the most recent indications on the calculation of the Pillar II Requirement and Pillar II Guidance requirements.

With reference to the capital constraints, useful for the development of the value in use estimation models, the internal structures of the BPER Banca Group considered the levels of the specific target CET1 ratios for the individual entities and defined on the basis of their unique characteristics, the most recent European provisions on capital requirements, as well as the latest recommendations issued by the Supervisory Authorities. In particular, the target CET1 ratio, kept constant for the entire forecast period, was estimated at 9.87% for the Group, 8.47% for the individual subsidiary banks and 4.5% for the entities that do not collect money from the public.

The estimate of value in use includes the estimated Terminal Value, which quantifies the present value of the cash flows potentially distributable to shareholders in the period subsequent to that covered by explicit projections. Its estimate was developed on the basis of a normalised flow given by the profit of the last projection year (2027), taking into account a long-term tax burden, net of the physiological absorption of capital and capitalised at a rate that measures the difference between the opportunity cost of capital (the so-called “cost of equity”) and the nominal growth rate “g” of 2.0% (+50 basis points with respect to the figure used during the previous annual impairment test as at 31 December 2021); the rate “g” was estimated on the basis of a combined analysis of several information sources, including: the most recent estimates of the International Monetary Fund which, with respect to one year ago, has revised upwards the parameter over the last few forecast years, bringing it to roughly 2.0% (Outlook October 2022); the ECB’s medium/long-term target is 2%. By using a growth rate “g” equal to the expected inflation rate, average real growth of zero is implicitly assumed.

Estimation of the cost of capital

As noted above, the value in use is determined by discounting the expected cash flows at an appropriate rate reflecting the estimated opportunity cost of capital, consistent with the requirements of IAS 36 and the guidelines of the impairment testing of goodwill, using the Capital Asset Pricing Model (CAPM). The following formula is applied:

$$k_e = R_f + \beta \times (R_m - R_f)$$

Key: R_f = Risk-free rate $(R_m - R_f)$ = Market Risk Premium β = Beta.

The CAPM expresses a linear relationship, under conditions of market equilibrium, between the yield on an investment and its systematic risk. In detail, the yield on an investment is calculated as the sum of the risk-free rate (expression of the time value of money) and the risk premium, which is the beta of the security multiplied by the market risk premium.

The discount rate used incorporates the risk-free component and risk premiums correlated with the equity component observed over a sufficiently long period of time to take account of different market conditions and economic cycles.

The opportunity cost of capital was estimated at 10.02%, highlighting an increase of +196 basis points with respect to the figure estimated at the time of the close of the 2021 financial statements (8.06%), obtained by considering the update of the following parameters in the CAPM formula:

- the risk free rate, being the time value of money corresponding to the yield on a risk-free investment, usually represented by government bonds. The general structure of the CAPM refers to a risk-free rate, but makes no reference to the period of time to be considered. The approach that prevailed for the valuation process was to select a rate of return on long-term government bonds (generally 10-year bonds). An average value of the 10-year BTP yield rates of 3.14%, calculated over a one-year observation period and obtained using the same approach as in the previous impairment tests, has been used here. The figure recorded a significant increase compared to the one used during the impairment test as at 31 December 2021 (in which the average value calculated over the 1-year observation period was 0.78%), influenced by the growing trend that took hold in July 2022 following the adoption of a more restrictive monetary policy, with significant and frequent increases in the interest rates by the Central Banks, in order to check the inflation rate;
- the market risk premium, being the difference between the yield on a diversified portfolio of risky investments available on the market and the yield on a risk-free bond. It should be considered that the risk premium is generally associated with the long-term. Since this represents, in fact, the additional return over the risk free rate that an investor requires to invest in a portfolio of risky assets, it should not be linked to short-term market fluctuations. Specifically, a market risk premium of 5.70% was used, in line with the value used in the last available impairment tests. This figure is the result of a qualitative and quantitative analysis using information issued periodically by info providers, which analyse the sector and macroeconomic trends or periodically record those used on average in practice by various operators when carrying out valuations;
- the beta, being the specific investment risk. The beta expresses the correlation between the yield on a single risky investment and that on a market portfolio. A coefficient equal to one indicates that the investment being considered follows the exact trend of the market portfolio, while a beta greater than one identifies an "aggressive" investment, the yield of which may vary more than the market return. A beta lower than one corresponds to a "defensive" investment; in this case variations in the investment yield are less sensitive. The beta used here is estimated at 1.21 (1.28 at 31 December 2021), equal to the beta of the BPER Banca Group estimated over a sufficiently long period of time to minimise the distortive effects that may affect short periods. Specifically, in line with what was considered in the most recent impairment tests, the period considered is 5 years of observations, on a monthly basis and taking the Italian stock index as the benchmark. The estimate of beta at 31 December 2022 (1.21), is higher than or in line with other surveys made on different observation periods, such as 3 years, or for the same period (5 years) but with a different frequency (daily or weekly). The choice of using the beta estimate so obtained by considering the historical monthly returns at 5 years and using the same method as was used for the previous impairment tests, is therefore the most prudent.

The rate estimated in this way is considered to reflect the real risk exposure of the BPER Banca Group. It is essentially aligned with that of the banking system and consistent with the risk exposure implicit in the economic projections, so there is no need to add any further risk premium. The approach adopted in estimating the opportunity cost of capital follows a well-established impairment testing process, referring the verification of the impact generated by any positive or negative deviations in the external market parameters on the value in use to the sensitivity analyses.

Results of the impairment test

An impairment test requires a comparison between the recoverable amount of the CGU to which goodwill has been allocated and its carrying amount. In accordance with applicable accounting standards, goodwill must be adjusted when the carrying amount of the CGU to which it has been allocated exceeds the recoverable amount, which in this case is assumed to be equal

to the value in use.

At the reporting date for these consolidated financial statements, the impairment test carried out at individual CGU level did not identify any need to write down goodwill. The Parent Company obtained an opinion from an independent external expert on the impairment testing process used by its internal organisations.

Sensitivity analysis

The principal parameters used in the valuation model, such as cash flows and the opportunity cost of capital, may be significantly influenced by changes in the overall economic context. The effects of these changes on the cash flow projections and the main financial assumptions could render future results substantially different from those used to verify the sustainability of goodwill. For this reason and pursuant to IAS 36, sensitivity analyses were carried out to assess the impact of changes in the key parameters underlying the valuation model on the estimates of value in use and, therefore, on the results of the impairment test. This analysis is all the more necessary in a period of significant changes like the one we are experiencing today; factors which we tried to take into account by using all the information known on the date of testing, including the most up-to-date expectations at the macroeconomic and banking system level, but which in any case always carry an implicit risk related to the possible timing and actual extent of the events, which are currently unpredictable. In addition, in order to reflect a broader change in the market parameters with respect to the one usually considered, with a negative impact on the value in use, the variation range was expanded. In this scenario, the impact on the value in use of a change in some key variables was assessed, specifically the exogenous variables whose trend lies beyond the scope of management control:

- +50 bps and +100 bps on the base cost of capital (equal to 10.02%);
- -50 bps and -100 bps on the base long-term growth rate "g" (equal to 2.0%);
- +50 bps and +100 bps maximum on the target minimum supervisory requirement in the forecasting period, including the final year of the forecast (2027). In the case of the Arca Holding CGU, considering the different supervisory requirement envisaged for its type of activity, developing the sensitivity analysis on this parameter was not particularly meaningful.

CGU	Change in Value in Use of CGUs					
	k _e rate		"g" rate		CET 1 ratio target	
	+50 bps	+100 bps	-50 bps	-100 bps	+50 bps	+100 bps
Banco di Sardegna	-3.3%	-6.2%	-1.8%	-3.3%	-0.9%	-1.9%
BPER Factor	-3.5%	-6.6%	-0.8%	-1.5%	-5.3%	-10.6%
Arca Holding	-3.7%	-6.9%	-2.6%	-5.0%	n.s.	n.s.

The results obtained by the sensitivity analysis conducted did not highlight any values in use of the CGUs lower than their relevant carrying amounts.

Again for stress testing purposes, alternative variations were considered for the opportunity cost of capital, for the profits expected in the analytical forecast period (including that used in the estimate of the normalised flow underlying the Terminal Value) and the normalised expected cash flow in the final period of the projections (used to estimate the Terminal Value), in order to reduce the value in use of the CGU to its carrying amount, or, in other words, the threshold value of the main inputs, beyond which impairment testing of the CGU would result in a loss.

CGU	Maximum k _e rate	Maximum reduction of expected profits in the forecasting period and of normalised profit	Maximum reduction in the normalised flow
Banco di Sardegna	24.1%	-48%	-92%
BPER Factor	11.1%	-9%	-17%
Arca Holding	18.0%	-44%	-73%

This analysis shows that, for example, in relation to the Banco di Sardegna CGU, an increase of about 1,400 bps in the opportunity cost of capital, from 10.02% to 24.1%, a reduction of -48% in profits in each year of the forecasting period (including the profit underlying the normalised cash flow) or a reduction of -92% in the cash flow underlying the Terminal Value, would bring the recoverable value substantially into line with its carrying amount.

Second level impairment test

The second level impairment test is generally performed whenever there are costs and corporate assets not allocated to individual CGUs. Use of said test has become widespread over time for testing the stability of overall goodwill at Group level in light of the persistent stock market capitalisation of banking targets below the carrying value of equity and, at the same time, supporting the reasonableness of the results achieved with the impairment tests conducted on the individual CGUs to which said goodwill is allocated.

Leaving to the end of this section the discussion on the main reasons for the difference between value in use and market capitalisation, second level impairment testing provides a check on overall reasonableness, by comparing the BPER Banca Group's estimated value in use with its carrying amount at 31 December 2022.

In line with the impairment tests carried out for each CGU, the Excess Capital Method was used for the measurement, considering the Group as a single cash generating unit. This approach is preferable when there are consolidated economic projections and in the presence of a Group with various lines of business that are reasonably similar in nature. Potentially distributable cash flows were estimated starting from the consolidated income statement and balance sheet projections, based on the assumptions already discussed above with reference to the individual CGUs.

The same cost of capital and long-term growth rate "g" identified for the impairment testing of the CGUs were used for measurement purposes, while the target minimum regulatory requirement was aligned with the Supervisory instructions applicable to the BPER Banca Group, which was able to maintain a satisfactory level of capitalisation consistent with the expected growth in activities.

A positive difference emerged from the comparison between the overall carrying amount of the BPER Banca Group and its recoverable value, thereby confirming the sustainability of the value of goodwill.

Also in this case, sensitivity analyses were carried out with respect to pejorative variations in the key parameters, such as the cost of capital, the long-term growth rate "g" and the minimum target regulatory requirement; in all cases, the estimated recoverable values exceeded the carrying amount of the BPER Banca Group.

CGU	Change in Value in Use of CGUs					
	k _e rate		"g" rate		CET 1 ratio target	
	+50 bps	+100 bps	-50 bps	-100 bps	+50 bps	+100 bps
BPER Banca Group	-5.2%	-9.7%	-1.3%	-2.4%	-3.1%	-6.2%

The results obtained by the sensitivity analysis conducted did not highlight any values in use of the CGUs lower than their relevant carrying amounts.

Again for stress testing purposes, alternative variations were considered for the opportunity cost of capital, for the profits expected in the analytical forecast period (including that used in the estimate of the normalised flow underlying the Terminal Value) and the normalised expected cash flow in the final period of the projections (used to estimate the Terminal Value), in order to reduce the value in use of the BPER Banca Group to its carrying amount, or, in other words, the threshold value of the main inputs, beyond which impairment testing of the BPER Banca Group would result in a loss.

CGU	Maximum k _e rate	Maximum reduction of expected profits in the forecasting period and of normalised profit	Maximum reduction in the normalised flow
BPER Banca Group	10.8%	-8.0%	-13.0%

In a macroeconomic context that continues to be characterised by a certain degree of uncertainty due to the ongoing events and the direction these might take, with all the repercussions at macro and international level, expectations over the performance of some market and banking system parameters may evolve differently from originally expected.

The forecasts forming the basis of the impairment test illustrated herein have been prepared according to a macroeconomic and banking system scenario considered most likely to date, in light of the information available on the date of performance of the impairment test (Baseline Scenario). However, it is still premature to entirely rule out a more pessimistic scenario, also in light of the medium/long-term effects that past events, including the pandemic, have structurally had on the economic and social system but that, at present, have still not materialised and/or cannot be predicted with a degree of certainty. On the other hand, from this perspective, we cannot rule out, in advance, the occurrence of a more optimistic scenario than the Baseline one considered, the latter characterised by a greater probability of occurring. Given that a more optimistic scenario would but

confirm the sustainability of the level of goodwill in place, forecasts for the BPER Banca Group have been prepared for the 2024-2027 period which take into account a deterioration in the economic and financial conditions compared with those underlying the impairment test described above (the latter was carried out on the basis of the “Baseline Scenario”) and developing an “Adverse Scenario”.

This scenario is characterised by lower funding/lending volumes from 2024, with a CAGR in the 5 years of 1.1%, compared to 1.7% of annual growth assumed in the Baseline Scenario, accompanied by lower profitability on said assets; in particular, a slower recovery in customer spreads and a lower commission income is assumed. Again on the economic front, an increase in the cost of credit from 2024 is forecast, while the costs structure assumed in the Baseline Scenario will remain unchanged, hence increasing the cost/income ratio. The Adverse Scenario, in summary, presumes a loss of pre-tax profits accumulated in the 2023-2027 period of roughly Euro 1 billion.

In any case, the results obtained from the second-level impairment test in the Adverse Scenario confirm that goodwill continued to be recognised at the consolidated level, with a good margin between the recoverable amount and the carrying amount. Furthermore, this result must be read in view of the fact that each scenario should be weighed by its probability of occurrence, with the Baseline Scenario being the one considered most likely and the Adverse Scenario having a limited probability of occurrence due to its particular severity. It should additionally be weighed with the values that would emerge from developing a potential optimistic scenario. In conclusion, the sustainability of goodwill recognised at the consolidated level is confirmed.

Except for elements attributable to the use of an Adverse Scenario for the sensitivity analysis, in carrying out the impairment test, the effects of climate change were not explicitly considered, given that the direct impact on said evaluation was not considered material⁸⁴. As also highlighted in Part E of these Explanatory Notes and in the Directors' Report on Group Operations, in the case of banking business, the effects connected with climate change are mainly indirect and cannot always be recognised as negative on the overall business. The BPER Banca Group's Business Plan actually qualifies the ESG transition as a Group strategic development tool (the growth opportunities considered include, for example, the possibility of financing “green” projects, implemented by current and prospective customers, represented by companies or also by private individuals; by way of an example, among green projects we can consider the loan granted for the purchase of an electric car, a loan granted for energy efficiency initiatives, just to name some of most topical ones, or also to support investment projects implemented by customers to best deal with critical situations, such as drought or rebuilding).

Some possible effects of climate change on banking business, better detailed in other parts of these Explanatory Notes and in the Consolidated Report on Operations, include:

- an investment policy that targets energy efficiency, also given the technological progress;
- greater risk of the customer portfolio, whose assets are most exposed to the effects of climate change. Said greater risk, as report in the section “Accounting estimates - Overlay approach applied in credit risk assessment”, is reflected in an assessment of performing loans that considers the application of an appropriate ECL model as regards the macroeconomic scenarios, in which the forecasts of the economic, financial and physical variables include the national and sectoral repercussions of the new business context, including the Russian-Ukrainian conflict, inflationary pressure and climate change.

In any case, indeed to verify the impact of lower asset profitability and a higher level of credit risk on the evaluation of the BPER Banca Group, as a whole, an Adverse Scenario was considered in the sensitivity analysis developed and commented on above (the impacts, however, may be ascribed to various causes, not only climate change).

Considerations on the differences between the value in use and market values

The value in use of the BPER Banca Group also on this occasion stood at values higher than market capitalisation. In 2022, the price of the BPER Banca share recorded short-term increasing and decreasing trends, within a range of values between a high of Euro 2.16 on 15 February 2022 just before the outbreak of the conflict, and a low of Euro 1.29 on 14 July 2022. In the final part of the year, the share recorded an increasing trend, so much so that it closed the year at Euro 1.92, an increase of roughly +5.2% compared to the price at the start of 2022 (Euro 1.82) and +49% compared to the low recorded in the middle of July. An analysis of the first period of 2023 confirms the growing trend that took hold in the final quarter of 2022, to the point that the price of BPER Banca's share at the end of January 2023 stood at Euro 2.52, +31% compared to the end of 2022.

The trend in the share price in 2022 was influenced by various factors and news, both internal and external: these include, by way of example, the outbreak of the conflict between Russia and Ukraine which soon impacted several countries' international relations, the government crisis and the subsequent elections with the formation of a new government, the growth in inflation and the subsequent tightening of monetary policy with significant and frequent increases in the interest rates by the Central Banks. The latter event had a positive impact on banks, which after years of rates close to zero or negative, can now go back to benefitting from better interest margins. As regards internal events, the acquisition of the Carige Group and the subsequent

⁸⁴ Also ESMA in its Public statement dedicated to the “European common enforcement priorities for 2022 annual financial reports” actually emphasises that the sensitivity to climate risk should be specifically considered, by evaluating the characteristics of the company, the sector in which it operates, the reference market and other internal and external variables. ESMA considers the case of “industries that are heavily dependent on energy produced from fossil fuels”, whose long-term or terminal growth rates used in cash flow projections beyond the period covered by the budget forecasts are stable, falling or actually negative”. Another example that ESMA reports relates to “automobile companies [that] should disclose how phasing out of internal combustion engine vehicles in favour of electric vehicles was considered in the input parameters”.

transactions involving integration and rationalisation of the structure, have enabled the BPER Banca Group to further consolidated its role in the Italian industry, establishing itself as one of the main banks at banking system level.

The share price followed the trend in the FTSE IT Banks sector index in the first quarter of 2022, then started to experience periods of over-performance that saw it jump to a higher level than that of the index; as pointed out previously, the BPER Banca share posted, on the whole, an increase of +5.2% from the start to the end of 2022, compared to a reduction in the FTSE IT Banks index of -4.6%.

BPER Banca's share price, like those of many other listed Italian banks, often does not fully reflect the policies underlying the strategic measures implemented or in the process of being implemented and which are summarised in the business plans drawn up and approved by many Italian banking groups. These measures generally provide for a containment of costs, an increase in margins by focusing on a different business mix, directing the activity towards areas with higher value added, better credit quality with important actions to write down and/or sell non-performing positions and the achievement of profits capable of supporting an expansive dividend policy to its shareholders. The measures taken to date should lead the market in the medium term to revalue individual banks according to their individual fundamentals and performances.

Compared with stock market capitalisation, which expresses the current trading value of an investment, the value in use expresses a configuration of value that refers more to a logic of long-term "strategic" investment. In fact, value in use is a direct expression of the financial flows that the asset is able to generate over the analytical forecast period and in the subsequent one on a going concern basis, i.e. the assumption that a generic company will remain in business indefinitely in the coming years. The value is, therefore, also based on the internal expectations of the company, in contrast with market valuations which are mostly based on short-term expectations of the market.

In light of the above, management is of the opinion that the impairment test must be carried out with the awareness that the current economic situation may have an impact on the financial flows expected from operating activities in the short and medium term, but without affecting the primary sources of income generation and the competitive advantages that the BPER Banca Group has acquired over time.

Considering these elements, in the current market context, value in use is a better expression of the recoverable value of the Group's operating activities. Moreover, in developing the valuation model, precautions were taken both in the estimate of forecast flows and in the choice of financial parameters, as summarised below:

- the forecast flows were estimated considering the most up-to-date system forecasts at the date of verification of the sustainability of goodwill;
- the expected cash flows do not include the benefits of future reorganisations, except for those related to measures already implemented or being implemented at the time;
- the cost of capital has been determined analytically on the basis of parameters updated at the time of the valuation. The sensitivity analyses carried out with increases of up to +100 bps have in general confirmed the sustainability of the goodwill recognised;
- the growth rate "g" used to estimate the Terminal Value was set to zero in real terms.

Section 11 – Tax assets and liabilities

Asset caption 110 and liability caption 60

11.1 Deferred tax assets: breakdown

	IRES	IRAP	Total 31.12.2022	Total 31.12.2021
Impairment losses on loans to customers	506,897	46,289	553,186	619,326
Impairment losses on equity investments and securities	108,149	23,249	131,398	13,267
Goodwill convertible into tax credits	282,511	54,802	337,313	189,133
Non-convertible goodwill	40,379	8,350	48,729	62,026
Personnel provisions	179,760	25,241	205,001	150,008
Endorsement credits, clawback action during bankruptcy proceedings and outstanding lawsuits	115,820	7,011	122,831	81,078
Impairment losses on loans to customers FTA IFRS 9	211,714	43,138	254,852	198,713
Non-convertible tax losses	160,341	-	160,341	4,784
Tax losses convertible into tax credits	416,271	5,230	421,501	29,445
ACE reportable	21,465	-	21,465	1,196
Property, plant and equipment and intangible assets	5,675	872	6,547	-
Other deferred tax assets	84,783	4,442	89,225	25,505
Total	2,133,765	218,624	2,352,389	1,374,481

"Deferred tax assets" are determined on the basis of IRES and IRAP tax rates which are expected to be in force at the time of their recovery.

The total includes, for an amount of Euro 977.3 million, deferred tax assets relating to value adjustments to loans to customers, goodwill and IRES and IRAP tax losses of the current year convertible to tax credits pursuant to Law 214/2011 and, for Euro 334.6 million, deferred tax assets on tax losses that became convertible to tax credits in accordance with article 1, paragraphs 233 et seq. of Law 178/2020 following the business combination completed with the merger by absorption of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a., finalised on 28 November 2022.

The remaining deferred tax assets, amounting to Euro 1,040.3 million, mainly relate to deductible temporary differences for an amount of Euro 858.5 million, non-convertible tax losses for an amount of Euro 160.3 million and ACE (Allowance for Corporate Equity) surpluses for Euro 21.4 million; these deferred tax assets were recognised on the basis of the positive outcome of the probability test carried out in compliance with the provisions of IAS 12, assuming that a time horizon of 5 years is used for the purposes of the recovery forecasts; the future taxable income considered is consistent with the financial forecasts updated recently in 2022. As at 31 December 2022, no deferred tax assets were recognised on tax losses for Euro 400.99 million, and Euro 62.68 million on the ACE surplus. Furthermore, Euro 204.4 million worth of deferred tax assets were not recorded, as they relate to changes recoverable beyond the time horizon allocated for the Probability test

11.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Total 31.12.2022	Total 31.12.2021
Payments to FITD (Interbank Deposit Protection Fund)	199	40	239	235
Revaluations of equity investments and securities	8,097	10,264	18,361	19,644
Capital gains on shares and other securities	1,613	877	2,490	990
Personnel provisions	1,652	12	1,664	1,578
Property, plant and equipment and intangible assets	31,305	5,969	37,274	24,756
Other deferred taxes	2,625	735	3,360	11,701
Total	45,491	17,897	63,388	58,904

"Deferred tax liabilities" are determined on the basis of IRES and IRAP tax rates which are expected to be in force at the time of their recovery.

At 31 December 2022, there are no temporary differences relating to investments in subsidiaries, branches, associates and companies under joint control for which the related deferred tax liabilities have not been recognised.

11.3 Changes in deferred tax assets (through profit or loss)

	31.12.2022	31.12.2021
1. Initial amount	1,321,259	1,529,458
2. Increases	1,281,000	215,197
2.1 Deferred tax assets recognised in the year	477,374	212,301
a) relating to previous years	56,137	45,505
b) due to changes in accounting criteria	-	-
c) write-backs	-	-
d) other	421,237	166,796
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	803,626	2,896
- of which: business combinations	798,822	-
3. Decreases	412,757	423,396
3.1 Deferred tax assets derecognised in the year	363,730	318,013
a) reversals	180,556	301,358
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	183,174	16,655
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	49,027	105,383
a) conversion into tax credit under Law no. 214/2011	39,067	105,002
b) other	9,960	381
4. Final amount	2,189,502	1,321,259

Under item 2 in the table (Increases), the amount reported in caption 2.1 a) “deferred tax assets related to previous years” applies primarily to the adjustments made on the FTA of IFRS 9, recoverable in 2027 and recognised during the year after passing the probability test.

The amount recognised in item d) “other” mainly includes deferred tax assets relating to non-convertible tax losses for € 155.6 million and ACE surpluses for € 20.3 million.

The amount recognised in item 2.3 “Other increases” mainly includes the accounting balances of receivables for deferred tax assets relating to the companies that made up the Banca Carige Group and the tax effects on the value adjustments to the assets and liabilities as part of the Purchase Price Allocation (PPA).

Under point 3 of the table (Decreases), it should be noted that the amount recognised in 3.1 a) “reversals” includes the cancellations of deferred tax assets pursuant to Law 214/2011 connected to the write-downs of loans to customers and tax amortisation of goodwill, plus the cancellations of the deferred tax assets on the portion of impairment deducted in the period, registered at the time of the first-time adoption of IFRS 9.

The amount recognised in item 3.1 d) “other” includes the reversals of deferred tax assets connected with drawdowns of personnel provisions, drawdowns of provisions for risks and, lastly, for Euro 111.5 million, the portion of deferred tax assets relating to tax losses that were converted to tax credits on the date of legal effectiveness of the merger pursuant to article 1, paragraphs 233 et seq. of Law 178/2020.

The amount recognised in item 3.3 a) “conversion into tax credits pursuant to Law 214/2011” for € 39.1 million refers to the conversion into tax credits pursuant to Law 214/2011 of deferred tax assets relating to the share of IRES and IRAP tax losses realised in 2021.

11.4 Changes in deferred tax assets pursuant to Law 214/2011

	Total 31.12.2022	Total 31.12.2021
1. Initial amount	837,904	1,042,694
2. Increases	278,811	33,780
3. Decreases	139,362	238,570
3.1 Reversals	100,282	133,201
3.2 Conversion into tax credit	39,067	105,002
a) from losses for the year	7,667	-
b) from tax losses	31,400	105,002
3.3 Other decreases	13	367
4. Final amount	977,353	837,904

Article 2, paragraphs 55 et seq. of Decree Law no. 225/2010 introduced the option of converting into tax credits the DTAs recognised in the financial statements relating to value adjustments pursuant to article 106, paragraph 3 of the TUIR (Consolidated Income Tax Act), to the value of goodwill and other intangible assets and the part of the IRES tax losses resulting from (and within the limits of) the deduction of the aforementioned items for the year.

Subsequently, Law 147/2013 (Stability Law 2014) extended the conversion of IRAP DTAs relating to impairment losses on loans, goodwill and other intangible assets, also in the case of "negative net value of production".

In addition, article 1, paragraphs 233 et seq. of Law 178/2020 introduced a regulation which, in the assumption of business combinations realised through mergers, demergers and business transfers that took place between approved independent parties or resolved upon between 1 January 2021 and 30 June 2022, makes it possible to arrange for the conversion into tax credits of the DTAs relating to tax losses and ACE (Allowance for Corporate Equity) surpluses accrued until the tax period prior to the one in progress at the date of legal effectiveness of the transaction.

This table shows the changes that took place during the year limited to these categories of DTAs (called "noble").

The amount under item 2) "Increases" refers mainly to the deferred tax assets on the share of the tax loss recorded in 2022 for IRES purposes for Euro 81.6 million and the negative IRAP value of production for Euro 5.2 million attributable to the deductions of the adjustments on loans and goodwill. The same item also contains Euro 334.6 million worth of DTAs on tax losses that will be converted into tax credits pursuant to article 1, paragraphs 233 et seq. of Law no. 178/2020 on 1 January 2023.

Caption "3.1 Reversals" includes the reversals in the year resulting from the deduction in the year of impairment losses on loans and amortisation of goodwill.

Finally, it should be noted that article 1, paragraphs 233 et seq. of Law 178/2020 introduced a regulation which, in the assumption of business combinations realised through mergers, demergers and business transfers that took place between approved independent parties or resolved between 1 January 2021 and 30 June 2022, makes it possible to arrange for the transformation to tax credits of the DTAs relating to tax losses and ACE (aid for economic growth) surpluses accrued until the tax period prior to the one in progress at the date of legal effectiveness of the transaction. Therefore, despite not being shown in the aforementioned table, the assets in the Financial Statements as at 31 December 2022 include Euro 334.6 million of DTAs on tax losses that will be transformed to tax credits pursuant to article 1, paragraphs 233 et seq. of Law no. 178/2020 on 1 January 2023.

The details of "Deferred Tax Asset – DTA" for IRES and IRAP are shown below:

	31.12.2022			31.12.2021		
	IRES	IRAP	Total	IRES	IRAP	Total
Impairment provisions for loans to customers	506,897	46,289	553,186	567,723	51,603	619,326
Goodwill	282,511	54,802	337,313	157,344	31,789	189,133
Tax losses	416,271	5,230	421,501	17,638	11,807	29,445
Total	1,205,679	106,321	1,312,000	742,705	95,199	837,904

11.5 Changes in deferred tax liabilities (through profit or loss)

	Total 31.12.2022	Total 31.12.2021
1. Initial amount	10,698	44,177
2. Increases	6,847	1,328
2.1 Deferred tax liabilities recognised in the year	1,797	1,321
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	1,797	1,321
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	5,050	7
- of which: business combinations	4,899	-
3. Decreases	5,300	34,807
3.1 Deferred tax liabilities derecognised in the year	4,215	34,781
a) reversals	1,395	34,757
b) due to changes in accounting criteria	-	-
c) other	2,820	24
3.2 Decreases in tax rates	-	-
3.3 Other decreases	1,085	26
4. Final amount	12,245	10,698

Item 2.3 "Other increases" includes primarily, for a total of Euro 3.7 million, the accounting balances of payables for deferred tax liabilities relating to the companies that made up the Banca Carige Group and the tax effects on the value adjustments to the assets and liabilities as part of the Purchase Price Allocation (PPA).

11.6 Changes in deferred tax assets (through shareholders' equity)

	Total 31.12.2022	Total 31.12.2021
1. Initial amount	53,222	55,408
2. Increases	124,860	10,824
2.1 Deferred tax assets recognised in the year	110,907	10,780
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	110,907	10,780
2.2 New taxes or tax rate increases	1	-
2.3 Other increases	13,952	44
- of which: business combinations	10,952	-
3. Decreases	15,195	13,010
3.1 Deferred tax assets derecognised in the year	14,991	12,634
a) reversals	1,198	12,634
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	13,793	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	204	376
- of which: business combinations	193	376
4. Final amount	162,887	53,222

Caption 2.1 c) Increases "other" mainly refers to deferred tax assets recognised on the valuation of securities for an amount of Euro 102 million.

Item 2.3 "Other increases" includes the accounting balances of receivables for deferred tax assets relating to the companies that belonged to the Banca Carige Group, mainly attributable to securities for Euro 7.1 million and the provision for employee severance indemnity and pension provision - Section A for Euro 3.3 million.

Item 3.1 d) "Other decreases" mainly relates to deferred tax assets on the alignment of the provision for employee severance indemnity and pension provision - Section A for Euro 12.2 million.

11.7 Changes in deferred tax liabilities (through shareholders' equity)

	31.12.2022	31.12.2021
1. Initial amount	48,206	33,344
2. Increases	19,761	41,600
2.1 Deferred tax liabilities recognised in the year	10,218	41,592
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	10,218	41,592
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	9,543	8
- of which: business combinations	9,309	-
3. Decreases	16,824	26,738
3.1 Deferred tax liabilities derecognised in the year	16,514	24,076
a) reversals	236	24,066
b) due to changes in accounting criteria	-	-
c) other	16,278	10
3.2 Decreases in tax rates	-	-
3.3 Other decreases	310	2,662
4. Final amount	51,143	48,206

Caption 2.1 c) Increases "others" mainly refers to deferred tax assets recognised on the valuation of FVOCI securities for Euro 8.4 million.

Item 2.3 "Other increases" includes the accounting balances of payables for deferred tax liabilities relating to the companies that belonged to the Banca Carige Group, primarily attributable to the valuation of CFH derivatives for Euro 9.0 million. Item 3.1 c) "Other decreases" relates mainly to the valuations of securities for Euro 9.3 million and the impact of the valuation of derivatives for Euro 4.3 million.

11.8 Other information

There are no amounts to be disclosed other than those already provided in this section.

Section 12 – Non-current assets and disposal groups classified as held for sale and related liabilities

Asset caption 120 and liability caption 70

12.1 Non-current assets and disposal groups classified as held for sale: breakdown by assets

	31.12.2022	31.12.2021
A. Assets held for sale		
A.1 Financial assets	1,160,665	90,961
A.2 Equity investments	-	-
A.3 Property, plant and equipment	31,764	6,769
of which: arising from the enforcement of guarantees received	6,012	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	1,192,429	97,730
of which measured at cost	1,165,487	92,417
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	26,942	5,313
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
Financial assets held for trading	-	-
Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: arising from the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	-	-
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

	31.12.2022	(cont.) 31.12.2021
C. Liabilities associated with assets classified as held for sale		
C.1 Due to banks/customers	1,351,765	167,123
C.2 Securities	101	-
C.3 Other liabilities	78,331	6,539
Total C	1,430,197	173,662
of which measured at cost	1,430,197	173,662
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	-	-
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

Non-current assets and disposal groups classified as held for sale and related liabilities refer primarily to asset and liability relations rooted in the branches transferred to Banco di Desio e della Brianza S.P.A. ("Banco Desio"); for more details on the transaction, please refer to chapter 3 of the Directors' Report on Group Operations. "Significant events and strategic transactions", paragraph 3.2 "Targets achieved in 2022".

Property, plant and equipment also includes buildings owned by the Group totalling Euro 2.91 million for which preliminary sale contracts have been signed at the reporting date.

12.2 Other information

There are no amounts to be disclosed other than those already provided in this section.

Section 13 – Other assets

Caption 130

13.1 Other assets: breakdown

	31.12.2022	31.12.2021
Taxes withheld on interest, withholdings and tax credits on dividends, advance taxation	325,004	94,836
Amounts recoverable from the tax authorities for higher taxes paid for previous years and related accrued interest (other than income taxes)	6,035	4,594
Sundry amounts to be charged to customers	725,243	276,813
Bank charges to be debited to customers or banks	124,644	95,007
Cheques being processed	34	51
Cheques drawn on other banks	88,907	112,543
Items relating to securities transactions	211,457	121,114
Leasehold improvement expenditure	14,457	14,667
Gold, silver and precious metals	17,037	7,267
Accrued income and prepaid expenses	18,548	11,384
Tax credits purchased	2,217,977	268,142
Other items for sundry purposes	278,599	184,265
Total	4,027,942	1,190,683

There are no contract assets, as defined in IFRS 15.

The item "Tax credits purchased from third parties" includes tax credits at amortised cost purchased from third parties based on Relaunch Decree no. 34/2020. The nominal value of tax credits acquired as at 31 December 2022, net of offsets, amounted to Euro 2,443.4 million (Euro 268.1 million at 31 December 2021).

Revenue Agency Circular No. 24/E of 2020 specified that if a subject acquires a tax credit, but during inspections by ENEA or the Revenue Agency it is found that the taxpayer was not entitled to the deduction, the transferee who purchased the credit in "good faith" does not forfeit the right to use the tax credit.

However, it should be pointed out that Decree-Law 157 ("Urgent measures to combat fraud in the sector of fiscal and economic benefits") came into force on 11 November 2021, establishing a series of checks carried out directly by the Revenue Agency with reference to the tax credits proposed for sale and managed on its platform. In addition to this issue, it is established that the obliged subjects referred to in Article 3 of Legislative Decree No. 231 dated 21 November 2007, who are involved in the sales, do not proceed with the acquisition of credit in all cases where the conditions set out in articles 35 and 42 of the aforementioned Legislative Decree No. 231 of 2007 are met, without prejudice to the obligations set out therein. In concrete terms, the provision de facto renders ineffective the purchase of receivables arising from transactions reported as "suspicious" to the competent bodies. The Decree-Law in question was then repealed on 11 January 2022 as all the provisions contained therein were incorporated into the 2022 Budget Law, published in the Official Gazette on 31 December 2021.

In light of the complexity of the regulatory scenario described, despite the control protocols adopted by the Bank both in the phase of acquiring the tax credit and in its technical assessment, it is believed that BPER Banca remains exposed not only to the risk of correctly assessing the amount of credits that it will be able to compensate annually and therefore to the risk of purchasing credits for an amount greater than the amount which can be used during the year, but also to a compliance/operational risk that, in the event of irregularities by the selling party, could cause a deferral in the use of the receivables acquired. In respect of said risk, the Group made an allocation to the Provisions for risks and charges, better detailed in a later section of these Explanatory Notes, dedicated to liability items.

Liabilities

Section 1 – Financial liabilities measured at amortised cost

Caption 10

1.1 Financial liabilities measured at amortised cost: breakdown by product of due to banks

Type of transaction/Amounts	Total 31.12.2022				Total 31.12.2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Due to Central Banks	15,970,641	X	X	X	18,116,683	X	X	X
2. Due to banks	6,029,848	X	X	X	5,516,811	X	X	X
2.1 Current accounts and demand deposits	405,196	X	X	X	334,459	X	X	X
2.2 Time deposits	1,717	X	X	X	1,637	X	X	X
2.3 Loans	3,974,943	X	X	X	5,170,636	X	X	X
2.3.1 Repurchase agreements	3,614,886	X	X	X	4,800,141	X	X	X
2.3.2 Other	360,057	X	X	X	370,495	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	16,702	X	X	X	8,985	X	X	X
2.6 Other liabilities	1,631,290	X	X	X	1,094	X	X	X
Total	22,000,489	-	-	22,000,489	23,633,494	-	-	23,633,494

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes to the Consolidated Financial Statements as at 31 December 2022.

Fair value is assumed to be the same as the carrying amount since they are sight or short-term transactions, mainly at floating rates.

Key: BV = Book value; L1 = Level 1; L2 = Level 2; L3 = Level 3

1.2 Financial liabilities measured at amortised cost: breakdown by product of due to customers

Type of transaction/Amounts	Total 31.12.2022				Total 31.12.2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	102,489,461	X	X	X	91,719,993	X	X	X
2. Time deposits	1,221,563	X	X	X	92,709	X	X	X
3. Loans	1,879,072	X	X	X	3,229,061	X	X	X
3.1 Repurchase agreements	-	X	X	X	1,360,188	X	X	X
3.2 Other	1,879,072	X	X	X	1,868,873	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	352,422	X	X	X	321,373	X	X	X
6. Other liabilities	1,472,425	X	X	X	1,097,476	X	X	X
Total	107,414,943	-	-	107,414,943	96,460,612	-	-	96,460,612

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes to the Consolidated Financial Statements as at 31 December 2022. Fair value is assumed to be the same as the carrying amount since they are sight or short-term transactions, mainly at floating rates.

Key: BV = Book value; L1 = Level 1; L2 = Level 2; L3 = Level 3

1.3 Financial liabilities measured at amortised cost: breakdown by product of debt securities issued

Type of transaction/Amounts	Total 31.12.2022				Total 31.12.2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	6,307,775	4,395,269	1,623,291	-	4,654,811	3,857,256	873,585	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	6,307,775	4,395,269	1,623,291	-	4,654,811	3,857,256	873,585	-
2. other securities	229,116	-	-	229,116	105,594	-	-	105,594
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	229,116	-	-	229,116	105,594	-	-	105,594
Total	6,536,891	4,395,269	1,623,291	229,116	4,760,405	3,857,256	873,585	105,594

"Bonds" include Euro 1,646.7 million of subordinated loans, none of which are convertible into shares.

In the "Level 3" column of point 2.2, the fair value is assumed to be the same as the book value as these are short-term transactions. An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes.

Key: BV = Book value; L1 = Level 1; L2 = Level 2; L3 = Level 3

1.4 Breakdown of subordinated securities

	Book Value 31.12.2022	Nominal value 31.12.2022	Book Value 31.12.2021	Nominal value 31.12.2021
BPER Banca Tier II subordinated non-convertible bond 4.60%, 2016-2026 callable	-	-	12,024	12,000
BPER Banca EMTN Tier II subordinated non-convertible bond 5.125%, 2017-2027 callable	-	-	513,665	500,000
BPER Banca EMTN Tier II subordinated non-convertible bond 3.625%, 2020-2030 callable	403,245	400,000	400,758	400,000
BPER Banca EMTN Tier II subordinated non-convertible bond 3.875%, 2022-2032 callable	608,756	600,000	-	-
BPER Banca Tier II subordinated non-convertible bond 5%, 2022-2032 callable	12,014	12,000	-	-
BPER Banca EMTN Tier II subordinated non-convertible bond 8.625%, 2022-2033 callable	407,590	400,000	-	-
Acquisition of Banca Carige s.p.a. 2018-2028 Tasso Fisso Tier II	6,965	6,800	-	-
Acquisition of Banca Carige s.p.a. Tasso Fisso con Reset Tier II, 2019-2029 callable	207,184	200,000	-	-
Banca Monte Lucca s.p.a. bond loan Fixed rate with Reset, Tier II, 2020-2030 callable	969	1,208	-	-
Total non-convertible bonds	1,646,723	1,620,008	926,447	912,000
Total bonds	1,646,723	1,620,008	926,447	912,000

There are no convertible subordinated bonds outstanding at 31 December 2022 (as was the case in December 2021).

1.5 Breakdown of structured debts

There are no amounts in these Consolidated financial statements.

1.6 Lease liabilities

Time bands	Present value 31.12.2022	Present value 31.12.2021
Up to 3 months	20,858	17,639
over 3 months up to 1 year	59,572	49,673
over 1 up to 5 years	179,726	173,716
Over 5 years	108,968	89,330
Total	369,124	330,358

Section 2 - Financial liabilities held for trading

Caption 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transaction/Amounts	Total 31.12.2022					Total 31.12.2021				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	47	-	46	-	46	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	47	-	46	-	46	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	X	65	459,451	12,033	X	X	153	99,556	23,587	X
1.1 Trading	X	65	459,451	12,033	X	X	153	77,750	23,587	X
1.2 Connected with the fair value option	X	-	-	-	X	X	-	21,456	-	X
1.3 Other	X	-	-	-	X	X	-	350	-	X
2. Credit derivatives	X	-	3	-	X	X	-	661	-	X
2.1 Trading	X	-	3	-	X	X	-	661	-	X
2.2 Connected with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	65	459,454	12,033	X	X	153	100,217	23,587	X
Total (A+B)	X	65	459,500	12,033	X	X	153	100,217	23,587	X

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes.

Key: NV = Nominal or Notional Value; L1=Level1; L2=Level2; L3=Level3; Fair value*: Fair value excluding variations due to changes in the creditworthiness of the issuer since the issue date

2.2 Breakdown of “Financial liabilities held for trading”: subordinated liabilities

There are no amounts to be disclosed in this consolidated report.

2.3 Breakdown of “Financial liabilities held for trading”: structured debts

There are no amounts to be disclosed in this consolidated report.

Section 3- Financial liabilities designated at fair value

Caption 30

3.1 Financial assets designated at fair value: breakdown

Type of transaction/Amounts	Total					Total				
	31.12.2022					31.12.2021				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
1. Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	X	X	X	X	X
- financial guarantees granted	-	X	X	X	X	X	X	X	X	X
2. Due to customers	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	X	X	X	X	X
- financial guarantees granted	-	X	X	X	X	X	X	X	X	X
3. Debt securities	879,198	-	879,198	-	4,173,865	-	-	-	-	4,173,865
3.1 Structured	879,198	-	879,198	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	879,198	-	879,198	-	4,173,865	-	-	-	-	4,173,865

The item includes certificates with unconditionally protected capital (structured debt securities). Classification into this category derives primarily from the reconciliation of these liabilities to the portfolios managed by Capital Market, which, according to the Group's policies, are measured at fair value considering the objectives pursued and reported performance. In addition, this classification makes it possible to pursue a "natural hedge" of derivatives entered into in order to "balance" the risks assumed with derivatives embedded in issued liabilities (derivatives that were classified as "trading" when recognised).

Key: VN = Nominal Value; L1 = Level 1; L2 = Level 2; L3 = Level 3; Fair value* = fair value calculated excluding value adjustments due to changes in the creditworthiness of the issuer since the issue date.

3.2 Breakdown of "Financial liabilities designated at fair value": subordinated liabilities

There are no amounts to be disclosed in this consolidated report.

Section 4 – Hedging derivatives

Caption 40

4.1 Hedging derivatives: breakdown by type of hedge and hierarchy levels

	Fair value 31.12.2022				Fair value 31.12.2021			
	L1	L2	L3	NV 31.12.2022	L1	L2	L3	NV 31.12.2021
A. Financial derivatives	-	512,981	-	5,526,745	-	249,178	-	5,288,925
1) Fair value	-	507,974	-	5,472,299	-	248,939	-	5,234,479
2) Cash flows	-	5,007	-	54,446	-	239	-	54,446
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	512,981	-	5,526,745	-	249,178	-	5,288,925

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes.

Key: NV = Notional Value; L1=Level1; L2=Level2; L3=Level3

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value							Cash flows		Foreign investments
	Micro-hedging						Macro-hedging			
	debt securities and interest rates	equity instruments and stock indexes	currencies and gold	credit	commodities	other		Micro-hedging	Macro-hedging	
1. Financial assets measured at fair value through other comprehensive income	7,652	845	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	156,357	X	-	-	X	X	X	5,007	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	164,009	845	-	-	-	-	-	5,007	-	-
1. Financial Liabilities	61,573	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	281,547	X	-	X
Total liabilities	61,573	-	-	-	-	-	281,547	-	-	-
1. Forecast transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 5 – Change in value of macro-hedged financial liabilities

Caption 50

5.1 Change in value of hedged financial liabilities

Change in value of hedged financial liabilities / Group components	31.12.2022	31.12.2021
1. Positive adjustment of financial liabilities	-	-
2. Negative adjustment of financial liabilities	(281,292)	-
Total	(281,292)	-

The balance of the item represents the valuation effect as at 31 December 2022 of the liability items (modelled direct funding, qualifying as “Demand Items”) identified as subject to macro hedging of interest rate risk, as part of the macro-hedge accounting strategy qualified in 2022.

Section 6 – Tax liabilities

Caption 60

Please refer to the information provided in section 11, Assets.

Section 7 – Liabilities associated with assets classified as held for sale

Caption 70

For details about Liabilities associated with assets classified as held for sale, please refer to the information provided in section 12 of Part B, Assets.

Section 8 - Other liabilities

Caption 80

8.1 Other liabilities: breakdown

	31.12.2022	31.12.2021
Amounts due to banks	47,418	49,791
Amounts due to customers	1,925,721	808,115
Net adjustments on collection of receivables for third parties	50,000	902,759
Staff emoluments and related social contributions	92,866	81,758
Amounts due to third parties for coupons, securities and dividends to be collected	214,454	52,960
Amounts due to the tax authorities on behalf of customers and personnel	258,938	249,163
Bank transfers for clearance	23,782	28,941
Advances for the purchase of securities	46	-
Due to suppliers	444,640	290,185
Third-party payments as surety for loans	730	380
Amounts due to the tax authorities for stamp duty	-	104
Repayment to be made to INPS	348	320
Pension fund liabilities	1,600	2,239
Items in transit	37,463	44,950
Accrued expenses and deferred income	147,987	66,831
Other liabilities to third parties	433,169	382,824
Total	3,679,162	2,961,320

From the analysis carried out by the Group for the purposes of IFRS 15, a single type of contract liability has been identified, amounting to Euro 17.7 million classified under the caption "Accrued liabilities and deferred income", which refers to the portion of consideration paid in advance by customers for warranty services provided by Group banks for a period of time ("over time performance obligation"), relating to the portion not yet accrued at the end of the period.

Section 9 – Employee termination indemnities

Caption 90

9.1 Employee termination indemnities: annual changes

	31.12.2022	31.12.2021
A. Opening balance	209,973	148,199
B. Increases	27,061	83,359
B.1 Provisions for the year	944	121
B.2 Other changes	26,117	83,238
- of which: business combinations	25,298	78,239
C. Decreases	59,810	21,585
C.1 Benefits paid	27,686	13,939
C.2 Other changes	32,124	7,646
D. Closing balance	177,224	209,973
Total	177,224	209,973

The caption "Other decreases" (C.2) includes actuarial gains (Euro 19.2 million), in addition to the portion of termination indemnities transferred to complementary pension funds (Euro 12 million).

9.2 Other information

The following tables detail the changes in employee termination indemnities, as well as the principal demographic and financial assumptions made in order to quantify the provision using the Projected Unit Credit Method (pursuant to IAS 19R, § 65-67); lastly, table 9.2.3 presents the comparative information required by law.

9.2.1 Changes in employee termination indemnities during the year

Description/Amounts	31.12.2022	31.12.2021
A. Opening balance	209,973	148,199
B. Increases	27,061	83,359
1. Current service cost	131	111
2. Financial charges	812	10
3. Contribution to the plan by employees	-	-
4. Actuarial losses	-	4,359
5. Exchange differences	-	-
6. Past service cost	-	-
7. Other changes	26,118	78,879
C. Decreases	59,810	21,585
1. Benefits paid	27,686	13,940
2. Past service cost	-	-
3. Actuarial gains	19,216	-
4. Exchange differences	-	-
5. Curtailments	-	-
6. Settlement	-	-
7. Other changes	12,908	7,645
D. Closing balance	177,224	209,973

The caption "Other increases" (B.7) includes the portion of termination indemnities acquired from the business combination with the Carige Group (Euro 25.3 million).

The caption "Other decreases" (C.7) includes the portion of termination indemnities transferred to complementary pension funds (Euro 12.0 million).

9.2.2 Description of the main actuarial assumptions

Main actuarial assumptions/Percentages	31.12.2022	31.12.2021
Discount rates	3.71%	0.41%
Expected increase in remuneration	n/a	n/a
Turnover	1.94%	1.92%
Inflation rate	2.30%	1.75%
Interest rate adopted for the calculation of interest cost	0.42%	0.01%

In addition to the average data included in the table, the approach taken to identify the principal actuarial assumptions is described below:

- Discount rates: the curve of "Euro Composite AA" rates for prime corporate bonds listed in the Euro market on the measurement date has been used.
- Turnover: time series analysis of the events giving rise to terminations and adjustments to take account of any "anomalies" that occurred in the past. The assumptions made about turnover took account of grade, seniority, age and gender.
- Inflation rate: a rate of 2.30% was used.
- Net interest cost: it was calculated at a rate that reflected the duration of the liability.

Demographic assumptions

As regards the demographic bases, the analyses performed on the time series of staff of companies included in the scope of consolidation focused on monitoring the trend in the following reasons for elimination:

- rate of employee mortality: except for the Section A pension fund, for which use was made of table A62, the ISTAT life expectancy table of resident population was used, broken down by age and gender;
- rate of employee disability: the tables used for the INPS model to generate "Initial projections for 2010" were used;
- frequency and amount of advances on termination indemnities: in order to take into account the effects that these advances have on the timing of severance payments and, consequently on the discounting of the Company's liability, a probability table for the release of part of the accrued volumes was created. The frequency of advance payments and the

- average percentage of termination indemnities requested as an advance were taken from corporate data;
- probability of retirement, resignation, dismissal: this was taken from corporate data; in particular, a table showing the propensity of departure from the Company was created, based on age and gender. With regard to retirement, the calculation considered a 100% probability of satisfying the AGO requirements aligned with Decree 4/2019.

9.2.3 Comparative information: history of plan

Description/Amounts	31.12.2022	31.12.2021
1. Present value of provisions (+)	177,224	209,973
2. Fair value of assets servicing the plan (-)	-	-
3. Plan (surplus) deficit (+/-)	177,224	209,973
4. Adjustments to plan liabilities based on historical experience - actuarial (gains)/losses	(19,216)	4,359
5. Adjustments to plan assets based on historical experience	-	-

The "Adjustments to plan assets based on historical experience" solely comprise actuarial gains and losses.

9.2.4 Sensitivity analysis on employee termination indemnities

As required by IAS 19 Revised, we carried out a sensitivity analysis on employee termination indemnities with respect to the more significant actuarial assumptions to show how the liability would change in relation to possible fluctuations in each of these assumptions. In particular, the following table shows how the provision would change in the event of a 50 basis point increase or decrease in the discount and inflation rates compared with the parameters actually used.

Employee termination indemnities	31.12.2022	+50 bps	-50 bps
	DBO	DBO	DBO
discount rates	177,224	173,702	185,001
inflation rate	177,224	182,451	175,151

Section 10 – Provisions for risks and charges

Caption 100

10.1 Provisions for risk and charges: breakdown

Description/Amounts	31.12.2022	31.12.2021
1. Impairment provisions for credit risk related to commitments and financial guarantees granted	70,102	57,177
2. Impairment provisions related to other commitments and guarantees granted	84,395	40,042
3. Provisions for pension and similar obligations	115,987	140,255
4. Other provisions for risk and charges	1,018,828	610,487
4.1 legal and fiscal disputes	269,468	178,739
4.2 personnel charges	568,119	391,599
4.3 other	181,241	40,149
Total	1,289,312	847,961

10.2 Provisions for risks and charges: annual changes

	Impairment provisions related to other commitments and guarantees granted	Provisions for pensions and similar obligations	Other provisions for risk and charges	Total
A. Opening balance	40,042	140,255	610,487	790,784
B. Increases	62,345	19,381	693,341	775,067
B.1 Provisions for the year	57,406	680	346,237	404,323
B.2 Time value changes	-	1,312	3,384	4,696
B.3 Changes due to discount-rate adjustments	-	-	-	-
B.4 Other increases	4,939	17,389	343,720	366,048
- of which: business combinations	4,939	17,374	292,101	314,414
C. Decreases	17,992	43,649	285,000	346,641
C.1 Use during the year	16,111	8,334	167,660	192,105
C.2 Changes due to discount rate adjustments	-	35,315	16,703	52,018
C.3 Other changes	1,881	-	100,637	102,518
D. Closing balance	84,395	115,987	1,018,828	1,219,210

The changes due to discount rate adjustments also include actuarial gains and losses, considering not just interest rate movements, but also other demographic and financial factors, where applicable.

The item “Provisions in the year”, relating to “Other provisions for risks and charges”, includes mainly:

- provisions for Euro 166.2 million in expenses relating to the extension of the workforce optimisation effort already envisaged in the Business Plan, and Euro 24 million attributable to the adjustment of the cost of the workforce optimisation initiative announced in December 2021. With reference to the extension of optimisation operation, on 10 June 2022, the Bank presented the 2022-2025 Business Plan to the market. Among other initiatives, the Business Plan provides for the voluntary exit of roughly 3,300 staff, clarifying that there will be an “additional manoeuvre”; the latter augments the initiative formalised on 28 December 2021 with the Trade Union Organisations (with the same entitlements, criteria and provisions remaining the same) so as to reflect the amount already expensed and contractually agreed by Banca Carige and of the merger of Banca Carige into BPER Banca; therefore, additional resources were defined to be managed with the activation of the Solidarity Fund. The beneficiaries will be identified from the surplus applications received in excess of the funds available under the agreement entered into with the Trade Union Organisations of 28 December 2021.
- the allocation of Euro 19.3 million, estimated with respect to operational/compliance risk connected with the tax credits acquired by customers. More specifically, the bank estimated the expense connected to any irregularities caused by the assignor (customer) which may delay the timeframe for using the credits, given that the BPER Banca Group has put stringent control protocols in place both in the phase of acquisition of the individual credit and in the credit’s technical analysis;
- the allocation of Euro 16.8 million, estimated with respect to the expense of the BPER Banca Group connected with the disposal to Banco Desio of the business unit composed of 8 branches of the subsidiary Banco di Sardegna (the total provision allocated as at 31 December 2022 amounted to Euro 23.1 million, recorded under liabilities associated with assets classified as held for sale);
- the allocation of Euro 7 million to cover the risks connected with the repayment to customers of expenses not accrued in the event of early settlement of the loans disbursed. Ruling no. 263 of 22 December 2022 of the Constitutional Court actually declared art. 11-octies, paragraph 2, of Decree Law no. 73 of 25 May 2021, converted, with amendments, to law no. 106 of 23 July 2021, to be constitutionally illegitimate, limited to the wording “and the secondary rules contained in the transparency and supervisory provisions of the Bank of Italy”. Said ruling has a direct impact on the activities of the BPER Banca Group given that it declared the reimbursement to customers of unearned recurring and upfront expenses to be legitimate (the latter, in particular, forming the object of the “Lexitor” judgment no. 383 of 11 September of the EU Court of Justice) also for contracts - terminated ahead of time - for fifth-of-salary/pension-backed loans and personal loans taken out before 25 July 2021. This called for an in-depth analysis of all costs impacted by the potential repayment risk, which led to

the decision to further add to the amount of funds allocated to cover said risk already in previous years, therefore bringing the amount of provisions to Euro 14.7 million as at 31 December 2022.

The item "Provision for the year", relating to "Provisions for other commitments and other guarantees issued", includes primarily the prudential estimate of Euro 33.9 million for compensation that potentially may be paid to the acquirers of portfolios of non-performing loan portfolios sold over the years, in relation to claims received, once their validity and consistency have been verified.

The item "Other increases" refers mainly to the funds acquired as part of the business combination of the Carige Group.

10.3 Impairment provisions for credit risk related to commitments and financial

Impairment provisions for credit risk related to commitments and financial guarantees granted					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total
Commitments to distribute funds	12,433	7,259	29	-	19,721
Financial guarantees granted	2,345	3,468	44,568	-	50,381
Total	14,778	10,727	44,597	-	70,102

10.4 Provisions for other commitments and other guarantees granted

	31.12.2022
1. Other guarantees granted	41,645
2. Other commitments	42,750
Total	84,395

10.5 Provisions for pension with defined-benefits

10.5.1 Features of provisions and related risks

BPER Banca s.p.a. and Arca Fondi SGR s.p.a. contribute to the company pension fund; the required information on the various types of pension funds is provided below.

FIP BPER Banca s.p.a.

The in-house supplementary pension fund is not a separate legal entity and its assets are held together with those of the Bank; it is made up entirely of Section "A", classifiable as a "defined benefit" scheme.

Under the Regulations for Section A, beneficiaries receive a supplementary pension subject to revaluation, the cost of which is borne entirely by the Bank.

This section comprises all current employees hired by the Bank prior to 28 April 1993; it also includes all retired beneficiaries, or their heirs, of supplementary pension payments deriving from earlier agreements signed by BPER Banca or by the banks absorbed by the latter over time.

The following tables report the changes in the Fund.

The actuarial gains and losses relating to Section A are recognised as an equity reserve.

The benefits provided by Fund Section A represent post-employment defined benefits, as governed by IAS 19 Revised; accordingly, the liability for these benefits is determined using the actuarial "Projected Unit Credit Method" applied in relation to termination indemnities.

Following the merger by absorption of Banca Carige, the following pension provisions established within the merged company remained separate, also from an accounting perspective, in BPER Banca s.p.a.:

- The Fund of Banca CARIGE s.p.a. ("FIP Carige -Carige Supplementary Pension Fund);
- the Provision of Cassa di Risparmio di Savona ("FIP Carisa");
- the Provision of Cassa di Risparmio di Carrara ("FIP Carrara").

The three Funds are supplementary pension funds which already existed when Law no. 421 of 23 October 1992 entered into force, and as such, they have been registered with the Registry of Pension Funds under special section III since 14 October 1999. The Carige, Carisa and Carrara funds are respectively registered under no. 9004, 9026 and 9154 and are subject to the supervision of COVIP (Pension Fund Supervisory Commission).

The Funds lack independent legal status; both the Carige and Carisa funds are an item in the Balance Sheet which guarantees the Bank's obligation to maintain the resources necessary at any given time for each Fund to pay the benefits payable. They are therefore a provisioning fund of the Bank which guarantees payment of a future obligation.

FIP Carrara was established as a separate and autonomous fund pursuant to art. 2117 of the Italian Civil Code, as part of the Bank's overall assets.

The Funds are not structured in individual accounts and are closed to new participants.

A brief description is provided below.

FIP Carige (Carige Supplementary Pension Fund)

During 2015 the Bank and the unions agreed to undertake a project involving the transformation of the Fund for working participants, retired employees and former employees awaiting a deferred pension from the Fund ("deferred pension recipients"). As a result of this transformation, individual asset packages were calculated on the basis of the benefits accrued to each participant as at 30 June 2015 ("transferable packages"). Such transferable packages are to be transferred, following voluntary enrolment, to another defined-contribution pension fund, along with the employer's future contribution; in the cases of retirees and deferred pension recipients, the transformation called for payment of (current or future) pensions in lump-sum form and the calculation of the sums to be offered at 30 June 2015, also through voluntary enrolment, with the exclusion of all other benefits from the Bank.

In implementation of the resolution of the Board of Directors of 27 October 2015, agreements were entered into with the unions to formalise the arrangements indicated above.

Following the aforementioned operation, which continued even after 2015 and which provided, in the case of working participants, for their voluntary enrolment to another defined contribution pension fund, along with the employer's future contribution and, in the case of retirees and deferred pension recipients, payment of the pension principal amount, likewise on a voluntary enrolment basis; the group of participants in the Fund as at the end of the year consisted of 3 deferred pension recipients and 128 retirees.

FIP Carisa (Carisa Supplementary Pension Fund)

During 2016, the same actions as those concerning FIP Carige were implemented for FIP Carisa, with only 1 deferred pension recipients and 6 retirees participating in the Carisa Fund as at the end of the year.

FIP Carrara (Carrara Supplementary Pension Fund)

Only retired employees are registered with FIP Carrara, as the defined contribution section which the employees participated in, was settled in February 2015, in compliance with the resolution taken by the Board of Directors of Cassa di Risparmio di Carrara on 10 November 2014.

Currently, the Carrara Fund has functions limited to a group of 35 retired employees.

FIP Arca Fondi SGR s.p.a.

The fund recorded by Arca Fondi SGR relates to the guarantee given by the company to the members of the "Obiettivo TFR" section of the pension fund. This fund assures the guaranteed minimum represented by the net contributions paid in, having regard for the changes in yields and actuarial assumptions. The amount of the fund was determined by considering the expected yields on the investments made by the section and demographic assumptions about the death and invalidity of members, using a discounting rate - gross of taxation - that reflects the present value of money and the specific risks associated with the contingent liability.

10.5.2 Changes in the year of net liabilities (assets) with defined-benefits and redemption rights

Description/Amounts	31.12.2022	31.12.2021
Opening balance	140,255	148,357
A. Increases	19,381	370
1. Current service cost	680	-
2. Financial charges	1,312	370
3. Contribution to the plan by employees	-	-
4. Actuarial losses	-	-
5. Exchange differences	-	-
6. Past service cost	-	-
7. Other changes	17,389	-
B. Decreases	43,649	8,472
1. Benefits paid	8,334	6,771
2. Past service cost	-	-
3. Actuarial gains	35,315	658
4. Exchange differences	-	-
5. Curtailments	-	-
6. Settlement	-	-
7. Other changes	-	1,043
Final balance	115,987	140,255

Actuarial gains are mostly attributable to gains obtained from the revision of financial assumptions primarily as a result of the growth in the curve of the inflation rates

10.5.3. Information on fair value of plan assets

As mentioned already, the staff pension funds are in-house defined-benefit plans; the resources to be utilised to cover these liabilities are invested, without separate identification, in operating assets.

10.5.4 Description of the main actuarial assumptions

The demographic assumptions made for the measurement were based on A62 tables on the probability of death of retired staff by gender.

The financial assumptions adopted were:

- Discount rates: the curve of "Euro Composite AA" rates for prime corporate bonds listed in the Euro market on the measurement date has been used.
- Inflation rate: a fixed rate of 2.30% was used
- Net interest cost: it was calculated at a rate that reflected the duration of the liability.

10.5.5. Sensitivity analysis and information on the amount, timing and uncertainty of financial cash flows

As required by IAS 19 Revised, a sensitivity analysis was carried out on the obligation of pension funds with respect to the more significant actuarial assumptions to show how the liability would change in relation to reasonably possible movements in each of these assumptions. The following table shows how the provision would change in the event of a 50 basis point increase or decrease in the discount rate compared with the parameters actually used.

Provisions for pensions and similar obligations	31.12.2022	+50 bps discount rate	-50 bps discount rate
	<i>DBO</i>	<i>DBO</i>	<i>DBO</i>
BPER Banca s.p.a.	99,915	95,035	105,248
FIP Carige (Carige Supplementary Pension Fund)	12,170	11,790	12,578
FIP CR Savona	220	213	227
FIP Carrara	2,861	2,771	2,956
Arca Fondi SGR	821	819	823

In compliance with the requirements of IAS 19 Revised with regard to additional disclosures, an estimate of future cash flows was carried out at 31 December 2022, as shown in the following table:

Future cash-flows

Provisions for pensions and similar obligations	1st year	2nd year	3rd year	4th year	5th year
BPER Banca s.p.a.	7,377	7,255	7,127	6,991	6,845
FIP Carige (Carige Supplementary Pension Fund)	1,535	1,412	1,299	1,193	1,094
FIP CR Savona	29	27	25	22	20
FIP Carrara	385	356	328	300	273

10.5.6 Multi-employer plans

At 31 December 2022 there were no multi-employer plans in place.

10.5.7 Defined-benefit plans that share risks between entities under common control

At 31 December 2022 there were no plans of this type.

10.6 Provisions for risks and charges - other provisions

10.6.1 Legal disputes

	31.12.2022	31.12.2021
A. Opening balance	178,739	156,124
B. Increases	133,411	65,030
Provisions for the year	68,244	44,387
Other increases	65,167	20,643
C. Decreases	42,682	42,415
Other decreases	23,656	23,564
Uses for the year	19,026	18,851
D. Closing balance	269,468	178,739

The BPER Banca Group operates in a highly regulated sector, that of banking, which exposes the Group banks and companies to various types of legal risks. We refer mainly to the disputes relating to the banking and financial services typically provided to Group customers, therefore relating mainly to aspects of compound interest and usury, contractual invalidity and unauthorised activities, tax disputes, loan origination and management in its various phases, performing or non-performing, including therein bankruptcy claw-backs.

The banks and companies of the BPER Banca Group (including the legal entities then merged by absorption into the Parent Company) were also subject to various audits by the Tax Authorities. These activities concerned the taxable income declared for the purpose of income tax, VAT, registration tax, and more generally the manner in which the tax legislation in force at the time was applied. As a consequence of said inspections, the BPER Banca Group is involved in a number of legal proceedings.

All Legal and tax disputes are subject to specific analysis by the competent structures of the Parent Company, in order to identify those for which the settlement is likely to require the use of resources intended to produce economic benefits and, consequently, require the allocation of provisions.

The legal and tax risks in respect of which no allocations were recognised were identified as “contingent liabilities”, consisting in:

- possible obligations, in that it has yet to be confirmed whether the entity has a present obligation that could lead to an outflow of resources embodying economic benefits;
- present obligations that do not meet the recognition criteria in this Standard (because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made).

Lastly, contingent liabilities with the possibility of any outflow in settlement being deemed “remote” do not require any disclosure, pursuant to the provisions of IAS 37.

In relation to the contingent liabilities (possible risks) stemming from disputes brought in civil proceedings by customers who were the recipients of banking and financial services provided by the Group banks and companies, it should be noted that the high number of cases makes it difficult to provide a detailed list, while their varying natures makes it extremely difficult to group them into similar types. The total damages claimed by the claimants amounted to Euro 322.5 million as at 31 December 2022. In respect of this risk, even though not expressly required by IAS 37, the Group has provisions in place mainly due to the acquisition of positions of possible risk from business combinations⁸⁵, the estimate and allocation of non-recurring legal expenses and the substantially prudential approach adopted in the risk assessments.

The update of the main situations of possible legal risk are presented below.

BPER Banca (formerly Emro Finance Ireland Ltd) - fiscal years 2005-2009

Recalling that the Bologna Regional Tax Commission ruled on the appeal filed by the Revenue Agency, reversing the first instance sentences, entirely in favour of the Bank, the Bank submitted an appeal to the Court of Cassation in partial acceptance of the appeal filed by the Revenue Agency and in the absolute conviction of the correctness of its actions, as early as on 13 June 2018 and is still awaiting a date to be set for the hearing.

In the meantime, the Commission accepted the Bank's request to suspend the enforceability of the second-level sentence. Also in light of the fiscal opinion issued by professionals and advisors with proven experience who do not consider the risk of losing as probable, at the date of preparation of these financial statements no amount was set aside in the provisions for risks and charges, but a provision for the estimated legal fees was recorded.

BPER Banca (former Banca Carige): DTA and ACE exemption of goodwill - tax year 2013

The event stems from an official tax audit report, notified to the Company on 26 February 2016 by the Italian Revenue Agency - Regional Department of Revenue of Liguria, in which the time sequence of the impairment procedure was contested concerning the goodwill recognised in 2012 by the subsidiary Banca Carige Italia s.p.a. (in the meantime merged by absorption into Banca Carige) upon transfer of a banking carve-out and regarding the tax relief pursuant to article 176 of the TUIR (Consolidated Income Tax Act).

Said specific accounting dispute led to the derecognition of a portion of the deferred tax assets (DTAs) recognised in connection with the tax relief of the aforementioned goodwill and then subject to conversion into tax credit.

In particular, in the aforementioned tax measure:

- the tax credit recognised in due course by Banca Carige Italia s.p.a. in relation to the conversion of DTAs for an amount of roughly Euro 205 million was partially derecognised;
- higher IRES payable for approximately Euro 2.1 million (plus interest and the application of the relevant administrative sanctions) was ascertained, as a result of the reduction of the ACE tax base generated due to the derecognition of the positive effect stemming from the allocation to reserves of a portion of the 2012 profit.

The Bank lodged an appeal to the Provincial Tax Commission of Genoa, which fully cancelled the tax claim by ruling no. 708/2018 filed on 19 June 2018.

The Tax Authorities lodged an appeal in relation to which the Bank entered an appearance before the court.

The hearing to discuss the case was held on 25 November 2021 before the Regional Tax Commission. On 2 February 2023, the second instance Court of Tax Justice of Liguria filed a ruling which fully upheld the appeal submitted by the Office against the first instance ruling, with the consequent unfavourable outcome for the Bank; it should be noted however that, in the meantime, BPER Banca had initiated discussions with the Regional Department of the Italian Revenue Agency - Liguria to reach an out-of-court settlement. The outcomes of said discussions are still unknown as at the date of approval of these consolidated financial statements.

Also considering more recent events, the risk was qualified as possible pursuant to IAS 37; however, it should be noted that, as part of the Purchase Price Allocation (PPA) valuation process relating to the business combination with the Carige Group, the tax risk deemed possible was also subject to assessment and estimation of the associated contingent liabilities. For more information, please see part G in these Explanatory Notes.

⁸⁵ Pursuant to IFRS 3 - Business Combinations, possible risks also require fair value measurement at the Purchase Price Allocation stage.

BPER Banca (former Banca Carige): DTAs and ACE from tax alignment of goodwill - tax year 2014

In December 2019, the Italian Revenue Agency served a notice of assessment to the Company regarding corporate income tax IRES for 2014, relating to the position of Banca Carige Italia s.p.a., in the meantime merged by and into Banca Carige s.p.a., essentially reasserting the arguments already put forward in the tax measure concerning 2013.

By means of said tax measure, the Tax Authorities derecognised a portion of the tax credit deriving from the conversion of the DTAs recognised due to the tax relief of goodwill for Euro 668 thousand and ascertained a higher tax amount due of Euro 2.9 million.

The company lodged an appeal against the tax measure to the Provincial Tax Commission which, with judgment no. 32/04/2021, rejected it with the subsequent confirmation of the tax claim. The company then filed an appeal and is waiting for a hearing to be set.

For the same reasons outlined above, the tax risk is qualified as possible for IAS purposes, therefore, in compliance with IAS 37, no provision has been allocated. The contingent liability was subject to fair value measurement as part of the Purchase Price Allocation (PAA) process. For more information, please see part G in these Explanatory Notes.

BPER Banca (former Banca Carige): DTAs and ACE from tax alignment of goodwill - tax year 2015

In March 2021, the Tax Authorities served a notice of assessment to the Company regarding corporate income tax IRES, relating to the position of Banca Carige Italia s.p.a., in the meantime merged by and into Banca Carige s.p.a.

The arguments proposed at the assessment phase are the same as those outlined in previous paragraphs.

At said juncture, the Office derecognised a portion of the tax credit deriving from the conversion of DTAs for an amount of Euro 247 thousand.

The company lodged an appeal to the Provincial Tax Commission and, on 24 May 2022, the hearing of the case was held which concluded with a favourable outcome.

Based on the likeness of *the thema decidendum (matter to be decided)* with similar claims concerning the 2013 and 2014 tax periods, the risk is qualified as possible for IAS purposes, therefore, in compliance with IAS 37, no provision has been allocated. The contingent liability was subject to fair value measurement as part of the Purchase Price Allocation (PAA) process. For more information, please see part G in these Explanatory Notes.

10.6.2 Personnel charges

Description/Amounts	Other personnel provisions	
	31.12.2022	31.12.2021
Opening balance	391,599	182,931
Change in opening balances	-	-
A. Increases	338,874	298,189
1. Current service cost	248,274	244,032
2. Financial charges	2,791	104
3. Contribution to the plan by employees	-	-
4. Actuarial losses	108	4,629
5. Exchange differences	-	-
6. Past service cost	-	-
7. Other changes	87,701	49,424
B. Decreases	162,354	89,521
1. Benefits paid	118,275	82,342
2. Past service cost	-	-
3. Actuarial gains	10,777	-
4. Exchange differences	-	-
5. Curtailments	-	-
6. Settlement	-	-
7. Other changes	33,302	7,179
Final balance	568,119	391,599

The item “Current service cost” includes provisions of Euro 166.2 million relating to the extension of the workforce optimisation manoeuvre already set forth in the Business Plan, in addition to Euro 24 million attributable to the adjustment of the cost of the workforce optimisation initiative announced in December 2021.

With reference to the extension of the workforce optimisation effort, on 10 June 2022, the Bank presented the 2022-2025 Business Plan to the market. Among the other initiatives, the Business Plan provides for the voluntary exit of roughly 3,300 staff, clarifying that there will be an “additional manoeuvre” in addition to the one formalised with the Trade Union Organisations on 28 December 2021 (with entitlements, criteria and provisions remaining the same) so as to reflect the amount already expensed and contractually agreed by Banca Carige and by the merger of Banca Carige into BPER Banca, while defining additional resources to be managed with the activation of the Solidarity Fund. These additional resources are to be identified from the surplus applications received in excess of the funds available under the agreement entered into with the Trade Union Organisations on 28 December 2021.

“Actuarial losses” refer to a “Special one-time long-service payment on termination”, while actuarial gains refer to the sum of the “Seniority bonus” for Euro 1.2 million, the “special long-service payment on termination” for Euro 1.9 million and the “Provision for additional death cover” for Euro 7.6 million.

The item “Other increases” includes the Personnel provisions stemming from the business combination with Banca Carige.

10.6.3 Other provisions

Captions	31.12.2022		31.12.2021	
	Other provisions	Provision for charitable donations	Other provisions	Provision for charitable donations
A. Opening balance	40,130	19	40,216	19
B. Provisions	214,985	-	9,492	-
C. Uses	(73,874)	(19)	(9,578)	-
D. Closing balance	181,241	-	40,130	19

Section 11 – Technical reserves

Caption 110

There are no amounts to be disclosed in this consolidated report.

Section 12 – Redeemable shares

Caption 130

There are no amounts to be disclosed in this consolidated report.

Section 13 – Group shareholders' equity

Captions 120, 130, 140, 150, 160, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

The "Share capital" caption relates solely to the Parent Company. It consists solely of ordinary shares with no par value, fully subscribed and paid.

There are 1,714,504 treasury shares in the Parent Company's portfolio amounting to Euro 5,672 thousand. There are also 62,218 shares relating to -and held by- Bibanca s.p.a., for a total of Euro 6 thousand.

13.2 Share capital – Parent Company's number of shares: annual changes

Description/Types	Ordinary	Other
A. Initial number of shares	1,413,263,512	-
- fully paid-in	1,413,263,512	-
- not fully paid-in	-	-
A.1 Treasury shares (-)	(2,176,328)	-
A.2 Shares outstanding: opening balance	1,411,087,184	-
B. Increases	3,798,830	-
B.1 New issues	2,587,006	-
- against payment:	2,587,006	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	2,587,006	-
- for free:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sales of treasury shares	1,211,824	-
B.3 Other increases	-	-
C. Decreases	750,000	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	750,000	-
C.3 Business disposal transactions	-	-
C.4 Other decreases	-	-
D. Shares outstanding: closing balance	1,414,136,014	-
D.1 Treasury shares (+)	1,714,504	-
D.2 Final number of shares	1,415,850,518	-
- fully paid-in	1,415,850,518	-
- not fully paid-in	-	-

Caption B.1 New Issues includes new shares that BPER Banca issued following the merger by absorption of Banca Carige s.p.a.- Cassa di Risparmio di Genova e Imperia and Banca del Monte di Lucca s.p.a., through the issuing of 2,587,006 new ordinary shares.

Caption B.2 "Sales of treasury shares refers" to shares that BPER Banca has assigned to employees upon their termination of employment, in line with the provisions of the Remuneration Policies.

Caption C.2 Purchase of treasury shares includes the execution of the ordinary treasury share purchase programme - launched on 7 December 2022 and announced to the market in the press release of 6 December 2022 - as part of the 2022 MBO incentive plan as well as any severance payments due.

Further information about transactions in treasury shares is presented in section 8.1 "Treasury shares held" of the Directors' Report on Operations.

13.3 Share capital - other information

The shares that make up the share capital of the Parent Company BPER Banca are not subject to rights, privileges or restrictions.

13.4 Reserves from profits: other information

Reserves from profits are generally established when the profit shown in the financial statements is specifically allocated to reserves.

The Italian Civil Code requires companies to set aside at least 5% of their profit for the year to a special reserve until it reaches one-fifth of the share capital. If, for whatever reason, the amount of the legal reserve falls below this limit of one-fifth of share capital, it has to be reinstated by setting aside at least one-twentieth of the profit until the shortfall is covered.

This caption also includes the consolidation reserves generated following the elimination of the book value of equity investments against the corresponding portion of equity of each of them.

Lastly, this caption includes any effects deriving from the first-time application of new international accounting standards.

The reserves can be used for different operations, depending on their constraints and nature; for the disclosures envisaged in art. 2427 paragraph 7 bis of the Italian Civil Code, please refer to the information provided in the Parent Company's separate financial statements.

13.5 Equity instruments: breakdown and annual changes

Issuer	Interest rate	Step up	Issue date	Maturity date	Currency	Nominal Value (in Euro)
BPER Banca	8.75% fixed rate (up to the first Reset Date)	NO	25.07.2019	perpetual	Eur	150,000,000

During the year, the "Additional Tier 1" convertible bond did not show any changes.

13.6 Other information

There are no amounts to be disclosed other than those already provided in this section.

Section 14 - Minority interests

Caption 190

14.1 Breakdown of caption 190 "Minority interests"

Company name	31.12.2022	31.12.2021
Equity investments in consolidated companies with significant minority interests	179,873	161,873
1. Banco di Sardegna s.p.a.	6,598	6,795
2. Bibanca s.p.a.	5,536	5,152
3. Arca Holding (*)	166,859	149,263
4. Sardaleasing s.p.a.	880	663
Other equity investments	483	624
Total	180,356	162,497

(*) consolidation of the sub-holding company Arca Holding and its wholly-owned subsidiary, Arca Fondi SGR s.p.a.

To determine the relevance of minority interests, see Part A of these Explanatory notes.

Minority interests not considered significant have been recognised under "Other equity investments".

14.2 Equity instruments: breakdown and change in year

There are no amounts in these Consolidated financial statements.

Other information

1. Commitments and financial guarantees granted

	Nominal value on commitments and financial guarantees granted				Total 31.12.2022	Total 31.12.2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
1. Commitments to distribute funds	29,605,380	3,071,513	237,152	-	32,914,045	31,862,443
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	958,040	57,770	1,428	-	1,017,238	1,079,353
c) Banks	1,291,030	68,780	-	-	1,359,810	1,070,539
d) Other financial companies	1,298,299	29,322	18	-	1,327,639	987,506
e) Non-financial companies	23,790,253	2,679,167	228,799	-	26,698,219	24,416,038
f) Households	2,267,758	236,474	6,907	-	2,511,139	4,309,007
2. Financial guarantees granted	880,448	35,076	41,877	-	957,401	721,012
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	27,541	-	-	-	27,541	4,161
c) Banks	70,023	-	-	-	70,023	22,549
d) Other financial companies	302,363	290	61	-	302,714	301,686
e) Non-financial companies	449,991	31,864	40,778	-	522,633	351,407
f) Households	30,530	2,922	1,038	-	34,490	41,209

2. Other commitments and other guarantees granted

	Nominal value	
	31.12.2022	31.12.2021
Other guarantees granted	5,077,906	4,596,114
of which: non performing exposures	96,445	76,709
a) Central Banks	-	-
b) Public Administrations	23,689	19,395
c) Banks	317,187	232,287
d) Other financial companies	125,967	99,178
e) Non-financial companies	4,462,236	4,108,279
f) Households	148,827	136,975
Other commitments	42,750	21,400
of which: non performing exposures	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	42,750	21,400
f) Households	-	-

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31.12.2022	Amount 31.12.2021
1. Financial assets measured at fair value through profit or loss	1,920	124,430
2. Financial assets measured at fair value through other comprehensive income	5,372,962	3,832,352
3. Financial assets measured at amortised cost	11,210,882	30,537,760
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

The assets sold to the vehicle company as part of Covered Bonds transactions amounted to Euro 16,847 million.

4. Breakdown of investments for unit-linked and index-linked policies

There are no amounts to report in these Consolidated financial statements.

5. Asset management and trading on behalf of third parties

Type of service	Amount
1. Trading on behalf of customers	-
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Portfolio management	32,231,204
a) individual	4,645,057
b) collective	27,586,147
3. Custody and administration of securities	303,122,481
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	-
1. securities issued by companies included in consolidation	-
2. other securities	-
b) third party securities held in deposit (excluding portfolio management): other	129,946,123
1. securities issued by companies included in consolidation	3,788,466
2. other securities	126,157,657
c) third party securities deposited with third parties	128,144,737
d) own portfolio securities deposited with third parties	45,031,621
4. Other transactions	24,791,901

6. Financial assets subject to offsetting, master netting agreements and similar

Type	Gross amount of financial assets (a)	Amount of financial liabilities offset in the balance sheet (b)	Net amount of financial assets shown in the balance sheet (c=a-b)	Related amounts not subject to offsetting in the balance sheet		Net amount (f=c-d-e) 31.12.2022	Net amount (f=c-d-e) 31.12.2021	
				Financial instruments (d)	Cash deposit pledged as collateral (e)			
1. Derivatives	2,381,465	-	2,381,465	121,307	1,362,443	897,715	21,056	
2. Repurchase agreements	358,702	-	358,702	358,702	-	-	-	
3. Securities lending	-	-	-	-	-	-	-	
4. Other	-	-	-	-	-	-	-	
Total	31.12.2022	2,740,167	-	2,740,167	480,009	1,362,443	897,715	X
Total	31.12.2021	722.744	-	722.744	700.688	1.000	X	21.056

The amounts shown in the table relate to standard master agreements such as ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements for derivatives and GMRA (Global Master Repurchase Agreement) for repurchase agreement transactions.

Under the agreements executed using the ISDA standard, offsetting of OTC derivative contracts is permitted in the event of default of either party to the agreement and, for almost all institutional counterparties, the terms of the CSA provide for cash collateral that is revised daily based on the contracts' underlying value.

Repurchase agreement transactions entered into with institutional counterparties are governed by the GMRA standard, which, in addition to the delivery of the securities pertaining to the transactions, provide for cash collateral that is revised daily based on the value of the securities.

None of the amounts shown has been offset in the financial statements as the criteria in paragraph 42 of IAS 32 are not satisfied.

For derivatives, the gross amounts (a) are recognised under caption 20 a) "Financial assets measured at fair value through profit or loss - Financial assets held for trading" for Euro 573,437 thousand and under caption 50 "Hedging derivatives" for Euro 1,808,028 thousand; the related financial instruments (d) consist of derivatives recorded under caption 20 "Financial liabilities held for trading" and under caption 40 "Hedging derivatives", whereas cash deposits received (e) are recorded under caption 10 a) "Due to banks".

For repurchase agreements, the gross amounts (a) are recognised under caption 40 a) "Financial assets measured at amortised cost - Loans to banks" for an amount of Euro 358,702 thousand, with no amount being posted to caption 40 b) "Financial assets measured at amortised cost - Loans to customers". The related financial instruments (d) represent the value of the securities pertaining to the transactions, whereas cash deposits received (e) are recognised under caption 10 a) "Due to banks".

7. Financial liabilities subject to offsetting, master netting agreements and similar

Type	Gross amount of financial assets (a)	Amount of financial assets offset in the balance sheet (b)	Net amount of financial liabilities shown in the balance sheet (c=a-b)	Related amounts not offset in the balance sheet		Net amount (f=c-d-e) 31.12.2022	Net amount (f=c-d-e) 31.12.2021	
				Financial instruments (d)	Cash deposit pledged as collateral (e)			
1. Derivatives	698,915	-	698,915	122,782	192,137	383,996	2,229	
2. Repurchase agreements	3,614,886	-	3,614,886	3,614,154	-	732	21,325	
3. Securities lending	-	-	-	-	-	-	-	
4. Other transactions	-	-	-	-	-	-	-	
Total	31.12.2022	4,313,801	-	4,313,801	3,736,936	192,137	384,728	X
Total	31.12.2021	6,472,716	-	6,472,716	6,348,660	100,502	X	23,554

The same considerations of the previous table are valid for framework agreements.

None of the amounts shown has been offset in the financial statements as the criteria in paragraph 42 of IAS 32 are not satisfied.

For derivatives, the gross amounts (a) are recorded under caption 20 "Financial liabilities held for trading" for an amount of Euro 200,352 thousand and under caption 50 "Hedging derivatives" for an amount of Euro 498,563 thousand; the related financial instruments (d) consist of opposite sign derivatives recorded under caption 20 a) "Financial assets measured at fair value through profit or loss - Financial assets held for trading" and under caption 50 "Hedging derivatives", whereas cash deposits made (e) are recorded under caption 40 a) "Loans to banks" and caption 40 b) "Loans to customers".

For repurchase agreements, the gross amounts (a) are recognised under caption 10 a) "Due to banks" for an amount of Euro 3,614,886 thousand, with no amount being posted to caption 10 b) "Due to customers". The related financial instruments (d) represent the value of the securities pertaining to the transactions, whereas cash deposits made (e) are recognised under caption 40 a) "Loans to banks" and, if any, 40 b) "Loans to customers".

8. Security loans

There are no amounts to be reported in these consolidated financial statements.

9. Disclosure on joint control activities

There are no amounts to be disclosed in this consolidated report.

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Part C - Information on the consolidated income statement

Section 1 – Interest

Captions 10 and 20

1.1 Interest and similar income: breakdown

Captions/Technical forms	Debt securities	Loans	Other transactions	Total 31.12.2022	Total 31.12.2021
1. Financial assets measured at fair value through profit or loss:	30,920	339	-	31,259	7,262
1.1 Financial assets held for trading	1,368	-	-	1,368	1,408
1.2 Financial assets measured at fair value	27,037	-	-	27,037	3,413
1.3 Other financial assets mandatorily measured at fair value	2,515	339	-	2,854	2,441
2. Financial assets measured at fair value through other comprehensive income	43,189	-	X	43,189	34,350
3. Financial assets measured at amortised cost:	138,810	2,005,472	X	2,144,282	1,573,728
3.1 Loans to banks	34,174	97,638	X	131,812	23,582
3.2 Loans to customers	104,636	1,907,834	X	2,012,470	1,550,146
4. Hedging derivatives	X	X	(15,616)	(15,616)	(41,244)
5. Other assets	X	X	36,731	36,731	1,516
6. Financial Liabilities	X	X	X	19,614	187,134
Total	212,919	2,005,811	21,115	2,259,459	1,762,746
of which: interest income on impaired financial assets	-	92,998	-	92,998	88,569
of which: interest income on finance lease	X	77,476	X	77,476	59,043

Caption "6. Financial liabilities" includes the interest accrued on the funds obtained from the ECB under the TLTRO III programme for € 11.6 million. The following contributed to the net accrual in FY 2022:

- the interest accrued until 23 June 2022 and determined, according to the economic conditions established by the ECB, by applying the "negative" rates envisaged in the assumption of full achievement of the lending growth objectives (both in the *special reference period* and in the *additional special reference period*) – an objective attained by the BPER Banca Group - for a total of € 89.4 million;
- the interest accrued from 24 June 2022 until 22 November 2022 (term introduced by the amendment made by the ECB to the economic conditions recognised on TLTRO III operations on 27 October 2022) and from 23 November 2022 until 31 December 2022, based on the weighted average rate recognised on cash deposits at the ECB, for a total of € -90.8 million;
- the interest deriving from the reclassification to the income statement of the second half of 2022 of the cash flow hedge reserves accumulated until the date of early closure of qualified hedging relationships by the subsidiary Banca Carige on its TLTRO III lines, for a total € 13 million.

1.2 Interest and similar income: other information

1.2.1 Interest income on foreign currency financial assets

Captions	31.12.2022	31.12.2021
Interest income on foreign currency financial assets	11,190	(8,061)

The caption includes flows from derivatives hedging securities shown under assets.

1.3 Interest and similar expense: breakdown

Captions/Technical forms	Loans	Debt securities	Other transactions	Total 31.12.2022	Total 31.12.2021
1. Financial liabilities measured at amortised cost	206,297	151,205	X	357,502	179,762
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	74,200	X	X	74,200	13,206
1.3 Due to customers	132,097	X	X	132,097	85,800
1.4 Debt securities issued	X	151,205	X	151,205	80,756
2. Financial liabilities held for trading	-	-	26,843	26,843	1,862
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	746	746	637
5. Hedging derivatives	X	X	4,821	4,821	(2,516)
6. Financial assets	X	X	X	43,654	77,639
Total	206,297	151,205	32,410	433,566	257,384
of which: interest expense on lease liabilities	6,320	X	X	6,320	3,997

Caption "6. Financial assets" includes the interest calculated by applying negative interest rates on the available liquidity deposited with the ECB for Euro 41 million.

1.4 Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

Captions	31.12.2022	31.12.2021
Interest expense on foreign currency liabilities	65,797	6,551

Interest in foreign currency relates mainly to repurchase agreements with non-resident banks.

1.5 Spreads on hedging transactions

Captions	Total 31.12.2022	Total 31.12.2021
A. Positive spreads on hedging transactions	140,428	80,623
B. Negative spreads on hedging transactions	(160,865)	(119,351)
C. Balance (A-B)	(20,437)	(38,728)

Section 2 – Commissions

Captions 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	Total 31.12.2022	Total 31.12.2021
a) Financial instruments	292,530	280,820
1. Placement of securities	226,328	222,905
1.1 Through underwriting and/or on a firm commitment basis	517	-
1.2 Without a firm commitment basis	225,811	222,905
2. Reception and transmission of orders and execution of orders on behalf of customers	21,018	17,228
2.1 Reception and transmission of orders for one or more financial instruments	21,018	17,228
2.2. Execution of orders on behalf of customers	-	-
3. Other commission income related to activities connected to financial instruments	45,184	40,687
of which: dealing on own account	672	668
of which: individual portfolio management	44,266	40,019
b) Corporate Finance	2,639	1,976
1. Mergers and acquisitions advisory	756	94
2. Treasury services	-	-
3. Other commission income related to corporate finance services	1,883	1,882
c) Investment advice	2,289	845
d) Clearing and settlement	-	-
e) Collective portfolio management	374,047	393,436
f) Custody and administration	39,370	40,284
1. Depositary bank	-	-
2. Other commission income related to custody and administration services	39,370	40,284
g) Central administrative services for collective portfolio management	-	-
h) Fiduciary services	-	-
i) Payment services	727,235	579,395
1. Current accounts	375,761	298,606
2. Credit cards	68,661	47,962
3. Debit cards and other payment cards	114,986	97,044
4. Bank transfers and other payment orders	105,629	79,475
5. Other commission income related to payment services	62,198	56,308
j) Distribution of third-party services	266,666	206,088
1. Collective portfolio management	1,126	1,052
2. Insurance products	216,716	166,659
3. Other products	48,824	38,377
of which: individual portfolio management	8,726	9,426
k) Structured finance	29,403	7,447
l) Securitisation servicing	941	96
m) Commitments to disburse funds	-	-
n) Financial guarantees granted	45,208	41,663
of which: credit derivatives	-	-
o) Financing transactions	251,142	221,980
of which: factoring transactions	16,381	13,160
p) Currency dealing	15,325	11,718
q) Commodities	-	-
r) Other commission income	69,915	59,638
of which: management of multilateral trading facilities	-	-
of which: management of organised trading facilities	-	-
Total	2,116,710	1,845,386

With respect to the qualitative information on the types of revenue from relations with customers falling within the scope regulated by IFRS 15, please refer to the content of Part L of these Consolidated Explanatory Notes.

2.2 Commission expense: breakdown

Type of services/Amounts	Total 31.12.2022	Total 31.12.2021
a) Financial instruments	2,301	2,016
of which: trading in financial instruments	2,162	1,922
of which: placement of financial instruments	19	44
of which: individual portfolio management	102	50
- Own portfolios	102	50
- Third party portfolios	-	-
b) Clearing and settlement	-	-
c) Collective portfolio management	110,171	135,683
1. Own portfolios	110,171	135,683
2. Third party portfolios	-	-
d) Custody and administration	5,590	5,134
e) Collection and payment services	46,220	34,248
of which: credit cards, debit cards and other payment cards	39,222	27,607
f) Securitisation servicing	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	2,372	1,862
of which: credit derivatives	-	-
i) "Out-of-branch" offer of financial instruments, products and services	7,783	9,506
j) Currency dealing	-	-
k) Other commission expense	20,473	15,362
Total	194,910	203,811

Section 3 – Dividends and similar income

Caption 70

3.1 Dividends and similar income: breakdown

Captions/Income	Total 31.12.2022		Total 31.12.2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	2,333	-	2,325	1
B. Other financial assets mandatorily measured at fair value	815	4,621	90	5,730
C. Financial assets measured at fair value through other comprehensive income	14,355	-	11,938	-
D. Equity investments	-	-	-	-
Total	17,503	4,621	14,353	5,731

Section 4 – Net income from trading activities

Caption 80

4.1 Net income from trading activities: breakdown

Transactions/Income items	Capital gains (A)	Profits on trading (B)	Capital losses (C)	Losses on trading (D)	Net Result [(A+B) - (C+D)]
1. Financial assets held for trading	2,994	5,559	(13,742)	(12,842)	(18,031)
1.1 Debt securities	1,625	4,306	(2,589)	(5,669)	(2,327)
1.2 Equity instruments	1,369	1,250	(11,153)	(7,173)	(15,707)
1.3 UCITS units	-	3	-	-	3
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	X	X	X	X	32,362
4. Derivative instruments	588,314	364,699	(649,831)	(224,135)	63,915
4.1 Financial derivatives:	588,314	363,834	(649,429)	(223,807)	63,780
- on debt securities and interest rates	474,796	352,612	(540,015)	(212,691)	74,702
- on equities and stock indexes	113,363	10,150	(109,270)	(11,069)	3,174
- on currency and gold	X	X	X	X	(15,132)
- other	155	1,072	(144)	(47)	1,036
4.2 Credit derivatives	-	865	(402)	(328)	135
<i>of which: natural hedges connected with the fair value option</i>	X	X	X	X	-
Total	591,308	370,258	(663,573)	(236,977)	78,246

The item includes capital losses on valuation relating to the operational hedging of Certificates, for a total of € 52.3 million.

Section 5 – Net income from hedging activities

Caption 90

5.1 Net income from hedging activities: breakdown

Income items/Amounts	Total 31.12.2022	Total 31.12.2021
A. Income from:		
A.1 Fair value hedging derivatives	1,807,308	327,392
A.2 Hedged financial assets (fair value)	1,416	1,421
A.3 Hedged financial liabilities (fair value)	350,641	14,582
A.4 Cash-flow hedging derivatives	813	85
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging activity (A)	2,160,178	343,480
B. Charges from:		
B.1 Fair value hedges	352,742	15,786
B.2 Hedged financial assets (fair value)	1,807,277	329,731
B.3 Hedged financial liabilities (fair value)	46	-
B.4 Cash-flow hedging derivatives	804	83
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	2,160,869	345,600
C. Net income from hedging activities (A-B)	(691)	(2,120)
of which: result of hedging on net positions	-	-

Section 6 – Gains (Losses) on disposal or repurchase

Caption 100

6.1 Gains (Losses) on disposal or repurchase: breakdown

Captions/Income items	Total 31.12.2022			Total 31.12.2021		
	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets						
1. Financial assets measured at amortised cost	75,779	(10,051)	65,728	121,769	(36,057)	85,712
1.1 Loans to banks	-	-	-	-	(147)	(147)
1.2 Loans to customers	75,779	(10,051)	65,728	121,769	(35,910)	85,859
2. Financial assets measured at fair value through other comprehensive income	4,966	(712)	4,254	15,564	(76)	15,488
2.1 Debt securities	4,966	(712)	4,254	15,564	(76)	15,488
2.2 Loans	-	-	-	-	-	-
Total assets (A)	80,745	(10,763)	69,982	137,333	(36,133)	101,200
Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities issued	7,641	(808)	6,833	2	(469)	(467)
Total liabilities (B)	7,641	(808)	6,833	2	(469)	(467)

The net result relating to “Financial assets” includes net profits deriving from transfers of loans for Euro 32.5 million plus the gains realised on the disposal of debt securities classified in the HTC and HTC&S portfolios.

Section 7 – Net income on other financial assets and liabilities measured at fair value through profit or loss

Caption 110

7.1 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

Transactions/Income items	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net Result [(A+B) - (C+D)]
1. Financial assets	-	-	(339)	(21,378)	(21,717)
1.1 Debt securities	-	-	(339)	(21,378)	(21,717)
1.2 Loans	-	-	-	-	-
2. Financial Liabilities	88,801	173	(277)	(2)	88,695
2.1 Debt securities issued	88,801	173	(277)	(2)	88,695
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	X	X	X	X	-
Total	88,801	173	(616)	(21,380)	66,978

The "Capital gains" shown on Securities in Issue refer to the Certificates issued during the year and are attributable to the change in fair value attributable to interest rate risk, to the change in fair value of the derivative component embedded in the instruments issued (which is similarly recognised with an entry of opposite sign in Item 80 "Net income from trading activities" against the valuation of derivatives entered into on the market to balance the bank's position), as well as to so-called "commercial margins", which pass through the Income Statement at the time of the first valuation of the financial instrument.

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income items	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net Result [(A+B) - (C+D)]
1. Financial assets	9,451	5,303	(73,297)	(2,410)	(60,953)
1.1 Debt securities	1,385	2,798	(8,282)	(500)	(4,599)
1.2 Equity instruments	59	-	(3,032)	(596)	(3,569)
1.3 UCITS units	7,488	2,505	(56,438)	(1,314)	(47,759)
1.4 Loans	519	-	(5,545)	-	(5,026)
2. Foreign currency financial assets: exchange differences	X	X	X	X	(393)
Total	9,451	5,303	(73,297)	(2,410)	(61,346)

Section 8 – Net impairment losses for credit risk

Caption 130

8.1 Net impairment losses for credit risk relating to financial assets measured at amortised cost: breakdown

Transactions/Income items	Impairment losses (1)						Write-backs (2)				Total 31.12.2022	Total 31.12.2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			offs	Other	offs	Other						
A. Loans to banks	(3,663)	(19,578)	-	-	-	-	4,390	-	-	(18,851)	1,999	
- Loans	(3,647)	(19,578)	-	-	-	-	4,376	-	-	(18,849)	1,289	
- Debt securities	(16)	-	-	-	-	-	14	-	-	(2)	710	
B. Loans to customers	(62,830)	(192,699)	(41,984)	(549,866)	(9,638)	(126,700)	11,446	59	262,709	122,295	(587,208)	(839,193)
- Loans	(62,277)	(188,212)	(41,984)	(549,866)	(9,638)	(126,700)	10,799	59	262,709	122,295	(582,815)	(839,068)
- Debt securities	(553)	(4,487)	-	-	-	-	647	-	-	-	(4,393)	(125)
Total	(66,493)	(212,277)	(41,984)	(549,866)	(9,638)	(126,700)	15,836	59	262,709	122,295	(606,059)	(837,194)

8.1a Net impairment losses for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures: breakdown

Transactions/Income items		Net impairment losses						Total 31.12.2022	Total 31.12.2021
		Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired			
				Write-offs	Other	Write-offs	Other		
1. Loans subject to forbearance measures compliant with GL		1	-	-	-	-	-	1	(2,687)
2. Loans subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures		-	-	-	-	-	-	-	(5,409)
3. Loans subject to other forbearance measures		-	(87)	-	(98)	-	(173)	(358)	(31,319)
4. New loans		(4,572)	(12,687)	(1)	(7,719)	-	(2,214)	(27,193)	(5,522)
Total	31.12.2022	(4,571)	(12,774)	(1)	(7,817)	-	(2,387)	(27,550)	(44,937)
Total	31.12.2021	(3.636)	(27.220)	-	(10.980)	-	(3.101)	(44.937)	

8.2 Net impairment losses for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income items	Impairment losses (1)						Write-backs (2)				Total 31.12.2022	Total 31.12.2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt securities	(632)	-	-	-	-	-	49	141	-	-	(442)	2,115
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(632)	-	-	-	-	-	49	141	-	-	(442)	2,115

8.2a Net impairment losses for credit risk relating to loans measured at fair value through other comprehensive income subject to Covid-19 support measures: breakdown

No table is provided in these consolidated financial statements as the circumstances do not apply.

Section 9 - Gains (Losses) from contractual modifications without derecognition

Caption 140

9.1 Gains (Losses) from contractual modifications: breakdown

The caption in question includes the economic impact of contractual modifications that do not qualify for derecognition of the assets and which, as a result, entail a change in the related amortised cost based on discounting the new contractual flows at the original Internal Rate of Return (IRR).

The scope of the exposures under consideration is represented by a portion of the forbore exposures (performing and non-performing) or situations in which the contractual modification is linked to the borrower's financial difficulty and does not fall within the concept of a "substantial modification" for the BPER Banca Group.

The impact calculated on the basis of this scope is added to the write-downs envisaged by the Group in application of its own policies for the assessment of performing and non-performing loans and, for the two types of exposures, comes to a total amount of Euro 139 thousand.

Section 10 – Net insurance premiums

Caption 160

There are no amounts to be disclosed in this consolidated report.

Section 11 – Other net insurance income (expense)

Caption 170

There are no amounts to be disclosed in this consolidated report.

Section 12 – Administrative expenses

Caption 190

12.1 Staff costs: breakdown

Type of costs/Amounts	Total 31.12.2022	Total 31.12.2021
1) Employees	1,639,432	1,483,430
a) wages and salaries	1,059,453	928,183
b) social security charges	277,328	240,661
c) termination indemnities	53,962	49,977
d) pension expenses	623	557
e) provision for employee termination indemnities	980	121
f) provision for pension and similar commitments:	1,071	368
- defined contribution plan	-	-
- defined benefit plans	1,071	368
g) payments to external supplementary pension funds:	37,941	27,805
- defined contribution plan	37,941	27,805
- defined benefit plans	-	-
h) costs from share-based payments	587	4,812
i) other employee benefits	207,487	230,946
2) Other not-retired employees	32,215	34,975
3) Directors and Statutory Auditors	10,318	9,751
4) Retired employees	321	84
Total	1,682,286	1,528,240

The caption “other employee benefits” includes the allocation of Euro 166.2 million in expenses relating to the extension of the workforce optimisation manoeuvre already envisaged in the Business Plan, and Euro 24 million attributable to the adjustment of the cost of the workforce optimisation effort announced in December 2021.

With reference to the extension of the workforce optimisation effort, on 10 June 2022, the Bank presented the 2022/2025 Business Plan to the market. Among the other initiatives, the Business Plan provides for the voluntary exit of roughly 3,300 staff, clarifying that there will be an “additional manoeuvre” in addition to the one formalised with the Trade Union Organisations on 28 December 2021 (with entitlements, criteria and provisions remaining the same) so as to reflect the amount already expensed and contractually agreed by Banca Carige and by the merger of Banca Carige into BPER Banca, while defining additional resources to be managed with the activation of the Solidarity Fund. These additional resources are to be identified from the surplus applications received in excess of the funds available under the agreement entered into with the Trade Union Organisations on 28 December 2021.

12.2 Average number of employees by category

	31.12.2022	31.12.2021
Employees:	18,443	16,616
a) Managers	331	281
b) Middle managers	6,603	5,952
c) Remaining employees	11,509	10,383
Other personnel	557	629

The increase shown in the number of employees mainly reflects the increased perimeter caused by the acquisition of Banca Carige and its subsidiaries.

12.2.1 Final number of employees by category: banking group

	31.12.2022	31.12.2021
Employees:	21,059	18,128
a) Managers	361	315
b) Total 3rd and 4th level middle managers	2,726	2,462
c) Total 1st and 2nd level middle managers	4,630	4,054
d) Remaining employees	13,342	11,297
Other personnel	832	494

The number of employees does not include staff on leave

12.3 Defined benefit company pension funds: costs and revenues

Type of costs/Amounts	31.12.2022	31.12.2021
Provisions for defined-benefit pension plans	1,071	368

For more information on defined-benefit pension plans, please refer to Part B of these Explanatory notes, section 10 "Provisions for risks and charges".

12.4 Other employee benefits

Type of costs/Amounts	31.12.2022	31.12.2021
Other employee benefits	207,487	230,946

For more information on the composition of the item, please refer to the footnotes in table 12.1 Personnel expenses: breakdown

12.5 Other administrative expenses: breakdown

Captions	31.12.2022	31.12.2021
Indirect taxes and duties	400,807	266,647
Stamp duty	235,153	220,380
Other indirect taxes with right of recourse	18,924	14,478
Municipal property tax	18,813	14,858
Other	127,917	16,931
Other costs	1,011,514	778,508
Maintenance and repairs	125,828	117,707
Rental expense	23,379	26,106
Post office, telephone and telegraph	24,568	25,008
Data transmission fees and use of databases	98,911	64,890
Advertising	27,692	34,370
Consulting and other professional services	184,225	118,502
Lease of IT hardware and software	61,025	62,894
Insurance	21,892	14,076
Cleaning of office premises	13,123	19,700
Printing and stationery	12,900	15,040
Energy and fuel	55,425	20,219
Transport	16,956	13,292
Staff training and expense refunds	13,933	12,489
Information and surveys	16,239	14,155
Security	11,342	11,032
Administrative services	31,246	24,739
Use of external data gathering and processing services	51,972	13,370
Membership fees	9,904	8,945
Condominium expenses	9,001	5,698
Contribution to SRF, DGS, IDPF-VS	172,423	133,699
Sundry other	29,530	22,577
Total	1,412,321	1,045,155

The caption "Contributions to SRF, DGS, FITD-VS" includes the 2022 regular contribution to the SRF (European Single Resolution Fund) of Euro 45.7 million and the 2022 regular contribution of Euro 126.7 million to the DGS (Deposit Guarantee Scheme).

The caption "Indirect taxes and duties - Other" includes the fee paid for the conversion of the tax losses of Carige into DTAs (Euro 111.5 million).

Other administrative expenses includes one-off expenses relating to the acquisition of Banca Carige (Euro 55 million).

Section 13 – Net provisions for risks and charges

Caption 200

13.1 Net provisions for credit risk on commitments to distribute funds and financial guarantees granted: breakdown

Type of risks and charges	Impairment losses				Write-backs				31.12.2022	31.12.2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit	Stage 1	Stage 2	Stage 3	Purchased or originated credit		
Commitments to disburse funds	(1,998)	(2,910)	(9)	-	1,543	1,083	-	-	(2,291)	(3,406)
Financial guarantees granted	(64)	(1,109)	(14,249)	-	-	-	14,235	-	(1,187)	(2,321)
Total	(2,062)	(4,019)	(14,258)	-	1,543	1,083	14,235	-	(3,478)	(5,727)

13.2 Net provisions on other commitments and other guarantees granted: breakdown

Type of risks and charges	Impairment losses	Write-backs	31.12.2022	31.12.2021
Other guarantees granted	(26,000)	11,900	(14,100)	(10,402)
Other commitments	(31,405)	6,092	(25,313)	(1,260)
Total	(57,405)	17,992	(39,413)	(11,662)

13.3 Net provisions for other risks and charges: breakdown

Type of risks and charges	31.12.2022	31.12.2021
A. Provisions	(109,219)	(58,226)
1. for legal disputes	(68,244)	(45,402)
2. other	(40,975)	(12,824)
B. Write-backs	19,854	13,467
1. for legal disputes	14,745	11,315
2. other	5,109	2,152
Total	(89,365)	(44,759)

Section 14 – Net adjustments to property, plant and equipment

Caption 210

14.1. Net adjustments to property, plant and equipment: breakdown

Asset/Income items	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. Used in operations	(143,459)	(3,967)	3,352	(144,074)
- Owned	(69,378)	(274)	3,352	(66,300)
- Rights of use acquired through leases	(74,081)	(3,693)	-	(77,774)
2. Held for investment	(59)	-	-	(59)
- Owned	(59)	-	-	(59)
- Rights of use acquired through leases	-	-	-	-
3. Inventories	X	(5,943)	1,051	(4,892)
Total	(143,518)	(9,910)	4,403	(149,025)

The caption "Impairment losses" for an amount of Euro 3.7 million refers to rights of use acquired through leases following the early closure of certain branches.

Section 15 – Net adjustments to intangible assets

Caption 220

15.1 Net adjustments to intangible assets: breakdown

Asset/Income items	Depreciation	Impairment losses	Write-backs	Net result
	(a)	(b)	(c)	(a + b - c)
A. Intangible assets				
of which: software	(62,861)	(6,953)	-	(69,814)
A.1 Owned	(71,694)	(6,953)	-	(78,647)
- Generated internally by the company	-	-	-	-
- Other	(71,694)	(6,953)	-	(78,647)
A.2 Rights of use acquired through leases	-	-	-	-
A. Assets held for sale	X	-	-	-
Total	(71,694)	(6,953)	-	(78,647)

Impairment losses (Euro 7 million) refer to software deemed to have reached the end of its useful life ahead of time.

Section 16 – Other operating expense (income)

Caption 230

16.1 Other operating expense: breakdown

Description/Amounts	31.12.2022	31.12.2021
Loss from loss data collection	25,201	24,646
Amortisation of leasehold improvement expenditure	4,720	4,959
Other expense	85,217	68,139
Total	115,138	97,744

The item Other expenses includes charges for the refund of fast-track loan approval process fees (CIV) to customers for the years 2012 - 2015 (Euro 23.5 million) and compensation relating to loan assignment transactions (Euro 12.5 million).

16.2 Other operating income: breakdown

Description/Amounts	31.12.2022	31.12.2021
Rental income	9,977	8,713
Recovery of taxes	250,541	232,298
Income from Loss data collection	23,952	18,323
Fast-track facility fee	9,986	9,591
Other income	399,755	67,546
Total	694,211	336,471

The item Other income includes the capital gain from the transfer to Nexi s.p.a. of the business unit dealing with merchant acquiring and POS management activities and the equity investment in Numera s.p.a. (Euro 308.3 million), the capital gain from the transfer of the Banca Carige and Banca del Monte di Lucca business units operating in pledge lending (Euro 7.6 million), the adjustment to the cost incurred for the workforce manoeuvre in 2019 (Euro 7.7 million).

Section 17 –Gains (Losses) of equity investments

Caption 250

17.1 Gains (Losses) on equity investments: breakdown

Income items/Sectors	Total 31.12.2022	Total 31.12.2021
1) Companies subject to joint control		
A. Gains	-	-
1. Revaluations	-	-
2. Gains on disposals	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Losses	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses from disposals	-	-
4. Other charges	-	-
Net result	-	-
2) Companies subject to significant influence		
A. Gains	20,476	11,605
1. Revaluations	20,476	11,605
2. Gains on disposals	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Losses	(1,331)	(803)
1. Write-downs	(59)	(773)
2. Impairment losses	(1,272)	(7)
3. Losses from disposals	-	(23)
4. Other charges	-	-
Net result	19,145	10,802
Total	19,145	10,802

"Revaluations" and "Write-downs" reflect the results of the companies consolidated at equity.

The amount shown under "Impairment losses" refers to the impairment test on equity investments which led to the write-down of the interest held in Sant'Anna Golf s.r.l. (Euro 0.8 million), Italiana Valorizzazioni Immobiliari s.r.l. (Euro 0.3 million) and Immobiliare Oasi nel Parco s.r.l. (Euro 0.2 mln).

Section 18 – Valuation differences on property, plant and equipment and intangible assets

Caption 260

18.1 Net result of measurement at fair value (or at a revalued amount) or at the estimated realisable value of property, plant and equipment and intangible assets: breakdown

Asset/Income items	Revaluations (a)	Write-downs (b)	Exchange differences		Net result (a-b+c-d)
			Positive (c)	Negative (d)	
A. Property, plant and equipment	11,221	(41,385)	-	-	(30,164)
A.1 Used in operations:	2,905	(23,798)	-	-	(20,893)
- Owned	2,905	(23,798)	-	-	(20,893)
- Rights of use acquired through leases	-	-	-	-	-
A.2 Held for investment	8,316	(17,587)	-	-	(9,271)
- Owned	8,316	(17,587)	-	-	(9,271)
- Rights of use acquired through leases	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
A. Intangible assets	-	-	-	-	-
B.1 Owned	-	-	-	-	-
- Generated internally by the company	-	-	-	-	-
B.1.2 Other	-	-	-	-	-
B.2 Rights of use acquired through leases	-	-	-	-	-
Total	11,221	(41,385)	-	-	(30,164)

Section 19 – Impairment losses on goodwill

Caption 270

19.1 Impairment losses on goodwill: breakdown

Impairment testing carried out in accordance with IAS 36 did not identify any need to fully write down the goodwill recognised (in 2021, goodwill allocated to the BPER Banca CGU was fully written down for an amount of Euro 230.4 million).

For further details on how the impairment test is carried out and the related results, please refer to Part B, Section 10 - Intangible Assets in these Explanatory Notes.

Section 19 bis - Gain on a bargain purchase

Caption 275

Reported under “Gain on a bargain purchase” is the “Badwill” difference between the purchase price and the fair value of the assets and liabilities purchased with the acquisition of the Banca Carige Group. The amount determined at the end of the Purchase Price Allocation (PPA) process amounted to Euro 948.1 million. For more information, please see part G in these Explanatory Notes.

Section 20 – Gains (Losses) on disposal of investments

Caption 280

20.1 Gains (losses) on disposal of investments: breakdown

Income items/Amounts	Total 31.12.2022	Total 31.12.2021
A. Real estate	3,599	462
- Gains on disposal	4,040	671
- Losses on disposal	(441)	(209)
B. Other assets	(325)	234
- Gains on disposal	32	973
- Losses on disposal	(357)	(739)
Net Profit	3,274	696

Section 21 – Income taxes for the year on current operations

Caption 300

21.1 Income taxes for the year on current operations: breakdown

Income items/Sectors	Total 31.12.2022	Total 31.12.2021
1. Current tax (-)	(20,820)	(91,718)
2. Change in current taxes of prior years (+/-)	(6,033)	26,843
3. Reduction in current taxes of the year (+)	111,549	-
3. bis Reductions in current taxes of the year due to tax credits pursuant to Law 214/2011 (+)	37,100	105,002
4. Changes in deferred tax assets (+/-)	(39,402)	(207,828)
5. Changes in deferred tax liabilities (+/-)	3,391	33,479
6. Tax for the year (-) (-1+/-2+3+3bis+/-4+/-5)	85,785	(134,222)

21.2 Reconciliation of theoretical and actual tax charges

In consideration of the fact that item 300 "Income taxes on continuing operations" of the 2022 financial statements was positive and the fact that the tax effects of the fair value measurement of the assets and liabilities of the Banca Carige Group companies conducted as part of the Purchase Price Allocation (PPA) process were accounted for in item 275 "Badwill" of the 2022 income statement, the reconciliation between the theoretical tax charge and the actual balance sheet tax charge relating to 31 December 2022 produced a result that is not representative of the factual reality and, therefore, the relevant table was not prepared.

Section 22 – Gains (Losses) from non-current assets and disposal groups classified as held for sale after tax

Caption 320

There are no amounts to be disclosed in this Consolidated Report.

Section 23 – Profit (Loss) for the year pertaining to minority interests

Caption 340

23.1 Breakdown of caption 340 "Profit (Loss) for the year pertaining to minority interests"

Company name	31.12.2022	31.12.2021
Consolidated equity investments with significant minority interests	24,909	33,558
1. Banco di Sardegna s.p.a.	585	(431)
2. Bibanca s.p.a.	651	420
3. Arca Holding (*)	23,656	33,768
4. Sardaleasing s.p.a.	17	(199)
Other equity investments	(4)	(32)
Total	24,905	33,526

(*) consolidation of the sub-holding company Arca Holding and its wholly-owned subsidiary, Arca Fondi SGR s.p.a.

To determine the relevance of minority interests, see Part A of these Explanatory notes.

Minority interests not considered significant have been recognised under "Other equity investments".

Section 24 – Other information

The information contained in the above sections is deemed to be detailed and completed, thus providing a full picture of the consolidated income statement.

Section 25 – Earnings per share

IAS 33 requires disclosure of basic and diluted earnings per share (EPS), specifying how each is calculated.

Basic earnings per share reflect the relationship between:

- the earnings attributable to ordinary shareholders,
- and the weighted average number of shares outstanding during the year.

Diluted earnings per share reflect the relationship between:

- the earnings used to calculate Basic EPS, as adjusted by the economic effects of converting all outstanding convertible bonds into shares at period end;
- the number of shares in circulation used to calculate basic EPS, as adjusted by the weighted average of the potential ordinary shares with a diluting effect deriving from the conversion of bonds outstanding at period end.

	31.12.2022			31.12.2021		
	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)
Basic EPS	1,448,975	1,411,912,243	1.026	525,123	1,412,323,581	0.372
Diluted EPS	1,445,366	1,447,626,529	0.998	525,123	1,448,037,867	0.363

The following tables reconcile the weighted average number of ordinary shares outstanding used to calculate basic earnings per share with the number of ordinary shares used to calculate diluted earnings per share; they also reconcile net profit for the year with the net income used to determine basic and diluted earnings per share.

25.1 Average number of ordinary shares (fully diluted)

	31.12.2022	31.12.2021
Weighted average number of outstanding ordinary shares for Base EPS calculation	1,411,912,243	1,412,323,581
Weighted dilutive effect deriving from the potential conversion of convertible bonds	35,714,286	35,714,286
Weighted average number of outstanding ordinary shares for diluted EPS calculation	1,447,626,529	1,448,037,867

25.2. Other information

	31.12.2022	31.12.2021
Profit (Loss) for the year	1,448,975	525,123
Allocations not attributable to the shareholders	-	-
Net profit for Basic EPS calculation	1,448,975	525,123
Change in income and charges deriving from conversion	(3,609)	-
Net profit for diluted EPS calculation	1,445,366	525,123

Part D – Consolidated other comprehensive Income

Consolidated detailed statement of other comprehensive income

Captions		31.12.2022	31.12.2021
10.	Profit (Loss) for the year	1,473,880	558,649
	Other comprehensive income that will not be reclassified to profit or loss	128,497	116,169
20.	Equity instruments measured at fair value through other comprehensive income:	60,850	41,632
	a) change in fair value	57,729	3,054
	b) transfer to other components of shareholders' equity	3,121	38,578
30.	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness):	3,295	-
	a) change in fair value	3,295	-
	b) transfer to other components of shareholders' equity	-	-
40.	Hedge of equity instruments measured at fair value through other comprehensive income:	215	931
	a) change in fair value (hedged instrument)	(494)	1,136
	b) change in fair value (hedging instrument)	709	(205)
50.	Property, plant and equipment	21,625	110,140
60.	Intangible assets	-	-
70.	Defined benefit plans	56,329	(4,771)
80.	Non-current assets and disposal groups classified as held for sale	-	-
90.	Share of the valuation reserves of equity investments carried at equity	2,384	4,691
100.	Income taxes relating to other comprehensive income that will not be reclassified to profit or loss	(16,201)	(36,454)
	Other comprehensive income that may be reclassified to profit or loss	(235,244)	(36,327)
110.	Hedge of foreign investments:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) change in value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	(14,744)	469
	a) changes in fair value	(1,453)	469
	b) reclassification to profit or loss	(13,291)	-
	c) other changes	-	-
	of which: net result of positions	-	-
140.	Hedging instruments (not designated elements):	-	-
	a) changes in value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (no equity instruments) measured at fair value through other comprehensive income:	(342,207)	(54,257)
	a) changes in fair value	(339,131)	(30,456)
	b) reclassification to profit or loss	(3,058)	(23,801)
	1. impairment losses for credit risk	442	(2,115)
	2. gains/losses on disposal	(3,500)	(21,686)
	c) other changes	(18)	-
160.	Non-current assets and disposal groups classified as held for sale:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of the valuation reserves of equity investments carried at equity:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	3. impairment adjustments	-	-
	4. gains/losses on disposal	-	-
	c) other changes	-	-
180.	Income taxes relating to other comprehensive income that may be reclassified to profit or loss	121,707	17,461
190.	Other comprehensive income	(106,747)	79,842
200.	Total other comprehensive income (Captions 10+190)	1,367,133	638,491
210.	Consolidated other comprehensive income pertaining to minority interests	25,219	35,178
220.	Consolidated other comprehensive income pertaining to the Parent Company	1,341,914	603,313

Part E - Information on risks and related hedging policies

Introduction

A summary of the organisation of the BPER Banca Group's risk governance and the related processes and key functions involved is described below. A description of the "culture of risk" in the BPER Banca Group and the methods through which it is disseminated is also provided.

The Board of Directors of the Parent Company⁸⁶ has defined the principles governing the design, implementation and assessment the BPER Banca Group's internal control system (the "internal control system") by issuing and implementing the "Group Policy - Internal Control System"⁸⁷, in line with the Supervisory instructions for banks⁸⁸.

It should also be noted that, in compliance with the prudential regulations intended to strengthen the ability of banks to absorb shocks deriving from economic and financial tensions, the Group monitors capital adequacy, the exposure to risks and the general characteristics of the related management and control systems, in order to facilitate market discipline.

The document "Public Disclosure - Pillar 3" as at 31 December 2022, prepared pursuant to the requirements of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and subsequent updates, illustrates the key metrics used by the BPER Banca Group (own funds, capital requirements, financial leverage and liquidity coverage ratio) as required by art. 447 of Regulation (EU) 575/2013 I, as later amended.

The disclosure at 31 December 2022 is published on the same date as or as soon as possible after the Consolidated report is published on the Parent Company's website <https://istituzionale.bper.it>.

Risk management (RAF)

As part of the Group's Internal Control System, the BPER Banca Group identifies the Risk Appetite Framework (RAF) as a tool for overseeing the risk profile that the Group intends to take in the implementation of its business strategies, considering it as an essential element to ensure that the risk governance policy and process by which risks are managed comply with the principles of sound and prudent business management.

The key principles of the RAF are formalised and approved by the Parent Company, which periodically reviews them, ensuring that they are in line with the strategic guidelines, business model and regulatory requirements in force at the time.

Through a coordinated and representative series of metrics, the RAF outlines the risk objectives (risk appetite), any tolerance thresholds (risk tolerance) and the operating limits under both normal and stressed operating conditions, which the Group intends to comply with in the pursuit of its strategic guidelines, defining the levels of consistency with the maximum risk that can be accepted (risk capacity).

In order to ensure effective and pervasive transmission of the risk objectives, the Group sets its overall risk appetite, establishing risk limits that govern the operations of the organisational structures to which they are assigned (so-called "risk takers"), in a structured framework consistent with the policies of governance and control of individual risks.

The activities comprising this process are updated annually, or more frequently, and whenever necessary following changes in the internal or external conditions.

In 2022, the Risk Appetite Statement was calibrated on various occasions, considering the evidence of the Business Plan and the inclusion of the Carige Group, involving the Corporate Bodies: the final version was examined by the Board of Statutory Auditors and by the Control and Risk Committee on 27 September 2022 and by the Board of Directors on 29 September 2022. The Group periodically monitors the RAF metrics, in order to control on a timely basis any breaches of the tolerance thresholds and/or risk limits set in the individual risk governance policies and, if appropriate, direct the necessary communications to the Corporate Bodies and subsequent remedies.

⁸⁶ Throughout the chapter, any reference to the Board of Directors or the Chief Executive Officer or any other Corporate Bodies are to be understood as referring to the Parent Company BPER Banca, unless otherwise specified.

⁸⁷ Last update approved by Board of Directors of the Parent Company on 28 April 2022.

⁸⁸ Bank of Italy Circular no. 285/2013 and subsequent updates.

Development of the internal control system

The Parent Company manages the Group's Internal Control System through a process that involves the following phases:

- design;
- implementation;
- assessment;
- external communication.

Some additional information is provided below regarding the various stages of development and the related responsibilities of the Corporate Bodies⁸⁹.

Design of the internal control system

The Board of Directors of the Parent Company defines and approves:

- the Internal Control System of the Parent Company and the Group;
- the risk objectives, tolerance thresholds (where identified) and risk governance;
- the remedies needed to restore a normal situation after any overrun of the tolerance thresholds;
- the criteria for identifying significant transactions to be submitted to the risk management function;
- system standards for carrying out all activities;
- Code of Ethics of the Parent Company.

More specifically, at least once a year, the Board of Directors of the Parent Company, with the assistance of the Control and Risks Committee and on proposal of BPER Banca's CEO, establishes and approves for the Group as a whole and for its components:

- the plan of activities and examines the annual reports prepared by the Corporate Control Functions and by the Manager Responsible for Preparing the Company's Financial Reports - Financial Disclosure Unit;
- the business model;
- Strategic Plan;
- Internal system for reporting violations (whistleblowing);
- Stress testing programme;
- the structure of the Corporate Control Functions and other Control Functions and their coordination methods;
- internal information flows to ensure that the Corporate Bodies and Control Functions are fully aware of the various risk factors and have the ability to govern them;
- formalised coordination and liaison procedures between the Companies of the Group and the Parent Company;
- the ICAAP and ILAAP processes, ensuring consistency with the RAF;
- the Recovery Plan;
- the process for managing anomalies identified by the Control Functions, as well as the methods of handling, and perhaps accepting, residual risk in compliance with the RAF;
- asset measurement policies and processes;
- the process for the development and validation of internal risk measurement;
- the "Product Governance" process for approving new products and services, the launch of new activities, entering new markets;
- Group policy for outsourcing business functions.

The Parent Company's Board of Directors ensures that:

- implementation of the RAF is consistent with the approved levels of risk appetite and risk tolerance thresholds (where identified);
- the strategic plan, the RAF, the ICAAP, ILAAP, budgets and Internal Control System are consistent, bearing in mind any developments in the internal and external conditions in which the Group operates;
- the amount and the allocation of capital and liquidity held are consistent with the risk appetite, risk governance policies and risk management process;
- adequate governance processes are in place to support resolution planning activities.

The Board of Directors of the Parent Company appoints and dismisses the heads of the Corporate Control Functions and the Manager responsible for preparing the company's financial reports, based on prior identification and proposal by the Control and Risk Committee, with the contribution of the Nominations and Corporate Governance Committee, the Board of Statutory

⁸⁹ Corporate Bodies include all bodies with strategic supervision, management and control functions. The definition of Corporate Body also includes the sub-committees of the Board of Directors ("Board Committees").

Auditors and the Chief Executive Officer, each for matters within their competence.

The Boards of Directors of the Group Companies integrates the framework of the respective Internal Control Systems in line with the coordination and reconciliation procedures defined by the Parent Company.

Implementation of the internal control system

The Board of Directors of the Parent Company vests the Chief Executive Officer with adequate duties, powers and resources to implement the strategic guidelines, RAF and risk governance policies defined by the Board when the Internal Control System is designed. The Chief Executive Officer is responsible for adoption of all the actions needed to ensure the compliance of the organisation and the Internal Control System with the standards and requirements provided for under supervisory laws, monitoring them to ensure continued compliance.

The Chief Executive Officer has the power to propose resolutions regarding the Internal Control and Risk Management System and oversees the execution of the resolutions of the Board of Directors.

The Chief Executive Officer, supported by the competent functions:

- ensures integrated management of all corporate risks, evaluating the internal and external factors from which they may originate and their reciprocal interrelationships and is responsible for adopting the necessary initiatives to ensure the compliance of the organisation and the Internal Control System with the regulatory principles and requirements, continuously monitoring their observance in the Bank and in the Group;
- assumes the provisions designed to ensure that the various Corporate Functions implement the risk management and control process for the Bank and the Group, also overseeing the set-up and the functioning of the internal risk measurement systems and the ICAAP and ILAAP processes, in line with the Supervisory Provisions, the strategic guidelines, the RAF and the risk governance policies defined and approved by the Board.

Furthermore, the Chief Executive Officer additionally has the power to request audits or investigations to be carried out, also with regard to specific irregularities, without prejudice to similar powers lying with the Bodies of strategic supervision, management and control, of the Parent Company and/or of the Group Companies.

The Board of Directors of each Group Company vests its corporate functions with the task of implementing the choices made by the Parent Company when planning the Internal Control Systems in their own organisations.

Assessment of the internal control system

The Parent Company's Board of Directors:

- periodically assesses the adequacy and effectiveness of the RAF and the compatibility between the risk objectives and actual risk;
- periodically assesses, with the support of the Control and Risk Committee, the adequacy and compliance of the Group's internal control system⁹⁰, identifying possible improvements and defining the steps needed to correct any weaknesses.

With regard to internal risk measurement systems for the determination of capital requirements, the Board of Directors of the Parent Company:

- periodically verifies the choices of model made to ensure that they remain valid over time, approving significant changes to the system and carrying out overall supervision to ensure that it functions properly;
- monitors, with the assistance of the relevant functions, effective use of internal systems for management purposes and their compliance with regulatory requirements;
- reviews at least once a year the results of the validation process and passes a formal resolution, with the approval of the Board of Statutory Auditors, by which it certifies compliance with the requirements for the use of internal measurement systems.

The Parent Company's Board of Directors periodically assesses:

- the adequacy and effectiveness of the RAF and the compatibility between actual risk and the risk objectives;
- the adequacy and effectiveness of the Group's internal control and risk management system - with the help of the Control and Risk Committee - identifying possible areas of improvement and defining the steps needed to correct any weaknesses.

⁹⁰ Supervisory instructions for banks – Circular 285 of the Bank of Italy, Part I, Title IV, Chapter 3, Section II, paragraph 2 "assures that: [...] "b) the internal control system and corporate structure are consistently in line with the principles mentioned in Section I and the control functions satisfy the requirements and comply with the provisions of Section III. In the event of weaknesses or anomalies, it promotes timely adoption of appropriate corrective measures and assesses their effectiveness".

To this end, the Internal Audit Function prepares the overall assessment of the Internal Control System which also capitalises on the results of the activities performed by the other Corporate Control Functions and by the Manager Responsible for Preparing the Company's Financial Reports - Financial Disclosure Unit.

The Board of Directors:

- receives, either directly or through the CEO, the information flows required to gain full awareness of the various risk factors and the ability to govern them, so as to plan and implement interventions to ensure the compliance and adequacy of the Internal Control System;
- receives the reports drawn up by the Control Functions along with the Board of Statutory Auditors, the Control and Risk Committee and the Chief Executive Officer.

External communication on the internal control system

The Board of Directors of each Group company, especially that of the Parent Company as regards the Group internal control system, ensures that information on the internal control and risk management system is given in all cases foreseen by law, guaranteeing the correctness and completeness of the information provided. In this context, it is important to make the disclosures to the general public required by Pillar 3. For this, the Board of Directors of the Parent Company assigns control responsibilities and duties to the Corporate Bodies and the various functions involved in the different stages of the process of governing internal controls.

Levels of control envisaged by the Supervisory Authority

As part of the Group internal control system, the following control functions are identified at the levels provided for in the Supervisory instructions for banks, taking into account of the fact that the second and third level control functions always apply to the entire Group:

- Third-level controls: designed to identify violations of procedures and regulations and to assess periodically the completeness, suitability, functionality (in terms of efficiency and effectiveness) and reliability of the Internal Control System and information systems (ICT audit), in relation to the nature and intensity of the risks involved. They are conducted on an ongoing basis, periodically or at random, by various structures that are independent of production, including spot checks. This activity is entrusted to the Internal Audit Function;
- Second-level controls ("risk and compliance controls"): the second level control functions have been developed and identified with the following objectives:
 - to check on an ongoing basis that company procedures are consistent with the goal of preventing money laundering and financing of terrorism and to prevent and combat money laundering and financing of terrorism by reporting suspicious transactions and by performing constant checks. This activity is entrusted to the Anti-Money Laundering Function;
 - to identify non-compliance risks, examining the standards applicable to the Group on an ongoing basis and assessing their impact on Group companies. To establish, depending on the risks that have been identified and assessed, the control objectives foreseen, by proposing organisational and procedural interventions to ensure adequate protection from any risks of non-compliance and monitoring their implementation. These activities are entrusted to the Compliance Function;
 - to collaborate in the definition and implementation of the RAF and the related risk governance policies, through an adequate risk management process, verifying the adequacy thereof. To define methodologies, processes and tools to be used for risk management. To ensure consistency of the measurement and risk control systems with processes and methodologies to assess business operations. To ensure the correct representation of the risk profile and assessment of loan positions, to perform assessments of loan monitoring and recovery processes, to supervise the process for the allocation/monitoring of the official rating and to perform second-level controls over the lending process. These activities are entrusted to various offices and units of the Risk Management Function;
 - qualitative and quantitative ratification of internal risk measurement models adopted by the Parent Company, as used to estimate internal capital and capital requirements, ensuring compliance with the instructions issued by the Supervisory Authority for this process, as well as consistency with the operational needs of the company and the evolution of the market. This activity is carried out by the Internal Validation Office which reports directly to the Chief Risk Officer. The organisational positioning of this Office guarantees independence from the structures responsible for the development and use of internal risk models subjected to validation.
- First level controls ("line controls") (designed to ensure that operations are carried out properly by the operating teams or embedded in procedures or performed as part of back-office activities). In addition to the levels of control laid down by Supervisory Regulations, the legal system and the sources of self-regulation attribute monitoring roles to specific

structures/roles other than the Corporate Control Functions, whose activities are incorporated in the Internal Control System (Supervisory Body, Manager Responsible for Preparing the Company's Financial Reports).

Control roles and duties attributed to BPER Banca Group functions

Internal Audit Function

Internal Audit carries out independent, objective work of assurance and advisory in order to improve the effectiveness and efficiency of BPER Banca.

The Internal Audit Function assesses:

- the adequacy of the governance framework;
- the adequacy of the existing policies and procedures and their compliance with the legal and regulatory requirements and strategy in the area of risk and risk appetite of the Company;
- the compliance of the procedures with the applicable laws and regulations and the decisions of the Management Body;
- the validity of the various company activities, including the outsourced ones, the proper and effective implementation of the internal procedures (for example compliance of the transactions, the actual level of risk incurred, etc.) and changes in risk factors. It performs periodic tests on the functioning of operating and internal control procedures;
- It verifies compliance, in the various operating sectors, with the limits set by the delegation mechanisms and the full and correct use of the information available in the various activities;
- the adequacy, quality and effectiveness of the controls carried out and the reports made by the operating units and by the risk management and compliance functions;
- the effectiveness of the powers of the risk control function to provide prior opinions on the consistency with the Risk Appetite Framework of the Significant Transactions;
- It verifies the adequacy and correct functioning of the processes and methods for measuring company assets, financial assets in particular;
- the adequacy, overall reliability and security of the ICT system;
- the completeness, adequacy, functionality and reliability of the organisational structure and of the other components of the Internal Controls System;

On the basis of the results of its controls, it:

- identifies the possible improvements - with specific reference to the RAF, the risk management process and their measurement and control tools - bringing them to the attention of the Corporate bodies;
- formulates specific recommendations to be submitted to a formal monitoring procedure in order to guarantee (and report about) their effectiveness and timely implementation.

The Function carries out its activities:

- as part of the management and coordination of the Parent Company, vis-à-vis the Group Companies;
- based on specific outsourcing contracts, for the Companies that have outsourced Internal Audit to the Parent Company, i.e. all Italian companies with an Internal Audit Department with the exception of Arca Fondi s.p.a. SGR.

Risk Management Function

The Risk Management Function, which includes the model validation function,⁹¹ reports directly to the Parent Company's CEO and, as the Group's risk management function, aims to collaborate in the definition and implementation of the Risk Appetite Framework and the related risk governance policies, through adequate risk management.

An integral part of its mission is to ensure adequate reporting to the Corporate Bodies of the Parent Company and Group companies.

The Risk Management Function extends its area of responsibility to all of the Group companies included in the current risk map, given that the "Group Policy - Internal Control System" provides for centralised management of the risk management function by the Parent Company.

The Group companies that have this function outsource it to the Parent Company, with the exception of the Luxembourg based company⁹².

⁹¹ Bank of Italy Circular no. 285 of 2013 of the Bank of Italy, part I, title IV, section III, point 3.3. The banks adopt internal systems for risk measurement, if consistent with the nature, size and complexity of the activities carried out, and identify, within the risk control function, units responsible for validating said systems independent from the units responsible for developing them.

⁹² Circular CSSF 14/597 – Update of circular CSSF 12/552 on the central administration, internal governance and risk management "117. Outsourcing the compliance function and risk control function is not authorised."

The mission of the Risk Management Function is carried out as part of the Parent Company's direction and coordination activity as an outsourcer for Group Banks and Companies.

The Risk Management Function operates at Group companies through a Contact (who functionally reports to it) identified at the various Group companies.

ARCA Fondi SGR is an exception to this approach⁹³ because of the specific nature of the company's operations. Decentralisation makes for continuity in the risk management of the subsidiary, also in application of the principle of cost-effectiveness. It also increases the specialist expertise of the decentralised structure in managing the principal risks of ARCA Fondi SGR, while ensuring that the Corporate Bodies of the Parent Company are kept adequately informed about the subsidiary's business risks.

The responsibilities of the Risk Management function are entrusted to the Chief Risk Officer (CRO), who reports directly to the corporate bodies and performs the role with support from the organisational units that report hierarchically to the CRO function; its main activities include:

- within the ambit of the Risk Appetite Framework, proposing to the Corporate Bodies the quantitative and qualitative parameters necessary for its definition, both in the normal course of business and in situations of stress, ensuring their adequacy over time in relation to changes in the internal and external context;
- proposing the risk governance policies that do not fall within the competence of the other control functions, ensuring the adequacy and update with regard to risk management and exposure and operating limits, and helps in implementing them, ensuring consistency with the Risk Appetite Framework;
- developing risk management methodologies, processes and tools⁹⁴ via the identification, measurement/assessment, monitoring and reporting of risks inclusive of prospective and retrospective analyses, ensuring their adequacy over time through the development and application of indicators designed to highlight anomalous situations and inefficiencies;
- monitoring the actual risk profile assumed in relation to the risk objectives defined in the Risk Appetite Framework, collaborating in the definition and monitoring of operating limits for the assumption of various types of risk and constantly verifying their adequacy, reporting any overruns to Corporate Bodies;
- providing prior opinions on the consistency with the Risk Appetite Framework of the Most Significant Transactions;
- supporting the CEO in implementing the ICAAP and ILAAP;
- coordinating the process of preparing and updating the BPER Banca Group's Recovery Plan;
- coordinating the various activities involved in the internal stress testing programme;
- checking the adequacy and effectiveness of the measures taken to correct weaknesses in the risk management process;
- controlling the macro process of assigning and monitoring the official rating;
- developing, ratifying⁹⁵ and maintaining the IFRS 9 model framework for calculation of provisions and the internal systems of risk measurement, ensuring compliance with the instructions issued by the Supervisory Authority, as well as consistency with the operational needs of the company and the evolution of the market;
- analysis of risks deriving from new products/services and from entry into new business segments;
- performance of second-level checks on the lending process, verifying the existence of effective supervision over credit exposures (especially if impaired), the proper classification of risk and the adequacy of provisions; the comprehensive effectiveness of the bad loan recovery process;
- overseeing management of the Risk Committee of the Parent Company.

The risk management function also:

- takes part in definition of the Group strategy, assessing the related impacts on risk;
- takes part in the definition of the strategic developments of the Internal Control System of the Group.

Anti-money laundering function

The Anti-Money Laundering Function's duty is:

- to prevent and combat money laundering and financing of terrorism through the reporting of suspicious transactions and the execution of continuing control activities (Anti-Money Laundering control);
- to check that the IT and organisational procedures adopted by Group companies are consistent with laws and regulations, as well as self-regulation in the field of money laundering and financing of terrorism (Anti-Money Laundering function).

The organisational model adopted by the Group provides for centralised management at the Parent Company of the anti-money laundering function and supervision of the Italian Group banks and non-banking companies subject to money laundering regulations, except for Arca SGR, in light of the specific nature of its business.

As regards the Parent Company's guidance and coordination activities, performed for all Group companies subject to anti-money laundering regulations, the Anti-Money Laundering Function has the following responsibilities:

- it identifies and evaluates the Group's exposure to the risk of money laundering and financing of terrorism;
- it identifies any risk of non-compliance with anti-money laundering legislation to which the Group is exposed, continuously examining the rules applicable to the Group and assessing their impact on Group companies;
- it makes an annual assessment of the principal money laundering and terrorism financing risks, at Group level and for

⁹³ Part of the Group since 22 July 2019.

⁹⁴ With the participation of the organisational units of the Chief Operating Officer and the Chief Information Officer

⁹⁵ Through the Internal Validation Service.

each Group Bank and Company, and presents that assessment ("Report of the Anti-Money Laundering Function of the BPER Banca Group") to the Management Bodies of the Parent Company. This report identifies the action taken and the training provided to personnel, highlighting any issues and making planning proposals for the related corrective actions, as well as for the preventive actions needed to tackle any new non-conformity risks identified. The report also includes the results of the self-assessment carried out. With regard to Arca, a self-assessment carried out independently by the subsidiary is acquired. For the Luxembourg subsidiary, it reports in the same document any critical issues arising from the opinions expressed and data provided by its relevant Corporate Functions;

- it proposes changes to the Group policy for governing the risks of money laundering and the financing of terrorism;
- it defines methods, processes and tools for performing the activities of the Anti-Money Laundering Function and uses the reports defined in coordination with other control functions (corporate or otherwise);
- for the foreign companies that have not outsourced the function to the Parent Company (the Luxembourg subsidiary BPER Bank Luxembourg SA), it defines the general standards regarding customer due diligence, retention of data and reports on suspicious transactions, making sure they are implemented;
- it ensures adequate reporting on the outcome of its activities to the Corporate Bodies, highlighting the main non-compliance issues and events of particular risk as they emerge;
- it proposes organisational and procedural changes to the guidance and coordination processes aimed at preventing and combating money laundering, in order to ensure adequate control over the non-compliance risks that have been identified and to monitor that it is carried out;
- it supports the Head of the Anti-Money Laundering Function, as Group Delegate, in examining and evaluating, from a Group perspective, the reports filed and the transactions reported to the Bank of Italy's Financial Intelligence Unit. This type of support is also provided with reference to reports filed and transactions reported to the competent local authorities by the Group's Luxembourg subsidiary;
- it supports the General Manager of the Parent Company, or the person appointed by him, or other person with management or administrative powers, both in the evaluation of the opening of correspondence accounts with correspondent entities of third countries by the Parent Company and by the Group's Companies, both in the authorisation process for the opening, or the maintenance, of ongoing relationships or for the execution of occasional transactions with "politically exposed persons" by the Parent Company and by the Group's Companies based in Italy. For non-banking Companies, it receives the information report regarding the implementation of continuous relationships / maintenance of relationships/ performance of transactions with "Politically exposed persons" and evaluates any weaknesses;

Among other things, the Function also:

- manages relations with the UIF (Financial Intelligence Unit), the Investigative Authorities and the Judicial Authorities whenever there is need for in-depth investigation or discussion about the anti-money laundering and anti-terrorism legislation;
- supports the Company Delegate in assessing and investigating reports of suspicious transactions and their transmission to the Financial Intelligence Unit if considered justified;
- checks on proper compliance with the requirements for adequate verification, the risk profiling of customers, the recognition and reporting of suspicious transactions, the limits on cash usage, and data retention.

With reference to the Luxembourg subsidiary, which does not fall within the scope of the Anti-Money Laundering Function, the direction and coordination activity is supported by monitoring the reports on suspicious transactions and by specific instructions in the field of customer identification and data retention.

Compliance Function

The Compliance Function's task is to ensure the adequacy of internal procedures to prevent the violation of external rules (e.g. laws and regulations) and/or self-regulation (e.g. Articles of association, codes of conduct, corporate governance codes) applicable to Group Companies.

The Function also plays an important advisory role in the design of processes and projects that the bank intends to undertake, offering assistance and advice to the bank's corporate bodies in all matters in which compliance risk takes on significance, collaborating in personnel training activities with regard to the provisions applicable to the activities carried out and promoting the dissemination of a culture based on principles of integrity, fairness and respect for the spirit and letter of the law, as an indispensable element of the successful operation of the company.

The Data Protection Officer (DPO), who operates within the Function, possesses specialist knowledge of the legislation and of the cases regarding personal data protection, set forth in EU Regulation no. 2016/679 (GDPR), to which the legislation attributes the primary duties of verification of compliance and of control of respect for the privacy provisions.

The Compliance Function, as part of the management of compliance risk, oversees - directly or through the Specialist Controls - regulations that concern the entire banking activity, with the exception of those for which there are Corporate Functions and other dedicated control functions.

Pursuant to art. 88 of the Intermediaries Regulations adopted by CONSOB with resolution 20307 of 15 February 2018, the Compliance Function also carries out regular checks on the effective application (or functioning) of the procedures and the measures taken to resolve any weaknesses.

In line with its mission, it extends the scope of its guidance, control and coordination activities to all Group companies. Group companies under Italian law with this function centralise their regulatory compliance activities with the Parent Company, while the Group bank based in Luxembourg (BPER Luxembourg) and Arca Fondi SGR, as an exception to the centralised model, are only subject to guidance and coordination activities.

As part of the direction and coordination activity exercised by the Parent Company on behalf of the Group companies, the Compliance Function has the following duties:

- it identifies non-compliance risks, at Group level, examining the standards applicable to the Group on an ongoing basis and assessing their impact on Group companies;
- it establishes, depending on the risks that have been identified and assessed, the control objectives foreseen for the Companies that have outsourced this function to the Parent Company, and verifies that the planning of Compliance activities of the individual companies that did not outsource this function to the Parent Company guarantees adequate risk control;
- it ensures adequate reporting on the outcome of its activities to the Corporate Bodies, promptly highlighting the main non-compliance issues and events of particular risk as they emerge;
- it proposes organisational and procedural changes to processes of the Parent Company and Group companies in order to ensure adequate control over the non-compliance risks that have been identified and to monitor that it is carried out.

Other control functions

In addition to the levels of control laid down by Supervisory Regulations, the legal system and the sources of self-regulation attribute monitoring roles to specific structures/roles other than the Corporate Control Functions, whose activities are incorporated in the Internal Control System; in particular, the following are identified in the Group:

- Supervisory Bodies pursuant to Legislative Decree 231/2001;
- the Manager Responsible for Preparing the Company's Financial Reports established on the basis of the provisions of Law 262/2005, who, in order to carry out his/her duties, makes use of the Financial Disclosure Unit, now the Financial & Sustainability Reporting Supervision service (hereinafter also "Service")⁹⁶. The Manager responsible for preparing the Company's financial reports and this unit are therefore part of the Group's Internal Control System.

Manager responsible for preparing the Company's financial reports – Financial & Sustainability Reporting Supervision

The Manager **responsible for preparing the Company's financial reports, a role established by the Parent Company** - as a "Listed issuer with Italy as its member state of origin" - in accordance with the regulatory provisions, receives support from the Financial & Sustainability Reporting Supervision unit, which directly reports to the Manager.

The Financial & Sustainability Reporting Supervision unit is responsible for defining the "Financial Disclosure Control Model", understood as the set of requirements to be respected for the correct management and control of the risks of unintentional errors and fraud in financial disclosure, to be applied to BPER Banca and, with reference to the procedures for the preparation of the consolidated financial statements, to the companies included in the scope of consolidation.

The definition of the Model includes the set of rules, procedures and resources aimed at identifying, measuring or evaluating, monitoring, mitigating and communicating the risk of unintentional errors and fraud in financial disclosure to the appropriate levels; the Unit also include reporting, with the objective of identifying, among other aspects, the responses to plausible risk in consideration of the risk profile identified and their disclosure to the different organisational levels concerned.

The DP is responsible for ensuring the reliability of the separate and consolidated financial statements, the financial disclosures, the supervisory reports on an individual and consolidated basis, and any other financial communication, pursuant to article 154-bis of the Consolidated Law on Finance, and governs the "Financial Disclosure Control Model" (hereinafter also "Model"), understood as the set of requirements to be complied with for the correct management and control of the risks of unintentional errors and fraud in financial disclosure.

For the process of appointing the Manager responsible for preparing the Company's financial reports, reference should be made

⁹⁶ The Board of Directors of the Parent Company BPER Banca, at the meeting on 19 January 2023, approved the strengthening and the organisational and operational efficiency of the structure, which was renamed as "Financial & Sustainability Reporting Supervision".

to the Articles of Association⁹⁷ (updated as at 28 November 2022), or article 25, paragraph 3 “Without prejudice to the responsibilities that under current legislation cannot be delegated, the following decisions are the sole prerogative of the Board of Directors:the appointment and dismissal of the heads of the functions that the provisions of the Bank of Italy and the other Supervisory Authorities assign to the body that has the function of strategic supervision, and the appointment and dismissal of the Manager responsible for preparing the Company’s financial reports”

Art. 37, para. 1 of the Articles of Association establishes that “the Board of Directors, having heard the required opinion of the Board of Statutory Auditors, shall appoint a person in charge of preparing the corporate accounting documents, allocating him suitable powers and resources for the performance of the assigned tasks pursuant to legal requirements. Having received the opinion required from the Board of Statutory Auditors, the Board of Directors is also entitled to revoke the appointment of the Manager responsible for preparing the Company’s financial reports”.

Article 37, paragraph 2 of the Articles of Association provides that “The Manager responsible for preparing the Company’s financial reports shall be appointed from among the Company’s managers who have held management responsibility for accounting and administrative matters for at least three years”

The Manager responsible for preparing the Company’s financial reports has the duty to govern and supervise the Control Model and the organisational unit directly reporting to the Manager is in charge of the related planning, implementation and maintenance of the Control Model to be applied to the Parent Company and, with reference to the procedures for preparing the consolidated financial statements, to the subsidiary banks and companies, regardless of whether they are registered or not with the banking Group. Moreover, the Service constantly strengthens the methodological tools to be adopted for monitoring and controlling financial disclosure at BPER Banca s.p.a. Group level, taking account of the various regulatory changes and the BPER Group’s governance and operational structure.

The model is a set of requirements to be met for proper management and control of the risks of unintentional errors and fraud in financial reports. It is structurally made up of the following documents:

- Group policy for managing the risk of unintentional errors and fraud in financial reports (high level legislative source);
- Regulation of the Function of Manager Responsible for preparing the Company’s financial reports (high level legislative source);
- Methodological note addressing macro-process management of unintentional errors and fraud in financial disclosures (high level atypical source).

In order to carry out their mission, the Manager Responsible for preparing the Company’s financial reports and the Financial & Sustainability Reporting Service make use of a Contact person, identified for each individual subsidiary Bank/Company, registered or not with the Banking Group, who reports functionally to the Manager Responsible for preparing the Company’s financial reports.

For more details regarding the main characteristics of the current risk management and internal control systems in relation to the financial reporting process, please refer to the 2022 Report on corporate governance and ownership structure, prepared in accordance with art. 123-*bis* of the Consolidated Law on Finance.

Supervisory Body pursuant to Legislative Decree 231/01

The Parent Company, in compliance with arts. 6 and 7 of Legislative Decree 231/01, adopted a Model of Organisation and Management (MOM) in order to prevent the commission and/or the attempted commission of the types of offence provided for in this Decree. In accordance with this law, the Parent Company has established a Supervisory Body to supervise the functioning, compliance with and update of its Model of Organisation and Management.

These activities principally comprise:

- monitoring the functioning of the Model: in all business areas, checking that the risk of committing offences identified in Legislative Decree 231/01 is identified, mapped and monitored; with regard to the risk areas and sensitive processes identified, ensuring the adequacy of the protocols adopted to prevent and stop unlawful conduct and requiring their adoption or amendment in the event of weaknesses, inadequacies or changes in internal organisation and/or business activities;
- monitoring compliance with the Model: in the context of the risk areas and sensitive processes identified, checks compliance with the protocols adopted to prevent and impede unlawful conduct; checks the efficacy of the organisational/managerial changes following the update of the Model; promotes training, communications and dissemination of the Model and the Code of Ethics; receives reports and notifies infringements of the Model of Organisation and Management to the competent bodies;
- monitoring the updating of the Model: makes observations requiring the adjustment of the Model to the Board of

⁹⁷ In order to appoint the Manager responsible for preparing the Company’s financial reports, reference is not made to the provisions contained in Circular 285 of 17 December 2013 - 41st update (Part I – Implementation in Italy of the CRD IV - Title IV - Corporate governance, internal controls, risk management - Chapter 3 – The internal control system - Section III – Control corporate functions. These provisions apply to the corporate control functions as defined by the aforementioned Circular.

Directors, or in cases of particular urgency, to the Chief Executive Officer in the event of changes in the laws on the administrative liability of entities pursuant to Legislative Decree 231/01, changes in the company's internal governance and/or business or significant findings of shortcomings/breaches of the Model.

The Supervisory Body supervises the functioning of and compliance with the Model by implementing and executing periodic audit activities, even without giving prior notice.

The Supervisory Body reports every six months to the Board of Directors and the Board of Statutory Auditors regarding the verification work and checks carried out, and on any Model weaknesses identified, suggesting as necessary the relevant corrective actions.

The Supervisory Body of the Parent Company also coordinates the Supervisory Bodies of the Companies subject to Group instructions in relation to Legislative Decree 231/01 (Banco di Sardegna, Bibanca, Banca Cesare Ponti, Bper Credit Management, Optima SIM, BPER Real Estate, Sifà, BPER Factor, Carige REOCO, BPER Leasing and Finitalia) and monitors that they adopt these instructions, albeit with the necessary adjustments to take account of the special responsibilities and characteristics of each legal entity.

Section 1 - Risks of consolidation accounting

Quantitative information

Credit quality

A.1 Non-performing and performing credit exposures: amounts, adjustments, changes and economic distribution

A.1.1 Breakdown of financial assets by portfolio classification and credit quality (book values)

Portfolios/quality	Bad loans	Unlikely-To-Pay loans	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	220,917	955,101	108,637	1,124,173	112,902,469	115,311,297
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	7,418,996	7,418,996
3. Financial assets designated at fair value	-	-	-	-	2,381	2,381
4. Other financial assets mandatorily measured at fair value	-	-	-	-	204,810	204,810
5. Financial assets held for sale	-	8,819	1,299	18,696	1,131,851	1,160,665
Total 31.12.2022	220,917	963,920	109,936	1,142,869	121,660,507	124,098,149
Total 31.12.2021	566,958	934,139	94,622	728,562	125,723,167	128,047,448

Details on forborne exposures classified as "Financial assets measured at amortised cost" are provided below.

Portfolios/Quality	Bad loans	Unlikely-To-Pay loans	Non-performing past due exposures	Performing past due exposures	Performing exposures
1. Financial assets measured at amortised cost					
- Loans to customers	32,321	506,342	223	79,078	2,165,163

A.1.2 Breakdown of financial assets by portfolio classification and credit quality (gross and net values)

Portfolios/quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total impairment provisions	Net exposure	Total partial write-offs	Gross exposure	Total impairment provisions	Net exposure	
1. Financial assets measured at amortised cost	2,991,445	1,706,790	1,284,655	68,495	114,760,369	733,727	114,026,642	115,311,297
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	7,422,550	3,554	7,418,996	7,418,996
3. Financial assets designated at fair value	-	-	-	-	X	X	2,381	2,381
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	204,810	204,810
5. Financial assets held for sale	15,885	5,767	10,118	-	1,170,278	19,731	1,150,547	1,160,665
Total 31.12.2022	3,007,330	1,712,557	1,294,773	68,495	123,353,197	757,012	122,803,376	124,098,149
Total 31.12.2021	4,024,485	2,428,766	1,595,719	376,542	126,633,281	463,659	126,451,729	128,047,448

Portfolios/quality	Low credit quality assets		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	1,340	646,563
2. Hedging derivatives	-	-	1,808,515
Total 31.12.2022	-	1,340	2,455,078
Total 31.12.2021	3,898	4,900	408,935

Details of counterparties	Total write-offs	
	31.12.2022	31.12.2021
Financial companies		16,019
- of which: financial and non resident companies	-	-
Non-financial companies	65,701	342,749
- of which: non financial and non resident companies		
Households	2,794	17,774
- of which: non resident households		3
Total	68,495	376,542
- of which: non resident	-	3

Previous write-offs do not include those carried out during the year on bad loans as part of credit extinction events, also reported in the tables A.1.8 and A.1.9, as detailed below.

Category	Total gross write-offs	
	31.12.2022	31.12.2021
Financial companies	102	10,252
- of which: financial and non resident companies		
Non-financial companies	37,049	156,163
- of which: non financial and non resident companies	32	621
Households	16,074	35,054
- of which: non resident households		205
Public administrations	138	
- of which: non resident Public Administrations	-	-
Total	53,363	201,469
- of which: non resident	32	826

The amounts shown above are gross of default interest.

A. Information on structured entities (other than securitisation vehicles)

B.1 Consolidated structured entities

As at 31 December 2022, the companies that have been consolidated do not include structured entities, as defined in IFRS 12, but only companies controlled by holding voting rights that ensure governance of the relevant activities.

B.2 Structured entities not consolidated for accounting purpose

B.2.1 Prudentially consolidated structured entities

At 31 December 2022, the BPER Banca Group does not have any structured entities that are not consolidated from an accounting point of view, but consolidated for regulatory purposes.

B.2.2 Other structured entities

Qualitative Information

As at 31 December 2022, the BPER Banca Group owns equity investments in entities that, on the basis of the interest held, would fall within the scope of application of IFRS 10 or IAS 28, but the percentage held in the nominal share capital is limited to situations that do not make it possible to exercise a significant influence.

These are generally investments of marginal value, for which it is not considered necessary to provide additional information to help give a complete and accurate representation of the economic and financial situation of the Group.

For completeness of information, it should be noted that at 31 December 2022 unconsolidated SPVs are those provided in this Part E of the Explanatory Notes, Section C “Securitisation Transactions” in Table C.4 “Banking Group - Non-consolidated securitisation vehicles”.

As at the same date, the BPER Banca Group has not issued any covered bonds through unconsolidated structured entities.

Quantitative Information

Captions/ Type of structured entity	Accounting portfolios of Assets	Total assets (A)	Accounting portfolios of Liabilities	Total liabilities (B)	Net Book value (C=A - B)	Maximum exposure to risk of loss (D)	Difference between exposure to risk of loss and book value (E=D-C)
1. Special purpose vehicle		-	-	-	-	-	-
2. UCITS							
	FVTPLM	44,770	-	-	44,770	44,770	-
3. Other companies							
	FVOCI	131	-		131	-	(131)
		-	Due to customers	1,148	(1,148)		1,148

Section 2 - Risk of prudential consolidation

1.1 Credit risk

The BPER Banca Group's organisation provides for centralisation of the credit risk control function at the Parent Company.

Qualitative Information

1. General aspects

In 2022, the Italian economy performed positively despite the slowdown in the second half. The impact of the war is still being measured by the market providers, and is set within a positive phase of the cycle characterised by growth in certain sectors, in investment and the labour market in the first part of 2022, elements that support the overall dynamics of the year. The performance of the fundamentals, more favourable than expected, determined an upward revision of GDP for the two-year period 98 '22-'23 (+3.8%, +0.4% respectively) and for 2024 (+1.2%).

During the second half of the year, production for companies slowed down and consumption weakened following inflation linked to price hikes in energy and food products, within an economic cycle of uncertainty due to the international geopolitical situation resulting from the ongoing conflict between Russia and Ukraine.

Consumer inflation expectations have reached historically high levels, corporate prices have accelerated under the pressure of the energy shock.

Consumer inflation, 8.8% on average in 2022, is expected to decline to 7.3% in 2023, before settling at 2.6% the year after. This decline is assumed to mainly reflect the net decrease in the contribution of the energy component, connected with the assumption of a reduction in the prices of raw materials.

In 2022, loan growth remained essentially stable. The terms of lending remain relaxed, despite the cost of bank lending having increased slightly. The impairment rates for banking assets are still at very contained levels. The portion of performing loans for which banks have recognised a significant increase in credit risk remains limited.

Management objectives and macroeconomic uncertainties

In pursuit of the general objectives of credit policy and with the desire to support customers affected by the economic consequences of the Covid-19 pandemic and most exposed to the effects of the Russia-Ukraine war, a forward-looking approach was adopted with the aim of:

- Incorporating sectoral and micro-sectoral forecasts;
- assessing the resilience of individual companies' financial position by applying simulations of stress;
- extending portfolio segmentation to the various branches of the economy in order to intercept dissimilar micro-sector dynamics within the same business areas;
- introducing assessments of climatic, environmental and sustainability risks, with particular reference to those sectors with greater energy absorption or characterised by a high dependence on fossil fuels;
- providing for the development of "green financing" and "technological innovation", transversal to all sectors of the economy and intended to ensure greater competitiveness for the companies concerned;
- continuing to finance consumer households in the various technical forms (home mortgages, personal loans, etc.).

2. Credit risk management policies

Based on the generally improved economic expectations, despite the slowdown, elements such as high inflation and uncertainty deriving from the persistence of the Russia-Ukraine conflict, in July 2022, the BPER Banca Group approved a partial revision to the sectoral guidelines of its credit policy, and therefore its asset allocation targets, with the objective of supporting the banking system and its resilience. The guidelines for promoting "green financing" and "technological innovation" are confirmed, as they cross cut all sectors of the economy and make it possible to ensure greater competitiveness for recipient companies. More

⁹⁸ Bank of Italy, Macroeconomic projections for the Italian economy, December 2022

specifically, in December 2022, the Group approved a specific “ESG-linked Loan Origination Policy”, which sets out the principles adopted by the Group during the credit assessment. In fact, this document⁹⁹ indicates:

- The general limitation and exclusion criteria for counterparty and/or project financeability, consistently with the “ESG Policy” of the BPER Group and its voluntary commitments (Net-Zero Banking Alliance, PRB);
- detailed criteria applying to counterparties belonging to “risk-sensitive” sectors;
- strategies to support transition and the increasing “alignment” of counterparties with the principles of the EU Taxonomy, including via dedicated products or services.

The credit management policy of the BPER Banca Group continues to pursue the aim of carefully selecting counterparties through an analysis of their creditworthiness, including the use of well-established tools such as the internal rating system, having regard for the achievement of commercial and support objectives, including in an ESG perspective.

In view of the Group’s strategic objectives and operations, the general risk management strategy was to accept a moderate level of risk involving:

- the assessment of the current and prospective creditworthiness of counterparties;
- the diversification of the portfolio, limiting the concentration of exposures towards individual counterparties and sectors of economic activity.

2.1 Organisational aspects

The Group’s credit risk management model has the following objectives:

- apply the instructions issued by the Supervisory Authorities, while taking account of the Group’s specific operating characteristics;
- ensure that credit risk is managed appropriately by each bank/company and at a Group level.

These objectives are achieved via the segregation of responsibilities and duties between the bodies that manage credit risk and those with a control function.

The following elements underpin work to manage and control the exposure to credit risk:

- independence of the function responsible for the measurement of credit risk with respect to the various business functions;
- clear definition of delegated powers and the resulting structure of limits imposed by the Board of Directors of the Parent Company;
- coordination by the Parent Company of credit risk management processes, while leaving individual companies with operational autonomy for the management of credit risk;
- consistent application of measurement models throughout the Group, in line with international best practice;
- transparent methodology and measurement criteria to facilitate understanding of the risk measures adopted;
- performance of periodic stress tests which use endogenous and exogenous shock scenarios to provide deterministic and/or probability-based indicators of risk.

2.2 Systems for managing, measuring and monitoring

The management of risk involves applying a system of methodologies and approaches for the ongoing measurement and/or assessment of risk. This system helps to guide operational decisions and quantify the level of capital required by the Group in order to cover the risks that have been accepted. Each Group bank/company analyses the various components of credit risk and identifies the exposure associated with the loan portfolio using suitable measurement methodologies. In particular, the Group uses many tools to measure and monitor credit risk in relation to both performing and non-performing loans.

As part of its policies for managing loans to customers, the Group has adopted rules and processes for monitoring relationships, which have involved, among other things, a complex activity of classifying them into homogeneous risk categories. In particular, on the basis of “rating” and “early warning” systems, the Group has analysed performing loans to customers valued at amortised cost and identified those most at risk.

The characteristics of the rating models developed by the Parent Company for the calculation of PD (Probability of default: i.e. the probability that the borrower will not be able to meet their commitments) depend on the risk segment to which the counterparty belongs, the amount of the exposure and the stage in the lending process at which they are applied (initial pay-out or monitoring). The classifications are represented by 1.3100 creditworthiness classes differentiated by risk segment. All of the Parent Company’s systems share a number of common characteristics:

- the rating is determined with reference to the specific counterparty;
- the rating models are established with reference to the loan portfolio of the BPER Banca group (the rating is unique for

⁹⁹ For more information on the “ESG-linked Loan Origination Policy”, adopted by the Group, please refer to the disclosure provided in the consolidated Non-Financial Statement (“consolidated NFS”) of the BPER Banca Group as at 31 December 2022, prepared in accordance with Legislative Decree no. 254/16 and available on the website [://istituzionale.bper.it](http://istituzionale.bper.it).

¹⁰⁰ Except for the Large Corporate model, which has 9 classes.

- each counterparty, even if shared by several Group Banks and Companies);
- the models process internal performance information derived from reports issued by the Central Risk Database, as well as financial information in the case of businesses;
- the models for Corporate SMEs, Long-term Property SMEs, Holding Companies, Financial Companies and Large Corporates add a qualitative element to the purely statistical side. The rating assignment process for these segments involves expert attribution for Holding Companies, Financial Companies and Large Corporates that exceed a certain threshold, via a central structure operating at Group level. For Corporate SMEs, Real Estate Multiannual and Large Corporates that fall below the threshold, there is also the possibility for the relationship manager to activate an override, i.e. to request an exception from the quantitative rating on the basis of solid, documented information not processed by the model. The requested exception is evaluated by a central structure that operates at Group level;
- in addition to the model that evaluates the individual counterparty, the rating model for Large Corporates, Holding Companies, Financial Companies, Corporate SMEs and Multiannual-Real Estate SMEs is supplemented by a component that, where applicable, takes into consideration the fact that they belong to a consolidated corporate group;
- the Probability of Default is calibrated with reference to regulatory anomalies, which include past due amounts;
- the time series used in order to develop and calibrate the models cover a broad time horizon, consistent with the requirements of current regulations;
- the ratings are reviewed at least once each year; the Bank has also defined a process for the monitoring of each rating, causing the rating to lapse if it no longer represents the true risk profile of the counterparty and there are signs of deterioration in the quality of the related lending;
- use is made of a rating calculation model for counterparties acting as guarantors for individuals, aimed at the quantification and measurement of credit risk attributable to private counterparties that provide personal guarantees to BPER Banca Group's customers.

The estimation of LGD (Loss Given Default represents the extent of the loss expected to occur on default of the borrower, dependent on type of exposure to the counterparty) is based on information on the borrower (segment, geographical area, internal administrative status), the product (technical form, size of exposure), and the presence, type and coverage of guarantees. LGD estimation includes the impact of the recession phase in the economic cycle (downturn LGD).

The significant activities of 2022 are summarised below:

- with reference to the application requests sent to the Supervisory Authority in June 2021, the on-site Internal Model Inspection on the new internal rating system and implementation of the Roll-Out plan was completed in the first quarter of 2022. On 16 February 2023, the Bank received the ECB's final follow-up letter containing the authorisation for release into production of the new models;
- The "Return to Compliance Plan" was approved on 4 August 2022. The plan is designed to extend BPER's AIRB models to the former Carige Group loan portfolio acquired in the first half of 2022 and merged into BPER Banca in November 2022;
- the continuation of the project to update the IFRS9 framework through the revision of the IFRS9 LGD and EAD models, which incorporate the main innovations introduced in the AIRB models, and the revision of the LGD satellite models. Based on the appropriate quantitative analyses, a specific LGD value was also defined for the Public Administrations sector.

In addition to indicating the principles of governance, assumption and management of credit risk, the Group Credit Risk Governance Policy defines the BPER Banca Group's credit risk appetite. For this purpose, the policy provides for a new system of credit risk exposure limits, establishing supervisory thresholds that have to be monitored periodically. The document also explains the principles for calculating analytical and collective loan loss provisions and for the classification of loans by status.

In order to manage credit risk, the Group has developed a system of credit limits designed to regulate the lending process, together with a system for authorisations that takes account of the riskiness of the customer and/or the transaction, consistent with the risk evaluation systems adopted. This system ensures compliance with the principle that the level of authorisation be consistent with the riskiness of the transaction, envisaging that the limits on decision making are established with reference to one or more aspects of the specific counterparty and transaction risk (in particular counterparty rating, expected loss, amount of the facility).

The internal rating system's risk measures are used for management reporting purposes; in particular:

- a Credit Risk Report is prepared for management every quarter and the results are included in the quarterly risk report, which is then sent to Top Management and the various Corporate Bodies of the Parent Company and of Group Banks and Companies. The information is discussed by the Risks Committee and presented by the Chief Risk Officer to the Control and Risk Committee and the Board of Directors of the Parent Company;
- a summary report is prepared on a monthly basis, including the monitoring of supervisory thresholds set for credit risk;
- a network reporting tool is also available, characterised by different views of the loan portfolio, with different levels of aggregation (Branch, Territorial Division, General Management, Bank/Company and Group) and hierarchical visibility cones.

Advanced methodologies (AIRB) have long been used as part of the process of defining capital adequacy (ICAAP). To be precise,

the BPER Banca Group has adopted the advanced methodologies (AIRB) starting from the Supervisory Reports of June 2016 with reference to the Banks falling within the scope of first validation (BPER Banca, Banco di Sardegna and BiBanca), subsequently extended to the Cassa di Risparmio di Bra¹⁰¹ starting from the Supervisory Reports of March 2019.

Starting from Supervisory Reporting as at 31 December 2021, after the ex-ante notification was sent to the Supervisory Authorities in October 2021, the use of the Group internal models for the calculation of credit risk capital requirements was extended to the credit exposures acquired from the Intesa Sanpaolo business units.

The following asset classes are subject to AIRB methodologies:

- “Exposures to retail businesses”;
- “Exposure to companies”.

The other Group Companies/Banks and asset classes for which Permanent Partial Use (PPU) is not required or which are not included in the roll-out plan, the BPER Group has continued to use the Standardised Approach and the external ratings supplied by the ECAs (External Credit Assessment Institutions) recognised by the Supervisory Authority. In particular, the Cerved, Fitch, Moody's and Standard & Poor's ratings were used for “Exposure to corporates”; the ratings of Fitch, Moody's and Standard & Poor's were used for “Exposures to supervised intermediaries” and “Covered bonds”. The ratings by Scope Ratings AG were used for “Exposures to central governments or central banks”; Fitch Ratings were used for “Financial Instruments used as collateral”, and the ratings by Standard & Poor's were used for “Securitisation exposures”. Through the implementation of the “second best rating” rule, in compliance with the provisions of the CRR (Capital Requirements Regulation), article 138 (d)(e)(f), where two credit assessments are available for the same customer, the more prudential one is adopted; in the case of three credit assessments, the intermediate one; if all credit assessments are available, the second best one. In addition, in line with the contents of the CRR, article 444 (d) regarding the association of the external rating of each ECAI with the credit quality steps prescribed in the CRR, it is confirmed that the BPER Banca Group complies with the standard association published by the EBA.

2.3 Methods for determining the extent of impairment

The ECL model for calculating expected credit losses is based on the risk parameters estimated for regulatory purposes, whose main characteristics were described in the previous paragraphs, appropriately modified to ensure that they fully comply with IFRS 9. For information about the impairment models and related risk parameters, please refer to Part A of these Explanatory Notes.

Update of macroeconomic scenarios and ECL sensitivity

As stated in Part A.1, Section 5 and Part A.2 of these Explanatory Notes, the BPER Banca Group develops forward-looking impairment models using three macroeconomic scenarios that are consistent with those considered in other business areas requiring similar forecasts, such as planning (including the determination of lending policies) and risk management.

The time horizon for the macroeconomic forecasts is 3 years for each of the 3 scenarios used:

- Adverse Scenario (in its “Extreme Adverse” version);
- Baseline Scenario;
- Best Scenario.

Development of the scenarios is outsourced to a leading company that carries out economic research, which provides the BPER Banca Group with short and medium-term forecasts for the Italian and international economies and long-term forecasts for the Italian economy.

The macroeconomic scenarios used by the Bank for the estimate of the multi-scenario ECL as at 31 December 2022, are different from those used in relation to the financial statements for the period ended 31 December 2021 as a result of the evolution of the international context in the first half of 2022, in relation to well-known geopolitical and economic factors. These include:

- albeit on the one hand leading to a generalised climate of uncertainty regarding expectations of economic growth, the Russian invasion of Ukraine and the persistence of the war are on the other hand putting serious pressure on all international prices of raw materials, with particular reference to the oil and gas markets. The effect of the war on global supply chains and on the prices of raw materials may last longer than expected, interrupting or further slowing production at global level and/or triggering socio-economic tensions;
- despite the government intervention to contain energy prices, inflation is accelerating sharply and is spreading to all categories of goods and services. By contrast, salaries have not experienced a similar increase, with the subsequent erosion of families' purchase power and, therefore, with an inevitable contraction in consumption;
- uncertainty on the geopolitical and economic context is reflected in the climate of investor confidence, generating tensions on the global financial markets and capitalisation losses.

¹⁰¹ Subsequently absorbed by BPER Banca in July 2020.

Therefore, the result has been a downward revision of the main indicators of the real and financial economy, as highlighted in the following tables, which compare the main indicators used in estimating collective impairment, in relation to the two reference dates of 31 December 2022 and 31 December 2021.

Scenarios used to determine the multi-scenario ECL in relation to the financial statements as at 31 December 2021

		BASELINE				EXTREME ADVERSE SCENARIO		
		2021	2022	2023	2024	2022	2023	2024
Brent oil: \$ per barrel	lev	69.0	70	67	66	80	75	75
Italy equity index	% chg.	24.5	8.1	6.9	9.4	-16	0.5	5.6
Italian GDP	% chg.	6.0	3.8	2.8	2	0.6	0.8	0.5
Spending of resident families and Isp	% chg.	4.8	3.8	2.8	2.6	1.5	0.9	1.3
Spending of public administrations	% chg.	1.4	0.5	0.1	-0.2	0.4	-0.1	-0.2
Investments in machinery and means of transport	% chg.	11.2	9.4	6.2	5.7	-4	-4.1	-2.6
Export of goods and services	% chg.	12.6	9.2	5.8	3.6	2.7	1.1	0.3
Industrial production	% chg.	11.1	2.7	3.3	2.7	-5.1	-2.2	-0.7
10Y BTP-Bund Spread	%	1.1	0.99	0.94	0.91	1.56	2.05	2.22
BTP 10Y interest rate	%	0.7	0.96	1.21	1.5	1.44	2.22	2.72
Commercial property price index	% chg.	-0.7	0.8	1.6	1.8	-1.8	-1.3	-0.9
Residential property price index	% chg.	1.4	1.4	1.8	1.8	-0.7	-1	-1.6

Scenarios used to determine the multi-scenario ECL in relation to the financial statements as at 31 December 2022

		BASELINE				EXTREME ADVERSE SCENARIO		
		2022	2023	2024	2025	2023	2024	2025
Brent oil: \$ per barrel	lev	100	90	86	84	125	111	100
Italy equity index	% chg.	-6.5	2.9	6.3	5.3	-32.0	-5.2	3.1
Italian GDP	% chg.	3.8	0.3	1.1	1.3	-2.7	0.0	0.7
Spending of resident families	% chg.	4.2	0.5	1.3	1.3	-1.4	-0.1	0.2
Spending of public administrations	% chg.	0.6	0.6	-0.2	-0.1	0.6	0.1	0.0
Investments in machinery and means of transport	% chg.	7.2	-0.8	3.1	3.1	-12.6	-3.3	-1.2
Export of goods and services	% chg.	11.3	2.1	2.9	3.1	-1.1	0.7	2.4
Industrial production	% chg.	0.8	-0.8	1.5	1.9	-6.7	-2.7	0.3
10Y BTP-Bund Spread	%	1.9	2.3	2.1	2.0	5.4	5.4	5.2
BTP 10Y interest rate	%	3.1	4.7	4.7	4.6	7.5	7.6	7.4
Commercial property price index	% chg.	1.5	1.6	1.4	1.3	0.5	-0.1	-0.5
Residential property price index	% chg.	4.9	2.9	1.9	1.8	1.4	-0.7	-1.0

A comparison of the two dates clearly shows:

- a slowdown in the growth in domestic demand, with the production of goods and services revised downwards significantly compared to December 2021 (ITALIAN GDP), despite the forecast for 2022 being exactly correct;
- the price of oil, the result of the energy crisis and the Russia-Ukraine crisis, accelerated significantly with respect to December 2021;
- in 2022, the FTSE-MIB bucked the trend expected in December 2021, with more contained growth estimates;
- the energy crisis, inflation and the geopolitical context fuel the perception of a higher sovereign risk than December 2021 (BTP-BUND Spread): long-term Government bonds actually offer much higher returns than expected in December 2021;

- the real estate market recorded changes in the growth of price indexes (especially the real estate index) with respect to the estimates in December 2021

Changes due to Covid-19 and the Russia-Ukraine conflict

Based on the arguments already highlighted in Part A of these Explanatory Notes, given the uncertainty still present at the date of the financial statements as at 31 December 2022 due to the evolution of the pandemic and the containment measures in place, the continuation of the Russia/Ukraine war with the consequent international sanctions, the awareness of climate risk acquired at international level, as well as the rapid rise in inflation and the sudden increase in market rates, the Group considered it appropriate to update its macroeconomic scenario, by using the preview of the scenario released in November 2022.

Furthermore, given the high volatility of the macroeconomic context as a result of geopolitical tensions, the energy crisis and the rise in interest rates, the Group has deemed it necessary to continue maintaining a prudential stance by applying an Overlay approach to update the IFRS 9 ECL based on the expert attribution of the probability of occurrence of the various scenarios considered by the model. Both the baseline and adverse scenarios (adopted in its "extreme adverse" version) have been assigned a probability of occurrence of 50%.

Shown below is the sensitivity of the ECL in response to a change in the probability of occurrence attributed to each of the (multiple) scenarios considered by the model adopted by the BPER Banca Group, applied on a "recurring" basis by the BPER Banca Group, without taking account of the overlays identified in relation to the uncertainties of the macroeconomic context ("post-model adjustments").

As at 31 December 2022, the sensitivity of the ECL in response to a change in the probability of occurrence attributed to the favourable and adverse (extreme) scenario with respect to the baseline scenario, ranges between -5.41 % / +15.51%.

The total amount of ECL in the account as at the reporting date, including the effect of the overlays applied, is confirmed 11.26% higher than at 31 December 2022, compared to the value resulting from the 100% risk weight of the adverse scenario.

2.4 Credit risk mitigation techniques

Mitigation techniques are an important tool for reducing or transferring part of the credit risk associated with the portfolio of exposure. Consistent with the low propensity to accept risk that characterises operations, the Group seeks to mitigate credit risk, in particular, by obtaining and managing secured and unsecured guarantees. For this purpose, the Group has prepared suitable IT procedures and systems for managing mortgages and financial guarantees in compliance with prudent supervisory requirements, as well as appropriate internal regulations for managing the life-cycles of other collateral obtained.

The collateral mostly used by the Group generally comprise mortgages on residential and non-residential property, as part of retail lending and, to a lesser extent, loans to Corporate customers, as well as pledges on securities, receivables and cash. An internal procedure developed over a number of years gathers information in an organised fashion on the property assets of borrowers and on the properties given in guarantee. As a guarantee of both performing and non-performing positions, properties are periodically revalued and updated with new appraisals or indexed revaluations based on the statistical databases of a primary operator in the sector. A dedicated procedure is used to check every month whether a new appraisal or index-based revaluation is needed, in compliance with the Guidelines for banks on non-performing loans (NPL) and EU Regulation no. 575/2013, as later amended. An internal function covering the entire banking group has been established to supervise this process and monitor constantly the value obtained to cover exposures, as required by current regulations. The Group also has a new appraisal management system that automatically directs requests to providers according to the rules consistent with the relevant legislation. The same application monitors the state of the appraisals in progress and acts as a historical archive that preserves the previous assessments in digital format with all the accompanying documents.

Likewise, the collateral represented by financial instruments is managed within a procedure that updates the fair value on the basis of market trends.

The principal types of unsecured guarantees consist of "specific guarantees" and "restricted omnibus guarantees", mainly given by entrepreneurs in favour of their companies and by parent companies in favour of their subsidiaries in the form of binding comfort letters. Guarantees given by various guarantee consortia in favour of their members firms are becoming more significant, as well as guarantees given by third party institutions, such as SACE, MCC (Guarantee Fund for SMEs), EIF (European Investment Fund) and Guarantee Fund for the First Home and EIB (Life for Energy), which are also subject to periodic monitoring and, lastly, the state guarantees issued following the crisis triggered off by the Covid-19 pandemic.

3. Non-performing exposures

3.1. Strategies and management policies

In relation to the general management aspects of the NPE portfolio, it should be noted that the classification of financial assets within the risk categories envisaged by supervisory regulations is based on the identified risk profile.

The classification of a position is determined both automatically and using an analytical methodology. These processes are governed by an internal regulation that applies the guidelines for identifying any deterioration in creditworthiness and assigns the most appropriate administrative status to the position. When not automatic, the classification of positions as anomalous is based on assessments made by account managers who actively monitor conditions within the lending system. The Early Warning tools available make it possible to detect, at an early stage, any signs of deterioration of relationships potentially at risk, enabling the analysis of creditworthiness and classification of the position to the correct risk category, if required.

Since the end of 2019, the BPER Banca Group has adopted the new definition of default for the purposes of classifying credit exposures, adapting processes and procedures to the new rules for interception and management of defaults at the Banking Group level.

The following are some of the most significant interventions developed at Banking Group level, which contributed to better processing of anomalous and non-performing loans:

- Organisation and governance: as part of compliance with the Supervisory requirements (NPL Guidance) for the greater monitoring of loans and operational specialisation by segment, structures have been set up for the dedicated management of default positions (Non-Performing Loans and BPER Credit Management – BCM) and “Pro-active Management” activities have been introduced for performing accounts with loan anomalies. More specifically:
 - the handling of non-performing loans has been focused on managing counterparties already classified as in default (non-performing past due exposures and unlikely to pay loans), which have been grouped into three clusters (Retail, Corporate and Real Estate);
 - Pro-active Management, instead, supervises performing loans with anomalies, in order to avoid the deterioration of the lending relationship and provide constant support to the commercial network in determining the best operational strategies. The loan counterparties under pro-active management have been grouped into the same clusters as those applying to Non-Performing Loans (Retail, Corporate, Real Estate). In this context, further specialist functions are envisaged for the management of Watch List positions and performing positions subject to forbearance measures;
 - BPER Credit Management is sub-divided into specialist operational and recovery teams focused on specific asset types (Corporate, Retail, centralised or outsourced recovery), thus changing completely the approach to managing bad loans”;
 - following the integration of the former Carige Group, the geographical area structures were also reorganised in order to ensure adequate coverage of the non-performing portfolios and the application of models, processes and procedures to the new positions acquired by the Group.
- Processes and procedures acting on Non-Performing Loans: non-performing loan management and monitoring processes have been adopted, with the introduction of procedures that have been further developed and improved over the last three years. More specifically:
 - the Early Warning model, with the development over time of 6 specialised anomaly detection engines by customer segment (Corporate, Private, Small Business, Construction, Real Estate and Finance & PA) and optimisation of anomaly detection performance, in particular with the insertion of anomalies dictated by the NPL Guidance (which act as “triggers”);
 - Electronic Dossier Management - EDM, optimised with the gradual inclusion of new management measures and new information available to the manager to gain a better understanding of the potential evolution of the position, with targeted links to other procedures;
 - external collection system that seeks to recover smaller loans via “phone collection” and “home collection” activities;
 - a much more precise monitoring system, focused not only on the quality of the overall portfolio, but also on the performance of the individual structures;
 - more extensive use of the forbearance tool and introduction of sustainability tools and monitoring of the effectiveness of the agreed measures;
 - greater use of write-offs, especially for Minor Positions (an instrument that in any case is used in an extremely prudent way).
- Processes and procedures acting on Forbearance: a decision-making system is planned to be introduced to prevent potential deterioration already at the time of the forbearance. In particular:
 - development of precise credit policies, characterised by indications of asset allocation based on risk/return/capital absorption indicators. These indications, valid for each individual counterparty, have been included in the Electronic Loan File procedure, therefore visible to the proposer and to the decision maker. In this way the quality of the performing portfolio has improved over the years, shifting its concentration towards the best rating classes;
 - strengthening of the preliminary investigation of top management loan files, with the need for a much more

- complete set of information, similar to structured finance transactions, strengthening the functions to which this task is delegated;
- a very precise monitoring system also for the Granting process, the timing of approvals and the quality of the approved portfolio.
- Incentive systems: credit quality objectives are allocated to the network and head office teams, addressing the activities of each function, in order to achieve complementary results that are fully consistent with Group objectives.
- Training on lending activities: in order to strengthen credit monitoring in application of current legislation, (NPL Guidance and Guidelines on the application of the definition of default), training cycles segmented by functions are provided to central structures and training cycles with more general content and strategic management indications to pursue are provided to the network.

The consistency of the classification of a position in the right risk category, with respect to internal rules and Bank of Italy regulations, is also ensured by second-level checks that, by applying a suitable method, verify not only that classifications are correct, but also the adequacy of provisions, the presence of first-level controls and the effectiveness of recovery processes, so as to ensure strong supervision throughout the entire credit chain. The improvement in the risk profile of counterparties leads to a transfer to better internal classifications and may result in a return to "performing" status.

With regard to the cycle for the management of non-performing exposures, macro strategies for internal recoveries are envisaged within the Group, which apply specific methods depending on the type of debtor, how critical the anomalies are and an assessment of the entire exposure to the debtor and any related parties.

The main strategies that can be followed are:

- management of arrears/overdrafts, also through outsourcing;
- reshaping of the credit line and/or guarantee framework;
- granting of forbearance measures;
- waiver of loan (with or without debt forgiveness)
- transfer of loans to third parties;
- repossession of the asset.

The recovery of arrears and the granting of forbearance measures without remission - even partial - of the debt, where judged practicable, are to be preferred to alternative strategies such as a waiver or assignment of loans and the use of debt recovery procedures and enforcement actions, and will be pursued as a matter of priority.

The resolution approving the management strategy envisages a system of increasing delegated powers, consistent with the powers of classification and the estimate of value adjustments, also with the intervention of specialist units competent in the various phases of the relationship, and with different degrees of centralisation of decision-making skills in relationship management.

3.2 Write-offs

In general, and in line with the relevant legislation, the elimination of the loan from the financial statements must be carried out when:

- there is no reasonable prospect of recovery as a result of facts of any nature that make it impossible for the customer to fully meet their obligations ("write-off"), or
- the certainty of a loss materialises (for example, because of definitive legal events).

The assessment and proposal of write-offs, foreseen exclusively for the positions classified as "unlikely to pay" and "bad" loans according to certain events, must be adequately motivated and documented. In line with the recommendations of the supervisory authority, in cases of non-recoverability of the loan, it is best to write off a loan as soon as its non-recoverability has been ascertained.

In line with the reference guidelines:

- write-off of a financial asset in its entirety or in part constitutes an accounting elimination and the derecognised amount cannot be subject to write-backs. Write-offs should not be written-back and if cash or other assets are eventually collected these collections should be directly recognised as income in the statement of profit or loss;
- a write-off can take place before legal actions against the borrower to recover the debt have been concluded in full;
- A write-off does not involve the bank forfeiting the legal right to recover the debt. A bank's decision to forfeit the legal claim on the debt is called "debt forgiveness". Detailed evidence of NPL write-offs at portfolio level is maintained, as well as information on financial assets that, although written off the balance sheet, are subject to enforcement activity.

3.3 Purchased or originated credit-impaired financial assets

If a credit exposure classified in caption 30 "Financial assets measured at fair value through other comprehensive income" or in

caption 40 "Financial assets measured at amortised cost" at the time of initial recognition becomes impaired, it is identified as "Purchased or Originated Credit Impaired - POCI".

By convention, POCI financial assets are classified in Stage 3 on initial recognition.

Should these assets become performing, following an improvement in the creditworthiness of the counterparty, they are reclassified to Stage 2.

They can never be classified in Stage 1, as the expected credit loss must always be calculated over the residual duration.

The BPER Banca Group identifies as "Purchased or originated credit-impaired financial assets":

- exposures already impaired at the time of purchase, also as part of business combinations;
- exposures originated as part of restructuring transactions of impaired exposures that led to the disbursement of new finance, or introduced substantial changes to the original contractual conditions.

4. Renegotiated financial assets and forborne exposures

The BPER Banca Group adopts the definition of "Forbearance Measure" of the Implementing Regulation EU 227/2015.

Measures of forbearance, or "tolerance", consist of concessions to a debtor who is or is about to find themselves in difficulty in meeting their financial commitments (i.e. in financial difficulty). The exposures subject to forbearance measures are identified as forborne.

"Forbearance" means facilitating measures in favour of the customer which can be summarised in the following categories:

- "modifications", made to the terms and conditions of a loan agreement due to the debtor's inability to perform financially in the commitments assumed previously;
- total or partial "refinancing" of the debt.

An intrinsic characteristic of forbearance is the state of financial difficulty of the debtor: it is based on an overall assessment of the debtor for which the rating is one of the elements to be considered. Financial difficulty is objectively recognised when the counterparty position is classified among the non-performing loans, while it is presumed when loan anomalies envisaged under current regulations are detected, including but not limited to:

- existence during the past 3 months, or potential existence in the absence of assistance granted to the debtor, of past due and/or overdrawn relationships for periods of at least 30 days;
- allocation of new loans, in whole or in part, to paying down existing credit lines that were past due and/or overdrawn for 30 days at least once during the 3-month period prior to granting the new loans to the debtor.

The Group adopts standardised decision-making trees and/or customised solutions in order to apply efficient and effective debt rescheduling solutions, based on customer characteristics and type of exposure, which constitute one of the Group's strategies for reducing non-performing exposures.

The forbearance measures are divided, depending on the time horizon over which they extend, into:

- short-term forbearance measures, or temporary changes in the reimbursement conditions, aimed at facing short-term financial difficulties, and have a duration of less than 24 months;
- long-term forbearance measures, or changes in the reimbursement conditions aimed at definitively resolving the debtor's financial difficulty, and lasting more than 24 months (also in combination with short-term measures).

Not all contractual modifications in favour of the customer ("concessions") give rise to forborne exposures, but only if there are also elements of financial difficulty. In their absence, the concessions are configured as transactions for merely commercial purposes.

Forborne positions are monitored by the Bank to check the effectiveness and efficiency of the assistance provided, in order to verify that the financial difficulties have been overcome. The minimum observation period is:

- 24 months if the counterparty is classified as performing (probation period);
- 36 months if the counterparty is in default (12-month cure period and 24-month probation period).

Once the debtor's financial difficulty has been established, the conditions for classification as an unlikely to pay position must also be verified when the measure is granted.

Positions may be forborne in both macro-categories of credit classification ("performing" and "default") and, in accordance with current regulations, may result in the counterparty being classified as non-performing: for example, a counterparty with credit lines that are forborne under probation, that has therefore completed the 12-month cure period and is now in the probation period following reclassification as "performing" from "default", is automatically classified as unlikely to pay if they are overdrawn for more than 30 days or a new concession is made (re-forborne).

Quantitative Information

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, adjustments, changes and economic distribution

A.1.1 Prudential consolidation: breakdown of financial assets by past due buckets (book values)

Portfolios/Risk stage	Stage 1			Stage 2			Stage 3			Purchased or originated credit impaired		
	1 to 30 days	> 30 to 90 days	> 90 days	1 to 30 days	> 30 to 90 days	> 90 days	1 to 30 days	> 30 to 90 days	> 90 days	1 to 30 days	> 30 to 90 days	> 90 days
1. Financial assets measured at amortised cost	605,488	34,767	266	233,916	191,295	46,538	30,166	53,679	424,223	24,751	25,106	288,940
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	3,692	-	27	7,195	6,149	1,253	46	376	1,424	510	634	3,450
Total 31.12.2022	609,180	34,767	293	241,111	197,444	47,791	30,212	54,055	425,647	25,261	25,740	292,390
Total 31.12.2021	383,664	163	4	133,680	164,539	37,438	21,284	64,138	656,568	26,783	25,482	274,242

A.1.2 Prudential Consolidation - Financial assets, commitments to disburse funds and financial guarantees granted: changes in total impairment provisions

Sources/Risk stages	Total impairment provisions											
	Financial assets classified in stage 1						Financial assets classified in stage 2					
	On-demand loans to banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	On-demand loans to banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses
Total opening adjustments	1,322	172,646	2,425	166	-	176,559	-	274,170	334	472	-	274,976
Increases in purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Net impairment losses for credit risk (+/-)	3,480	47,103	933	-	-	51,516	-	212,137	(136)	-	-	212,001
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	18	7,280	(2)	1,972	-	9,268	-	157	-	2,604	-	2,761
Total closing adjustments	4,820	227,029	3,356	2,138	-	237,343	-	486,464	198	3,076	-	489,738
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-

A.1.2 Prudential Consolidation - Financial assets, commitments to disburse funds and financial guarantees granted: changes in total impairment provisions

(cont.)

Sources/Risk stages	Total impairment provisions										
	Financial assets classified in stage 3						Purchased or originated credit-impaired				
	On-demand loans to banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses
Total opening adjustments	-	1,664,664	5	877	1,665,546	-	775,483	-	1,186	772,220	4,449
Increases in purchased or originated financial assets	-	-	-	-	-	-	X	X	X	X	X
Derecognitions other than write-offs	-	(168,239)	-	-	(168,239)	-	(38,179)	-	-	(38,179)	-
Net impairment losses for credit risk (+/-)	-	268,360	(5)	-	268,355	-	4,212	-	-	4,051	161
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	(110,014)	-	-	(110,014)	-	(15,101)	-	-	(15,101)	-
Other changes	-	(484,569)	-	1,051	(483,519)	-	(169,588)	-	(870)	(170,461)	3
Total closing adjustments	-	1,170,202	-	1,928	1,172,129	-	556,827	-	316	552,530	4,613
Recoveries from financial assets subject to write-off	-	7,262	-	-	6,835	-	-	-	-	-	-
Write-offs recognised directly through profit or loss	-	62,304	-	-	40,130	-	9,637	-	-	9,637	-

A.1.2 Prudential Consolidation - Financial assets, commitments to disburse funds and financial guarantees granted: changes in total impairment provisions

(cont.)

Sources/Risk stages	Total provisions on commitments to disburse funds and financial guarantees issued					Total
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees granted, purchased or originated credit impaired		
Total opening adjustments	13,898	6,742	36,537	-		2,950,927
Increases in purchased or originated financial assets	-	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	-	(206,418)
Net impairment losses for credit risk (+/-)	519	2,936	23	-	-	539,562
Contractual modifications without derecognition	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	-	-	-	-	(125,115)
Other changes	361	1,049	8,037	-	-	(632,500)
Total closing adjustments	14,778	10,727	44,597	-		2,526,456
Recoveries from financial assets subject to write-off	-	-	-	-	-	7,262
Write-offs recognised directly through profit or loss	-	-	-	-	-	71,941

A.1.3 Prudential Consolidation - Financial assets, commitments to disburse funds and financial guarantees granted: transfers between different credit risk stages (gross and nominal values)

Portfolios/Risk stage	Gross exposure/Nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost	4,904,031	1,289,511	395,182	184,586	215,601	26,684
2. Financial assets measured at fair value through other comprehensive income	7,267	106	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees granted	2,121,925	622,918	31,563	20,032	75,101	3,361
Total 31.12.2022	7,033,223	1,912,535	426,745	204,618	290,702	30,045
Total 31.12.2021	4,568,051	3,772,161	336,544	179,591	302,728	54,258

A.1.3a Prudential consolidation - Loans subject to Covid-19 support measures: transfers between different credit risk stages (gross values)

Portfolios/quality	Gross values/Nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From stage 1 to stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
A. Loans measured at amortised cost	1,027,990	131,907	41,768	4,405	36,916	920
A.1 subject to forbearance measures compliant with GL	-	9	-	-	-	-
A.2 subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-
A.3 Subject to other forbearance measures	1,327	-	787	74	-	-
A.4 new loans	1,026,663	131,898	40,981	4,331	36,916	920
Loans measured at fair value through other comprehensive income	-	-	-	-	-	-
B.1 Subject to forbearance measures compliant with GL	-	-	-	-	-	-
B.2 subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-
B.3 Subject to other forbearance measures	-	-	-	-	-	-
B.4 New loans	-	-	-	-	-	-
Total 31.12.2022	1,027,990	131,907	41,768	4,405	36,916	920
Total 31.12.2021	704,104	236,252	14,552	7,559	18,360	5,304

A.1.4 Prudential consolidation - On- and off-balance sheet credit exposures to banks: gross and net values

Type of exposures/amounts	Gross exposure				Total impairment provisions				Net exposure	Total partial write-offs
	Stage 1	Stage 2	Stage 3	Purchased or originated credit	Stage 1	Stage 2	Stage 3	Purchased or originated credit		
A. ON-BALANCE SHEET CREDIT EXPOSURES										
A.1. ON DEMAND	13,177,640	13,177,586	54	-	-	4,820	4,820	-	-	-
a) Non-performing	-	X	-	-	-	X	-	-	-	-
b) Performing	13,177,640	13,177,586	54	X	-	4,820	4,820	-	X	-
A.2 OTHER	12,398,132	12,333,604	51,274	-	-	25,045	5,383	19,662	-	-
a) Bad loans	-	X	-	-	-	X	-	-	-	-
- of which: forbore exposures	-	X	-	-	-	X	-	-	-	-
b) Unlikely to pay loans	-	X	-	-	-	X	-	-	-	-
- of which: forbore exposures	-	X	-	-	-	X	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	X	-	-	-	-
- of which: forbore exposures	-	X	-	-	-	X	-	-	-	-
d) Performing past due exposures	72,636	52,484	20,152	X	-	19,581	-	19,581	X	-
- of which: forbore exposures	-	-	-	X	-	-	-	X	-	-
e) Other performing exposures	12,325,496	12,281,120	31,122	X	-	5,464	5,383	81	X	-
- of which: forbore exposures	-	-	-	X	-	-	-	X	-	-
TOTAL (A)	25,575,772	25,511,190	51,328	-	-	29,865	10,203	19,662	-	-
B. OFF-BALANCE SHEET CREDIT EXPOSURES										
a) Non-performing	-	X	-	-	-	X	-	-	-	-
b) Performing	4,128,081	1,650,214	95,380	X	-	8,089	264	7,825	X	-
TOTAL (B)	4,128,081	1,650,214	95,380	-	-	8,089	264	7,825	-	-
TOTAL (A+B)	29,703,853	27,161,404	146,708	-	-	37,954	10,467	27,487	-	-

A.1.5 Prudential consolidation - On- and off-balance sheet credit exposures to customers: gross and net values

Type of exposures/amounts	Gross exposure					Total impairment provisions				Net exposure	Total partial write-offs	
	Stage 1	Stage 2	Stage 3	Purchased or originated credit	Stage 1	Stage 2	Stage 3	Purchased or originated credit				
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Bad loans	961,093	X	-	782,711	178,382	740,176	X	-	617,328	122,848	220,917	68,495
- of which: forborne exposures	128,409	X	-	113,571	14,839	96,088	X	-	84,946	11,142	32,321	2,868
b) Unlikely-to-pay loans	1,886,020	X	-	1,036,740	849,280	922,100	X	-	514,224	407,876	963,920	-
- of which: forborne exposures	970,000	X	-	433,042	536,958	463,658	X	-	208,775	254,884	506,342	-
c) Non-performing past due exposures	160,217	X	-	135,022	25,195	50,281	X	-	40,751	9,530	109,936	-
- of which: forborne exposures	272	X	-	272	-	49	X	-	49	-	223	-
d) Performing past due exposures	1,124,795	594,971	516,959	X	12,865	34,981	3,215	31,184	X	582	1,089,814	-
- of which: forborne exposures	85,409	-	80,391	X	5,018	6,331	-	6,139	X	192	79,078	-
e) Other performing exposures	110,092,040	99,107,022	10,527,497	X	341,793	696,985	227,834	449,389	X	19,762	109,395,055	-
- of which: forborne exposures	2,309,115	6,540	2,134,416	X	168,160	143,952	-	132,491	X	11,461	2,165,163	-
TOTAL (A)	114,224,165	99,701,993	11,044,456	1,954,473	1,407,515	2,444,523	231,049	480,573	1,172,303	560,598	111,779,642	68,495
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	377,059	X	-	377,059	-	62,297	X	-	62,297	-	314,762	-
b) Performing	36,891,942	33,363,440	3,506,996	X	-	79,747	61,019	18,727	X	-	36,812,195	-
TOTAL (B)	37,269,001	33,363,440	3,506,996	377,059	-	142,044	61,019	18,727	62,297	-	37,126,957	-
TOTAL (A+B)	151,493,166	133,065,433	14,551,452	2,331,532	1,407,515	2,586,567	292,068	499,300	1,234,600	560,598	148,906,599	68,495

As at 31 December 2022, the performing loans to customers of the BPER Banca Group, limited to the portion measured at amortised cost, amounted to a gross exposure of Euro 90,589 million. Net of portfolio adjustments for Euro 699 million, the net exposure totalled Euro 89,890 million; the average coverage ratio is therefore 0.77%.

At the same date, non-performing loans to customers, limited to the portion measured at amortised cost, amounted to a gross exposure of Euro 2,991 million. Net of impairment losses for Euro 1,707 million, the net exposure totalled Euro 1,284 million; the average coverage ratio for this cluster of loans is therefore 57.06%.

	Non-performing assets				Performing assets		
	Gross exposure	Individual impairment provisions - analytical	Individual impairment provisions - automated	Net exposure	Gross exposure	Collective impairment provisions	Net exposure
On-balance sheet credit exposures to customers (loans and debt securities)	2,991,445	1,269,532	437,257	1,284,657	105,254,139	709,946	104,544,193
Governments and other public entities	9,273	3,084	659	5,530	14,970,829	8,561	14,962,268
- of which: foreign	3,786	2,358	-	1,428	4,339,427	272	4,339,155
Financial companies	58,791	16,789	2,552	39,451	7,080,516	39,478	7,041,037
- of which: foreign	2,204	573	476	1,155	866,296	857	865,439
Non-financial companies	2,169,362	1,121,476	194,952	852,934	42,024,103	479,704	41,544,400
- of which: foreign	5,574	2,542	603	2,429	1,051,860	2,651	1,049,210
Individuals and households	754,019	128,183	239,094	386,742	41,178,691	182,203	40,996,488
- of which: foreign	2,849	160	1,283	1,406	138,959	922	138,037

A.1.5a Prudential Consolidation - Loans subject to Covid-19 support measures: gross and net values

Type of exposure/ Amount	Gross exposure					Total impairment provisions					Net exposure	Total partial write-offs
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired				
A. BAD LOANS	506	-	-	451	55	506	-	-	451	55	-	-
a) Subject to forbearance measures compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	506	-	-	451	55	506	-	-	451	55	-	-
B. UNLIKELY TO PAY LOANS	92,537	-	-	75,926	16,611	19,691	-	-	15,483	4,208	72,846	-
a) Subject to forbearance measures compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to other forbearance measures	2,206	-	-	1,008	1,198	1,074	-	-	448	626	1,132	-
d) New loans	90,331	-	-	74,918	15,413	18,617	-	-	15,035	3,582	71,714	-
C. NON-PERFORMING PAST DUE LOANS	16,364	-	-	15,110	1,254	478	-	-	424	54	15,886	-
a) Subject to forbearance measures compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	16,364	-	-	15,110	1,254	478	-	-	424	54	15,886	-
D. OTHER PERFORMING PAST DUE LOANS	76,255	19,785	56,216	-	254	763	56	705	-	2	75,492	-
a) Subject to forbearance measures compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	76,255	19,785	56,216	-	254	763	56	705	-	2	75,492	-
E. OTHER PERFORMING LOANS	8,051,015	6,320,889	1,723,307	-	6,819	22,791	7,216	15,506	-	69	8,028,224	-
a) Subject to forbearance measures compliant with GL	20	15	5	-	-	-	-	-	-	-	20	-
b) subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to other forbearance measures	3,695	-	3,621	-	74	136	-	127	-	9	3,559	-
d) New loans	8,047,300	6,320,874	1,719,681	-	6,745	22,655	7,216	15,379	-	60	8,024,645	-
TOTAL (A+B+C+D+E)	8,236,677	6,340,674	1,779,523	91,487	24,993	44,229	7,272	16,211	16,358	4,388	8,192,448	-

A.1.6 Prudential consolidation - On-balance sheet credit exposures to banks: change in gross non-performing exposures

There are no amounts in these Consolidated Financial Statements.

A.1.6bis Prudential consolidation - On-balance sheet credit exposures to banks: change in gross forborne exposures broken down by credit quality

There are no amounts in these Consolidated Financial Statements.

A.1.7 Prudential consolidation – On-balance sheet credit exposures to customers: change in gross non-performing exposures

Reasons/Category	Bad loans	Unlikely-To-Pay loans	Non-performing past due exposures
A. Opening balance (gross amount)	2,013,628	1,883,097	127,760
- of which: sold but not derecognised	-	-	-
B. Increases	539,607	1,149,077	162,717
B.1 inflows from performing exposures	52,681	504,395	97,939
B.2 inflows from purchased or originated credit impaired financial assets	62,036	124,363	256
- of which business combinations	62,036	124,363	256
B.3 transfers from other non-performing exposures	175,423	31,674	1,084
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	249,467	488,645	63,438
C. Decreases	1,592,142	1,146,154	130,260
C.1 outflows to performing exposures	145	268,296	47,019
C.2 write-offs	53,363	99,155	449
C.3 recoveries	160,163	462,738	38,948
C.4 sales proceeds	243,949	72,937	-
C.5 losses on disposals	5,739	752	-
C.6 transfers to other non-performing exposures	270	164,274	43,637
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	1,128,513	78,002	207
D. Closing balance (gross amounts)	961,093	1,886,020	160,217
- of which: sold but not derecognised	-	-	-

A.1.7bis Prudential Consolidation - On-balance sheet credit exposures to customers: change in gross forborne exposures broken down by credit quality

Description/Quality	Forborne exposures: impaired	Forborne exposures: non impaired
A. Opening balance (gross amount)	1,354,022	2,515,661
- of which: sold but not derecognised	-	-
B. Increases	735,098	1,502,201
B.1 inflows from performing non-forborne exposures	115,977	776,511
B.2 inflows from performing forborne exposures	202,748	X
B.3 inflows from non-performing forborne exposures	X	130,595
B.4 inflows from non-performing non forborne exposure	-	-
B.4 other increases	416,373	595,095

C. Decreases	990,439	1,623,338
C.1 outflows to performing non-forborne exposures	X	448,085
C.2 outflows to performing forborne exposures	130,595	X
C.3 outflows to non-performing forborne exposures	X	202,748
C.4 write-offs	64,481	-
C.5 recoveries	502,205	970,926
C.6 sales proceeds	100,850	-
C.7 losses on disposal	4,635	-
C.8 other decreases	187,673	1,579
D. Closing balance (gross amounts)	1,098,681	2,394,524
- of which: sold but not derecognised	-	-

A.1.8 Prudential consolidation – On-balance sheet non-performing credit exposures to banks: change in total impairment provisions

There are no amounts to be disclosed in this Consolidated Report.

A.1.9 Prudential Consolidation - On-balance sheet non-performing credit exposures to customers: change in total impairment provisions

Reasons/Category	Bad loans		Unlikely-To-Pay loans		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance: total impairment provisions	1,446,670	228,771	948,958	514,282	33,138	48
- of which: sold but not derecognised	-	-	-	-	-	-
B. Increases	553,977	50,501	560,431	168,562	45,124	50
B.1 impairment losses on purchased or originated impaired financial assets	-	X	-	X	-	X
B.2. other value adjustments	322,645	17,008	355,135	157,122	40,328	50
B.3 losses on disposals	5,739	2,824	752	1,811	-	-
B.4 transfers from other non-performing exposure	74,845	11,826	7,610	70	518	-
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	150,748	18,843	196,934	9,559	4,278	-
C. Decreases	1,260,471	183,184	587,289	219,186	27,981	49
C.1 write-backs from assessment	33,114	15,337	243,105	91,076	15,386	-
C.2 write-backs from recoveries	33,470	6,771	71,321	56,686	1,005	-
C.3 gains on disposal	38,228	21,552	1,637	86	-	-
C.4 write-offs	53,363	13,545	99,155	50,936	449	-
C.5 transfers to other non-performing exposures	233	-	72,608	11,785	10,132	47
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	1,102,063	125,979	99,463	8,617	1,009	2
D. Closing balance: total impairment provisions	740,176	96,088	922,100	463,658	50,281	49
- of which: sold but not derecognised	-	-	-	-	-	-

A.2 Classification of exposures based on external and internal ratings

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees granted by external rating classes (gross amounts)

Exposures	External rating classes						Unrated	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets measured at amortised cost	6,217,704	3,888,205	11,844,642	3,868,468	565,560	89,569	91,277,666	117,751,814
- Stage 1	6,217,704	3,857,520	11,756,427	3,192,646	410,540	28,404	78,275,804	103,739,045
- Stage 2	-	30,685	85,557	624,179	141,006	49,727	9,738,055	10,669,209
- Stage 3	-	-	-	24,760	12,728	3,230	1,909,307	1,950,025
- Purchased or originated credit impaired	-	-	2,658	26,883	1,286	8,208	1,354,500	1,393,535
B. Financial assets measured at fair value through other comprehensive income	1,544,957	885,718	3,343,313	62,926	18,952	-	1,566,683	7,422,549
- Stage 1	1,540,017	871,960	3,302,000	62,926	18,952	-	1,566,542	7,362,397
- Stage 2	4,940	13,758	41,313	-	-	-	141	60,152
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. Financial assets classified as held for sale	-	2,807	26,545	89,359	13,024	20,494	1,033,935	1,186,164
- Stage 1	-	2,807	21,086	66,824	11,685	2,753	698,578	803,733
- Stage 2	-	-	5,459	22,535	1,325	17,741	316,942	364,002
- Stage 3	-	-	-	-	14	-	4,435	4,449
- Purchased or originated credit impaired	-	-	-	-	-	-	13,980	13,980
Total (A + B + C)	7,762,661	4,776,730	15,214,500	4,020,753	597,536	110,063	93,878,284	126,360,527
of which: purchased or originated credit impaired financial assets	-	-	2,658	26,883	1,286	8,208	1,368,480	1,407,515
D. Commitments to disburse funds and financial guarantees granted	229,064	2,526,224	4,549,529	2,305,087	346,150	36,436	31,404,592	41,397,082
- Stage 1	229,064	2,512,861	4,471,466	2,016,482	144,399	16,113	28,025,635	37,416,020
- Stage 2	-	13,363	78,063	287,162	201,309	17,920	3,004,560	3,602,377
- Stage 3	-	-	-	1,443	442	2,403	374,397	378,685
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	229,064	2,526,224	4,549,529	2,305,087	346,150	36,436	31,404,592	41,397,082
Total (A + B + C + D)	7,991,725	7,302,954	19,764,029	6,325,840	943,686	146,499	125,282,876	167,757,609

As at 31 December 2022, the BPER Banca Group avails itself of the external ratings provided by three other rating agencies with respect to the previous year, for the calculation of the capital absorptions for exposures to corporates, supervised intermediaries and covered bonds: Moody's, Standard & Poor's and Fitch.

Cerved is confirmed to be used for exposures to corporates, Fitch for financial instruments pledged as collateral and Standard & Poor's for exposures to securitisation. The rating classes of Scope Ratings, Cerved Group, Fitch Ratings and Standard & Poor's used by the BPER Banca Group have been interpreted with reference to the classes of creditworthiness of the debtors/guarantors according to prudential regulations.

The rating agencies used by the BPER Banca Group are shown below, along with a table for the reconciliation between the external rating classes and the agencies' ratings.

Long-term rating for exposures to companies:

Class of creditworthiness	Risk weighting coefficients	ECAI Cerved Group	ECAI Fitch Ratings	ECAI Moody's Ratings	ECAI Scope Ratings
1	20%	A1.1, A1.2, A1.3	from AAA to AA-	from Aaa to Aa3	from AAA to AA-
2	50%	A2.1, A2.2, A3.1	from A+ to A-	from A1 to A3	from A+ to A-
3	100%	B1.1, B1.2	from BBB+ to BBB-	from Baa1 to Baa3	from BBB+ to BBB-
4	100%	B2.1, B2.2	from BB+ to BB-	from Ba1 to Ba3	from BB+ to BB-
5	150%	C1.1	from B+ to B-	from B1 to B3	from B+ to B-
6	150%	C1.2, C2.1	less than CCC+	lower than Caa1	less than CC+

Long-term rating for exposures to Banks and Supervised Intermediaries:

Class of creditworthiness	Risk weighting coefficients	ECAI Fitch Ratings	ECAI Moody's Ratings	ECAI Scope Ratings
1	20%	from AAA to AA-	from Aaa to Aa3	from AAA to AA-
2	50%	from A+ to A-	from A1 to A3	from A+ to A-
3	50%	from BBB+ to BBB-	from Baa1 to Baa3	from BBB+ to BBB-
4	100%	from BB+ to BB-	from Ba1 to Ba3	from BB+ to BB-
5	100%	from B+ to B-	from B1 to B3	from B+ to B-
6	150%	less than CCC+	lower than Caa1	less than CC+

Long-term rating for exposures to Covered Bonds:

Class of creditworthiness	Risk weighting coefficients	ECAI Fitch Ratings	ECAI Moody's Ratings	ECAI Scope Ratings
1	10%	from AAA to AA-	from Aaa to Aa3	from AAA to AA-
2	20%	from A+ to A-	from A1 to A3	from A+ to A-
3	20%	from BBB+ to BBB-	from Baa1 to Baa3	from BBB+ to BBB-
4	50%	from BB+ to BB-	from Ba1 to Ba3	from BB+ to BB-
5	50%	from B+ to B-	from B1 to B3	from B+ to B-
6	100%	less than CCC+	lower than Caa1	less than CC+

Long-term rating for exposures to securitisations:

Class of creditworthiness	Risk weighting coefficients	ECAI Fitch Ratings	ECAI Scope Ratings
1	20%	from AAA to AA-	from AAA to AA-
2	50%	from A+ to A-	from A+ to A-
3	100%	from BBB+ to BBB-	from BBB+ to BBB-
4	350%	from BB+ to BB-	from BB+ to BB-
5	1250%	less than BB-	less than BB-

Long-term rating for exposures to Public Administrations:

Class of creditworthiness	Risk weighting coefficients	ECAI Scope Ratings
1	0%	from AAA to AA-
2	20%	from A+ to A-
3	50%	from BBB+ to BBB-
4	100%	from BB+ to BB-
5	100%	from B+ to B-
6	150%	from CCC to D

A.2.2 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees granted by internal rating classes (gross amounts)

Exposures	Internal rating classes							
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Class 8
A. Financial assets measured at amortised cost	17,950,813	12,523,122	15,566,000	14,392,911	11,755,777	8,649,304	5,306,931	2,604,192
- Stage 1	17,775,721	12,196,521	14,527,464	12,611,620	9,795,236	7,201,065	4,178,190	1,598,450
- Stage 2	169,241	310,022	999,953	1,738,123	1,880,129	1,417,705	1,075,619	984,708
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	5,851	16,579	38,583	43,168	80,412	30,534	53,122	21,034
B. Financial assets measured at fair value through other comprehensive income	471,113	96,016	385,173	533,215	423,865	1,395,945	435,343	368,926
- Stage 1	471,113	96,016	385,173	528,275	423,865	1,389,508	428,022	334,602
- Stage 2	-	-	-	4,940	-	6,437	7,321	34,324
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. Financial assets classified as held for sale	101,320	109,736	179,381	146,885	195,788	128,653	74,877	45,223
- Stage 1	100,864	107,619	169,443	130,298	70,375	36,018	22,561	12,536
- Stage 2	456	1,951	9,938	16,475	125,296	92,610	51,831	32,557
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	166	-	112	117	25	485	130
Total (A + B + C)	18,523,246	12,728,874	16,130,554	15,073,011	12,375,430	10,173,902	5,817,151	3,018,341
D. Commitments to disburse funds and financial guarantees granted	12,264,631	8,129,785	6,032,075	7,625,864	2,031,021	2,703,584	373,860	435,439
- Stage 1	12,114,626	7,889,256	5,452,928	6,775,979	1,577,495	2,009,986	179,031	155,441
- Stage 2	149,457	240,529	579,147	849,508	453,526	693,598	194,829	279,998
- Stage 3	548	-	-	377	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	12,264,631	8,129,785	6,032,075	7,625,864	2,031,021	2,703,584	373,860	435,439
Total (A + B + C)	30,787,877	20,858,659	22,162,629	22,698,875	14,406,451	12,877,486	6,191,011	3,453,780

A.2.2 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees granted by internal rating classes (gross amounts)

Exposures	Internal rating classes						(cont.) Total (A + B + C)
	Class 9	Class 10	Class 11	Class 12	Class 13	Class 14	
A. Financial assets measured at amortised cost	10,038,595	708,630	768,915	81,312	151,948	-	100,498,450
- Stage 1	9,490,038	152,177	494,069	31	17,329	-	90,037,911
- Stage 2	536,613	518,735	268,317	78,941	132,854	-	10,110,960
- Stage 3	-	11,883	-	-	-	-	11,883
- Purchased or originated credit impaired	11,944	25,835	6,529	2,340	1,765	-	337,696
B. Financial assets measured at fair value through other comprehensive income	2,827,186	125,887	145,512	-	10,571	-	7,218,752
- Stage 1	2,820,056	125,887	145,512	-	10,571	-	7,158,600
- Stage 2	7,130	-	-	-	-	-	60,152
- Stage 3	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-
C. Financial assets classified as held for sale	12,568	9,139	1,449	678	2,247	-	1,007,944
- Stage 1	6,324	-	-	-	-	-	656,038
- Stage 2	6,235	8,624	1,449	677	2,246	-	350,345
- Stage 3	-	-	-	-	-	-	-
- Purchased or originated credit impaired	9	515	-	1	1	-	1,561
Total (A + B + C)	12,878,349	843,656	915,876	81,990	164,766	-	108,725,146
D. Commitments to disburse funds and financial guarantees granted	63,220	31,271	34,241	1,997	9,873	-	39,736,861
- Stage 1	23,817	10	50	-	2	-	36,178,621
- Stage 2	38,873	31,259	34,191	1,997	9,770	-	3,556,682
- Stage 3	530	2	-	-	101	-	1,558
- Purchased or originated credit impaired	-	-	-	-	-	-	-
Total (D)	63,220	31,271	34,241	1,997	9,873	-	39,736,861
Total (A + B + C)	12,941,569	874,927	950,117	83,987	174,639	-	148,462,007

	With internal rating	Unrated	Total
On-balance-sheet exposures	108,725,146	17,635,381	126,360,527
Off-balance-sheet exposures	39,736,861	1,660,221	41,397,082
Total	148,462,007	19,295,602	167,757,609

On 24 June 2016, the ECB authorised the Group to use the IRB Advanced Method (PD, LGD, EAD parameters) for the quantification of the capital requirement for customers' credit risk.

The internal rating classes are shown as they are used in the management of credit risk. The Group's rating system for the valuation of counterparties is divided into a Large Corporate model, a Corporate model and an Individuals model. Creditworthiness classifications are represented by 13 rating classes regarding performing counterparties, differentiated by risk segment, and by a class relating to default. In turn, the 13 rating classes have been grouped into 5 operational classes, which indicate aggregate risk levels:

Operational classes (of risk)	Rating classes
High	10 - 11 - 12 - 13
Significant	8 - 9
Average	5 - 6 - 7
Low	3 - 4
Very low	1 - 2

On-balance sheet exposures include all the financial assets of the "Financial assets measured at fair value through other comprehensive income" portfolio, with the exception of equity instruments and the "Financial assets measured at amortised cost" portfolio; "off-balance sheet" exposures include all financial transactions other than on-balance sheet transactions (guarantees granted, commitments, derivatives) that involve the assumption of a credit risk, whatever the purpose of such transactions is (trading, hedging, etc.)

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.1 Prudential consolidation - Guaranteed on and off-balance sheet credit exposures to banks

	Gross exposure	Net exposures	Collateral (1)				Personal guarantees (2)	
			Property - mortgages	Property - Finance leases	Securities	Other collateral	Credit derivatives	
							CLN	Other derivatives Central counterparties
1. Guaranteed on-balance sheet credit exposures:	364,613	364,604	-	-	352,529	-	-	-
1.1 fully guaranteed	360,026	360,017	-	-	352,529	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partially guaranteed	4,587	4,587	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	132,743	132,728	-	-	-	-	-	-
2.1 fully guaranteed	54,578	54,570	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partially guaranteed	78,165	78,158	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-

A.3.1 Prudential consolidation - Guaranteed on- and off-balance sheet credit exposures to banks

(cont.)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Endorsement loans				
	Other derivatives			Public Administrations	Banks	Other financial companies	Other entities	
	Banks	Other financial companies	Other entities					
1. Guaranteed on-balance sheet credit exposures:	-	-	-	1,117	-	-	3,868	357,514
1.1 fully guaranteed	-	-	-	1,117	-	-	198	353,844
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-	-	3,670	3,670
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	-	-	-	38,717	47,473	-	37,412	123,602
2.1 fully guaranteed	-	-	-	38,717	-	-	15,852	54,569
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partially guaranteed	-	-	-	-	47,473	-	21,560	69,033
- of which non-performing	-	-	-	-	-	-	-	-

A.3.2 Prudential consolidation - Guaranteed on- and off-balance sheet credit exposures to customers

	Gross exposure	Net exposures	Collateral (1)				Personal guarantees (2)	
			Property - mortgages	Property - Finance lease	Securities	Other collateral	Credit derivatives	
							CLN	Other derivatives Central counterparties
1. Guaranteed on-balance sheet credit exposures:	66,938,891	65,125,068	40,566,851	2,176,462	1,102,175	2,428,882	-	-
1.1 fully guaranteed	57,276,410	55,676,270	40,034,110	2,176,462	774,925	2,282,608	-	-
- of which non-performing	2,016,733	947,995	649,824	107,405	4,908	26,184	-	-
1.2 partially guaranteed	9,662,481	9,448,798	532,741	-	327,250	146,274	-	-
- of which non-performing	325,870	176,736	28,469	-	10,517	470	-	-
2. Guaranteed off-balance sheet credit exposures:	5,923,539	5,909,365	46,290	-	331,300	176,628	-	-
2.1 fully guaranteed	5,027,055	5,014,518	42,394	-	234,275	113,779	-	-
- of which non-performing	69,129	60,529	10	-	2,286	1,969	-	-
2.2 partially guaranteed	896,484	894,847	3,896	-	97,025	62,849	-	-
- of which non-performing	11,831	11,351	-	-	2,071	385	-	-

A.3.2 Prudential consolidation - Guaranteed on- and off-balance sheet credit exposures to customers

(cont.)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Endorsement loans				
	Other derivatives			Public Administrations	Banks	Other financial companies	Other entities	
	Banks	Other financial companies	Other entities					
1. Guaranteed on-balance sheet credit exposures:	-	-	-	7,733,638	186,255	213,108	8,098,716	62,506,087
1.1 fully guaranteed	-	-	-	3,505,039	139,979	188,233	6,552,427	55,653,783
- of which non-performing	-	-	-	67,255	1,322	1,923	89,174	947,995
1.2 partially guaranteed	-	-	-	4,228,599	46,276	24,875	1,546,289	6,852,304
- of which non-performing	-	-	-	60,886	-	1,234	33,701	135,277
2. Guaranteed off-balance sheet credit exposures:	-	-	-	279,655	16,893	136,854	4,606,763	5,594,383
2.1 fully guaranteed	-	-	-	153,448	13,284	133,762	4,318,948	5,009,890
- of which non-performing	-	-	-	1,776	6,653	527	47,308	60,529
2.2 partially guaranteed	-	-	-	126,207	3,609	3,092	287,815	584,493
- of which non-performing	-	-	-	782	48	-	4,043	7,329

A.4 Prudential consolidation - Financial and non-financial assets deriving from the enforcement of guarantees

			Book Value				
			Derecognised credit exposure	Gross value	Total impairment provisions	of which obtained during the year	
A. Property, plant and equipment			216,961	245,625	87,377	158,248	11,650
A.1. Used in operations			-	-	-	-	-
A.2. Held for investment			90,079	90,079	50,272	39,807	-
A.3. Inventories			126,882	155,546	37,105	118,441	11,650
B. Equity instruments and debt securities			-	-	-	-	-
C. Other assets			-	-	-	-	-
D. Non-current assets and disposal groups classified as held for sale			4,483	6,012	-	6,012	2,366
D.1. Property, plant and equipment			4,483	6,012	-	6,012	2,366
D.2. Other activities			-	-	-	-	-
Total	31.12.2022		221,444	251,637	87,377	164,260	14,016
Total	31.12.2021		90,079	90,079	31,860	58,219	16,195

B. Distribution and concentration of credit exposures

B.1 Prudential consolidation - Breakdown by sector of on- and off-balance sheet credit exposures to customers

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: insurance companies)	
	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions
A. On-balance-sheet exposures						
A.1 Bad loans	76	270	374	2,167	-	-
- of which: forborne exposures	-	-	-	-	-	-
A.2 Unlikely-To-Pay loans	1,962	2,524	37,629	16,409	-	-
- of which: forborne exposures	-	-	34,481	11,443	-	-
A.3 Non-performing past due exposures	3,509	951	1,463	766	-	-
- of which: forborne exposures	-	-	-	-	-	-
A.4 Performing exposures	17,762,495	9,820	8,170,783	40,124	193,390	24
- of which: forborne exposures	5,761	85	22,794	912	-	-
Total (A)	17,768,042	13,565	8,210,249	59,466	193,390	24
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures	1,428	-	107	73	-	-
B.2 Performing exposures	1,070,618	201	1,756,519	449	32,030	1
Total (B)	1,072,046	201	1,756,626	522	32,030	1
Total (A+B)	31.12.2022	18,840,088	9,966,875	59,988	225,420	25
Total (A+B)	31.12.2021	16,834,667	8,013,624	124,526	243,045	211

B.1 Prudential consolidation - Breakdown by sector of on- and off-balance sheet credit exposures to customers

(cont.)

Exposures/Counterparties	Non-financial companies		Households	
	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions
A. On-balance-sheet exposures				
A.1 Bad loans	165,518	630,477	54,949	107,262
- of which: forborne exposures	22,906	79,266	9,415	16,822
A.2 Unlikely-To-Pay loans	661,153	675,216	263,176	227,951
- of which: forborne exposures	351,225	344,960	120,636	107,255
A.3 Non-performing past due exposures	31,169	13,899	73,795	34,665
- of which: forborne exposures	8	7	215	42
A.4 Performing exposures	42,878,107	495,352	41,673,484	186,670
- of which: forborne exposures	1,594,210	129,733	621,476	19,553
Total (A)	43,735,947	1,814,944	42,065,404	556,548
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	303,811	61,062	9,416	1,162
B.2 Performing exposures	31,312,001	67,409	2,672,450	11,688
Total (B)	31,615,812	128,471	2,681,866	12,850
Total (A+B)	31.12.2022	75,351,759	44,747,270	569,398
Total (A+B)	31.12.2021	68,956,619	39,059,175	600,609

B.2 Prudential consolidation - Breakdown by geographical area of on- and off-balance sheet credit exposures to customers

Exposures/Geographical areas	Italy		Other European countries		America
	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure
A. On-balance-sheet credit exposures					
A.1 Bad loans	220,845	738,940	37	863	35
A.2 Unlikely-To-Pay loans	959,549	916,066	1,778	2,683	1,138
A.3 Non-performing past due exposures	107,919	49,538	1,984	696	8
A.4 Performing exposures	102,178,336	726,299	5,948,146	4,660	1,537,555
Total (A)	103,466,649	2,430,843	5,951,945	8,902	1,538,736
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	313,853	62,295	909	2	-
B.2 Performing exposures	36,475,893	79,685	285,538	61	48,586
Total (B)	36,789,746	141,980	286,447	63	48,586
Total (A+B) 31.12.2022	140,256,395	2,572,823	6,238,392	8,965	1,587,322
Total (A+B) 31.12.2021	123,946,703	2,905,776	6,350,587	61,416	1,631,763

B.2 Prudential consolidation - Breakdown by geographical area of on- and off-balance sheet credit exposures to customers

Exposures/Geographical area	(cont.)				
	America		Asia		Rest of the world
	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions
A. On-balance-sheet exposures					
A.1 Bad loans	364	-	9	-	-
A.2 Unlikely-To-Pay loans	974	-	1	1,455	2,376
A.3 Non-performing past due exposures	18	22	17	3	12
A.4 Performing exposures	812	310,583	147	510,249	48
Total (A)	2,168	310,605	174	511,707	2,436
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	-	-	-
B.2 Performing exposures	-	1,276	1	295	-
Total (B)	-	1,276	1	295	-
Total (A+B) 31.12.2022	2,168	311,881	175	512,002	2,436
Total (A+B) 31.12.2021	2,598	379,141	117	555,891	2,420

The territorial distribution of exposures to customers is presented below, considering just the component of loans and distinguishing between Stage classifications:

Exposures/Geographical areas	Italy			Other European countries			United Stated		
	Gross exposures .	Total impairment provisions	Net exposures .	Gross exposure	Total impairment provisions	Net exposures .	Gross exposures .	Total impairment provisions	Net exposures .
Total	92,682,737	(2,394,189)	90,288,548	775,408	(7,600)	767,808	71,051	(1,916)	69,135
Stage 1	78,879,931	(213,717)	78,666,214	733,300	(2,524)	730,776	66,083	(481)	65,602
Stage 2	10,475,611	(461,485)	10,014,126	33,711	(853)	32,858	905	(38)	867
Stage 3	1,936,449	(1,162,772)	773,677	7,506	(3,870)	3,636	2,172	(1,144)	1,028
Purchased or originated credit-impaired financial assets	1,390,746	(556,215)	834,531	891	(353)	538	1,891	(253)	1,638

(cont.)

Exposures/Geographical area	Asia			Rest of the world		
	Gross exposures .	Total impairment provisions	Net exposures .	Gross exposures .	Total impairment provisions	Net exposures .
Total	42,768	(144)	42,624	9,130	(2,410)	6,720
Stage 1	42,275	(96)	42,179	5,028	(9)	5,019
Stage 2	444	(21)	423	249	(9)	240
Stage 3	49	(27)	22	3,847	(2,388)	1,459
Purchased or originated credit-impaired financial assets	-	-	-	6	(4)	2

B.2 Prudential consolidation - Breakdown by geographical area of on- and off-balance sheet credit exposures to customers

Exposures/Geographical areas	North West Italy		North East Italy		Centre Italy		South Italy and islands		
	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	
A. On-balance-sheet exposures									
A.1 Bad loans	54,927	119,268	32,499	107,401	33,514	113,223	99,905	399,048	
A.2 Unlikely-To-Pay loans	352,672	276,992	211,884	218,726	174,352	160,790	220,641	259,558	
A.3 Non-performing past due exposures	31,286	14,376	17,049	5,920	18,162	10,449	41,422	18,793	
A.4 Performing exposures	32,604,516	312,209	24,399,073	126,118	25,814,308	143,843	19,360,439	144,129	
Total (A)	33,043,401	722,845	24,660,505	458,165	26,040,336	428,305	19,722,407	821,528	
B. Off-balance sheet credit exposures									
B.1 Non-performing exposures	57,140	17,276	158,625	25,823	63,314	14,689	34,774	4,507	
B.2 Performing exposures	15,808,504	55,942	10,521,331	12,778	5,892,591	4,409	4,253,467	6,556	
Total (B)	15,865,644	73,218	10,679,956	38,601	5,955,905	19,098	4,288,241	11,063	
Total (A+B)	31.12.2022	48,909,045	796,063	35,340,461	496,766	31,996,241	447,403	24,010,648	832,591
Total (A+B)	31.12.2021	40,828,006	634,029	32,078,036	713,040	26,918,686	465,382	24,121,975	1,093,325

B.3 Prudential consolidation – Breakdown by geographical area of on- and off-balance sheet credit exposures to banks

Exposures/Geographical areas	Italy		Other European countries		America
	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure
A. On-balance-sheet credit exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely-To-Pay loans	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-
A.4 Performing exposures	16,238,980	7,814	7,664,752	21,625	216,645
Total (A)	16,238,980	7,814	7,664,752	21,625	216,645
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	-	-	-
B.2 Performing exposures	2,227,134	136	1,060,308	7,853	124,647
Total (B)	2,227,134	136	1,060,308	7,853	124,647
Total (A+B) 31.12.2022	18,466,114	7,950	8,725,060	29,478	341,292
Total (A+B) 31.12.2021	23,161,664	8,608	7,865,720	1,751	246,874

B.3 Prudential consolidation – Breakdown by geographical area of on- and off-balance sheet credit exposures to banks

Exposures/Geographical area	(cont.)				
	America		Asia		Rest of the world
	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions
A. On-balance-sheet exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely-To-Pay loans	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-
A.4 Performing exposures	244	135,377	99	1,290,153	83
Total (A)	244	135,377	99	1,290,153	83
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	-	-	-
B.2 Performing exposures	40	586,988	45	119,894	15
Total (B)	40	586,988	45	119,894	15
Total (A+B) 31.12.2022	284	722,365	144	1,410,047	98
Total (A+B) 31.12.2021	36	579,531	96	1,453,583	86

B.3 Prudential consolidation – Breakdown by geographical area of on- and off-balance sheet credit exposures to banks

Exposures/Geographical areas	North West Italy		North East Italy		Centre Italy		South Italy and islands	
	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions
A. On-balance-sheet exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely-To-Pay loans	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,670,978	2,955	435,542	298	14,129,429	4,561	3,031	-
Total (A)	1,670,978	2,955	435,542	298	14,129,429	4,561	3,031	-
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,890,307	132	300,348	4	32,244	-	4,235	-
Total (B)	1,890,307	132	300,348	4	32,244	-	4,235	-
Total (A+B)	31.12.2022	3,561,285	3,087	735,890	302	14,161,673	4,561	7,266
Total (A+B)	31.12.2021	2,252,223	2,853	500,657	150	20,400,383	5,605	8,401

B.4 Large exposures

	31.12.2022	31.12.2021
a) Book value	29,133,271	25,644,186
b) Weighted value	6,813,712	5,074,902
c) Number	15	14

This measurement was made on the basis of the updates to Circular 285 which regulate "large exposures".

The rules define as a "large exposure" the amount of on-balance-sheet assets at risk and off-balance sheet transactions of a single customer or group of related customers that come to 10% or more of eligible capital.

Note that repurchase agreements are included in the amount of risk activities. These transactions contribute to the value of the counterparty exposure for the amount of "securities to be received", while they contribute to the exposure after CRM and exemptions under art. 400 CRR only for the difference between the amount of "securities to be received" and the cash deposit received.

At 31 December 2022, there are 15 "large exposures" for an overall amount of Euro 29,133 million, corresponding to Euro 6,814 million after CRM and exemptions under art. 400 CRR. Of these, repurchase agreements account for Euro 3,812 million and Euro 235.3 million respectively.

For an amount of approximately 60% of the total, the positions shown include the State Treasury, the Ministry of Economy and Finance and the Cassa di Compensazione e Garanzia (Italian central clearing house) for a total exposure of Euro 17,304 million, Euro 1,689 million after CRM and exemptions.

The rest is made up of leading European and world companies/banks (for Euro 11,829 million - Euro 5,125 million after CRM and exemptions) and an associated/related company.

To facilitate an understanding of the degree of concentration of loans, the nominal value of major exposures has been provided.

Risk concentration:

Reference date: 31.12.2022	Amount of the exposure	Amount of the exposure after CRM and exemptions under art. 400 CRR
First 5 exposures	20,068,095	3,353,412
First 10 exposures	25,488,429	4,957,093
First 20 exposures	31,971,414	9,065,927

Reference date: 31.12.2021	Amount of the exposure	Amount of the exposure after CRM and exemptions under art. 400 CRR
First 5 exposures	17,875,028	1,556,254
First 10 exposures	22,546,194	3,705,847
First 20 exposures	28,835,424	6,891,219

C. Securitisation transactions

Qualitative Information

The primary objectives of the securitisation transactions arranged by the Group in relation to non-performing loans are:

- to improve the asset structure of the banks concerned;
- to facilitate loan recovery strategies and make them more efficient (by centralising work with one group of lawyers);
- to exercise rigorous, direct control over higher risk loans, without modifying the overall risk profile.

Transactions involving performing contracts are, on the other hand, arranged in order to optimise sources of funding.

The following BPER Banca Group transactions, other than self-securitisation transactions¹⁰² are outstanding at 31 December 2022:

- Italian Credit Recycle
- Restart
- 4 Mori Sardegna
- AQUi SPV
- Spring SPV
- Summer SPV
- Grogg SPV (execution of the “Skywalker” sale project)
- Pillarstone
- Sestante no. 2
- Sestante no. 3
- Brisca Securitisation
- Riviera NPL
- Lanterna Mortgage
- Lanterna Finance 4
- Grecale 2015.

The transaction called “Sardegna No.1” was closed through the repurchase of the loans, on 3 October 2022, and the cancellation of residual securities.

¹⁰² The information report provided on the so-called “Self-securitisations” is provided in paragraph 1.4 – Liquidity risk, below

Italian Credit Recycle (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	20 June 2017
Seller:	Nuova Cassa di Risparmio di Ferrara s.p.a. ;
Special purpose vehicle:	Italian Credit Recycle s.r.l., based in Rome
<i>Servicer:</i>	Master Gardant s.p.a. , acting as Servicer, Corporate Servicer, Calculation and Paying Agent.
Issue date of securities	28 June 2017
Type of transaction	Traditional
Organisation	Master Gardant s.p.a. prepares a quarterly report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of assets securitised	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 252 million.
Disposal price of securitised assets	The disposal price was Euro 41 million.
Guarantees and credit lines granted by the bank	None.
Guarantees and credit lines granted by third parties	None.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022
IT0005274565	Senior	Dec-37	22,400	-
IT0005274573	Junior	Dec-37	18,600	1
Total			41,000	1

The securities were placed with institutional investors on issue and, for a residual part, were subscribed by BPER Banca (Euro 2.2 million).

Restart (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	20 June 2017
Seller:	Nuova Cassa di Risparmio di Ferrara s.p.a. ;
Special purpose vehicle:	Restart SPV s.r.l., based in Rome
Servicer:	Master Gardant s.p.a., acting as Servicer, Corporate Servicer, Calculation and Paying Agent.
Issue date of securities	20 June 2017
Type of transaction	Traditional
Organisation	Master Gardant s.p.a. prepares a quarterly report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of assets securitised	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 343 million.
Disposal price of securitised assets	The disposal price was Euro 22 million.
Guarantees and credit lines granted by the bank	None.
Guarantees and credit lines granted by third parties	None.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022
IT0005274532	Senior	Dec-37	18,200	70
IT0005274540	Junior	Dec-37	14,800	679
Total			33,000	749

The securities were placed with institutional investors on issue and, for a residual part, were subscribed by BPER Banca (Euro 1.8 million).

4 Mori Sardegna s.r.l. (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	07 June 2018
Seller:	Banco di Sardegna s.p.a. ;
Special purpose vehicle:	4 Mori Sardegna s.r.l., based in Conegliano (Treviso)
Servicer:	Prelios Credit Servicing s.p.a., as Servicer.
Issue date of securities	22 June 2018
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Prelios Credit Servicing s.p.a. prepares a half-year report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of assets securitised	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 1,045 million.
Disposal price of securitised assets	The disposal price was Euro 253 million.
Guarantees and credit lines granted by the bank	Subordinated loan of Euro 12 million.
Guarantees and credit lines granted by third parties	Cap Agreement to hedge interest rates on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022	Rating DBRS	Rating Scope
IT0005337446	Senior	Jan-37	232,000	134,190	BB (high)	BBB -
IT0005337479	Mezzanine	Jan-37	13,000	650	B (low)	CCC
IT0005337487	Junior	Jan-37	8,000	400	n.r.	n.r.
Total			253,000	135,240		

The securities were fully subscribed by Banco di Sardegna s.p.a. on issue. The Mezzanine and Junior notes were subsequently placed with institutional investors net of a residual part equal to 5% (Euro 1.05 million), kept by Banco di Sardegna s.p.a. in compliance with the retention obligations prescribed by the CRR (Capital Requirements Regulation).

AQUI SPV S.R.L. (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	02 October 2018
Seller:	BPER Banca s.p.a.; Cassa di Risparmio di Bra s.p.a.; Cassa di Risparmio di Saluzzo s.p.a.
Special purpose vehicle:	AQUI SPV s.r.l., based in Conegliano (Treviso)
<i>Servicer:</i>	Prelios Credit Servicing s.p.a., as Servicer.
Issue date of securities	07 November 2018
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Prelios Credit Servicing s.p.a. prepares a half-year report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of assets securitised	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 2,082 million.
Disposal price of securitised assets	The disposal price was Euro 618 million.
Guarantees and credit lines granted by the bank	Subordinated loan of Euro 27.235 million.
Guarantees and credit lines granted by third parties	Cap Agreement to hedge interest rates on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022	Rating Scope	Rating Moody's
IT0005351330	Senior	Oct-38	544,700	305,918	BB	Baa3
IT0005351348	Mezzanine	Oct-38	62,900	3,145	n.r.	n.r.
IT0005351355	Junior	Oct-38	10,852	543	n.r.	n.r.
Total			618,452	309,606		

The notes were fully subscribed by BPER Banca s.p.a. on issue. The Mezzanine and Junior notes were subsequently placed with institutional investors net of a residual part equal to 5% (Euro 3.7 million), kept by BPER Banca in compliance with the retention obligations prescribed by the CRR (Capital Requirements Regulation).

Spring (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	01 June 2020
Seller:	BPER Banca s.p.a.; Banco di Sardegna s.p.a.; Cassa di Risparmio di Bra s.p.a.
Special purpose vehicle:	SPRING SPV s.r.l., based in Conegliano (Treviso)
<i>Servicer:</i>	Prelios Credit Servicing s.p.a., as Servicer.
Issue date of securities	18 June 2020
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Prelios Credit Servicing s.p.a. prepares a half-year report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of assets securitised	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 1,377 million.
Disposal price of securitised assets	The disposal price was Euro 341 million.
Guarantees and credit lines granted by the bank	Subordinated loan of Euro 16.450 million.
Guarantees and credit lines granted by third parties	Cap Agreement to hedge interest rates on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022	Rating Scope	Rating Moody's
IT0005413197	Senior	Sep-40	320,000	150,435	BBB+	Baa1
IT0005413213	Mezzanine	Sep-40	20,000	1,000	n.r.	n.r.
IT0005413221	Junior	Sep-40	3,400	170	n.r.	n.r.
Total			343,400	151,605		

The securities were fully subscribed by BPER Banca s.p.a. and Banco di Sardegna s.p.a. on issue. The Mezzanine and Junior notes were subsequently placed with institutional investors net of a residual part equal to 5% (Euro 1.2 million), kept by BPER Banca s.p.a. in compliance with the retention obligations prescribed by the CRR (Capital Requirements Regulation).

Summer (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	18 December 2020
Seller:	BPER Banca s.p.a ; Banco di Sardegna s.p.a.
Special purpose vehicle:	SUMMER SPV s.r.l., based in Conegliano (Treviso)
<i>Servicer:</i>	- Fire s.p.a. as Special Servicer and - Banca Finint s.p.a. as Master Servicer.
Issue date of securities	30 December 2020
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Banca Finint s.p.a. prepares a half-year report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of assets securitised	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 322 million.
Disposal price of securitised assets	The disposal price was Euro 86 million.
Guarantees and credit lines granted by the bank	Subordinated loan of Euro 3.666 million.
Guarantees and credit lines granted by third parties	Cap Agreement to hedge interest rates on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022	Rating Scope	Rating Moody's
IT0005432445	Senior	Oct-40	85,400	56,921	BBB	Baa2
IT0005432452	Mezzanine	Oct-40	10,000	500	n.r.	n.r.
IT0005432460	Junior	Oct-40	1,000	50	n.r.	n.r.
Total			96,400	57,471		

The Senior notes were fully subscribed by BPER Banca s.p.a. and Banco di Sardegna s.p.a.. The Mezzanine and Junior notes were placed with an institutional investor and for a residual part equal to 5% (Euro 550 thousand), they were subscribed by BPER Banca s.p.a. in compliance with the retention obligations prescribed by the CRR (Capital Requirements Regulation).

Grogu (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	28 July 2021
Seller:	BPER Banca s.p.a ; Banca Intesa San Paolo S.p. A.
Special purpose vehicle:	GROGU SPV s.r.l., based in Conegliano (Treviso)
<i>Servicer:</i>	Prelios Credit Servicing s.p.a., as Special Servicer and Banca Finint s.p.a. as Master Servicer.
Issue date of securities	15 December 2021
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Banca Finint s.p.a. prepares a quarterly report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of assets securitised	Non-performing
Amount of securitised assets	The amount of receivables from the portfolios sold is Euro 3,077 million, of which 914 million relating to the BPER portfolio and 2,163 million relating to the Intesa San Paolo portfolio.
Disposal price of securitised assets	The disposal price was Euro 500 million.
Guarantees and credit lines granted by the bank	Subordinated loan of Euro 8.4 million.
Guarantees and credit lines granted by third parties	Subordinated Loan of Euro 12.2 million granted by Intesa San Paolo. Cap Agreement to hedge the rates on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Subscribed amount	Residual balance at 31.12.2022	Rating Scope	Rating Moody's	Rating DBRS
IT0005473852	Senior	Jan-42	460,000	187,680	140,582	BBB+ (sf)	Baa1	BBB (high)
IT0005473860	Mezzanine	Jan-42	37,000	4,757	550	n.r.	n.r.	n.r.
IT0005473878	Junior	Jan-42	3,000	386	45	n.r.	n.r.	n.r.
Total			500,000	192,823	141,177			

The Senior securities were subscribed to in proportion to the price of sale by BPER Banca and Intesa San Paolo. The Mezzanine and Junior notes were placed with an institutional investor and for a residual part equal to 5% (Euro 550 thousand), they were subscribed by BPER Banca s.p.a. in compliance with the retention obligations prescribed by the CRR (Capital Requirements Regulation).

Pillarstone

During 2017, BPER Banca securitised a loan of 21 million US dollars granted to Premuda s.p.a., through the vehicle Pillarstone Italy SPV s.r.l. (established under Law 130/99).

The transaction, carried out jointly with other important Italian banks, was carried out in order to allow a restructuring of the receivables from Premuda s.p.a., with the aim of facilitating and increasing the recoveries of the securitised exposures.

The sale was finalized with the issue by the vehicle of Super Senior class securities (subscribed by third parties), of Senior and Junior class securities (fully subscribed by the bank).

The transaction also involves the transfer of all the loans purchased by the vehicle (Pillarstone Italy SPV s.r.l.) to a company (Pillarstone Italy Holding s.p.a.) which, through separate assets established pursuant to art. 2447-bis letter a) of the Italian Civil Code, provides for the restructuring of the loans due from the Premuda group.

BPER Banca does not hold any interest in the companies indicated above.

None of the securities issued by the SPV have a rating.

To match the derecognition of the loan, the Parent Company has recognised the securities subscribed as an asset.

The carrying value of the securities of US dollar 81,575 thousand and Euro 25,645 thousand includes the securities previously pertaining to the acquiree Banca Carige s.p.a. and is equal to the amount of the restructured loan entered into between Pillarstone Italy Holding s.p.a. and the Premuda group.

The "own" transactions also include those originated by the Banks absorbed by BPER Banca s.p.a. In particular, they include:

- the securities issued by Sestante Finance SPV s.r.l. deriving from transactions originated by Meliorbanca s.p.a., which was absorbed by BPER Banca in 2012;
- the "Grecale" securities deriving from transactions originated by Unipol Banca s.p.a., which was absorbed by BPER Banca in 2019.

Sestante no.2

Disposal date:	03 December 2004
Seller:	Meliorbanca s.p.a.
Special purpose vehicle:	Sestante Finance s.r.l., based in Via Mario Carucci 131, Rome
<i>Servicer:</i>	Italfondario s.p.a.
Issue date of securities	03 December 2004
Type of transaction	Traditional
Organisation	Italfondario s.p.a. provides a quarterly report on the collections in which it comments on the activity carried out with indications relating to collections, providing specific details about interest and principal payments.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Servicer.

The operational aspects are summarised below:

Assets sold	ABS securities with mortgage loans on residential and commercial properties as underlying
Quality of assets securitised	Performing loans
Amount of securitised assets	The nominal value of ABS securities issued by Sestante W Srl was Euro 625 million.
Disposal price of securitised assets	The disposal price was Euro 653 million.
Guarantees and credit lines granted by the bank	Contingency liquidity
Guarantees and credit lines granted by third parties	None.
Analysis by business sector	Mortgage agreements stipulated with both individuals and legal entities excluding Public Administrations.
Analysis by geographical area	Securitised loans are concentrated in Italy.

The special purpose vehicle has issued the following bonds:

SIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022
IT0003760136	Senior	Jul-42	575,300	
IT0003760193	Mezzanine	Jul-42	34,400	
IT0003760227	Mezzanine	Jul-42	15,600	
IT0003760243	Mezzanine	Jul-42	21,900	
IT0003760284	Junior	Jul-42	6,253	
Total			653,453	-

The Senior and Mezzanine securities were placed with institutional investors on issue, while the Junior securities were subscribed by the merged company Meliorbanca s.p.a. and subsequently sold on the secondary market. As at 31 December 2022, the securities were still outstanding but not held by Group Banks.

Sestante no.3

Disposal date:	16 December 2005
Seller:	Meliiorbanca s.p.a.
Special purpose vehicle:	Sestante Finance s.r.l., based in Via Mario Carucci 131, Rome
<i>Servicer:</i>	Italfondiaro s.p.a.
Issue date of securities	16 December 2005
Type of transaction	Traditional
Organisation	Italfondiaro s.p.a. provides a quarterly report on the collections in which it comments on the activity carried out with indications relating to collections, providing specific details about interest and principal payments.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Servicer.

The operational aspects are summarised below:

Assets sold	ABS securities with mortgage loans on residential and commercial properties as underlying
Quality of assets securitised	Performing loans
Amount of securitised assets	The nominal value of ABS securities issued by Sestante W Srl was Euro 858 million.
Disposal price of securitised assets	The disposal price was Euro 900 million.
Guarantees and credit lines granted by the bank	None.
Guarantees and credit lines granted by third parties	Contingency liquidity
Analysis by business sector	Mortgage agreements stipulated with both individuals and legal entities excluding Public Administrations.
Analysis by geographical area	Securitised loans are concentrated in Italy.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022
IT0003937452	Senior	Jul-45	791,900	
IT0003937486	Mezzanine	Jul-45	47,350	
IT0003937510	Mezzanine	Jul-45	21,500	
IT0003937569	Mezzanine	Jul-45	30,150	
IT0003937551	Junior	Jul-45	8,610	
Total			899,510	-

The Senior and Mezzanine securities were placed with institutional investors on issue, while the Junior securities were subscribed by the merged company Meliorbanca s.p.a. and subsequently sold on the secondary market. As at 31 December 2022, the securities were still outstanding but not held by Group Banks.

Brisca Securitisation s.r.l.

Disposal date:	16 June 2017
Seller:	Banca Carige s.p.a.; Banca Cesare Ponti s.p.a.; Banca del Monte di Lucca s.p.a.
Special purpose vehicle:	Brisca Securitisation s.r.l.
<i>Servicer:</i>	Prelios Credit Servicing s.p.a., as Servicer; Zenith Service s.p.a. as Monitoring Agent.
Issue date of securities	05 July 2017
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Banca Finint s.p.a. as Representative of the Noteholders, Calculation Agent, BUS and Corporate Services Provider; BNP Paribas S.S. as Agent Bank, Account Bank Cash Manager and Principal Paying Agent.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of assets securitised	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 961 million.
Disposal price of securitised assets	The disposal price was Euro 309.7 million.
Guarantees and credit lines granted by the bank	None
Guarantees and credit lines granted by third parties	Cap Agreement to hedge interest rates on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Subscribed amount	Residual balance at 31.12.2022	Rating DBRS	Rating Moody's
IT0005274599	Senior	Dec-37	267,400	267,400	103,343	CCC (sf)	Ba3 (sf)
IT0005274607	Mezzanine	Dec-37	30,500	-	-	CC (sf)	Caa3 (sf)
IT0005274615	Junior	Dec-37	11,800	-	-	n.r.	n.r.
Total			309,700	267,400	103,343		

Riviera NPL s.r.l.

Disposal date:	04 December 2018
Seller:	Banca Carige s.p.a.; Banca del Monte di Lucca s.p.a.
Special purpose vehicle:	Riviera NPL s.r.l.
<i>Servicer:</i>	Credito Fondiario s.p.a. as Master Servicer; Credito Fondiario s.p.a. as Special Servicer A and Italfondario s.p.a. as Special Servicer B; Zenit Service s.p.a. as Monitoring Agent
Issue date of securities	17 December 2018
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Banca Finint s.p.a. as Representative of the Noteholders, Calculation Agent, BUS and Corporate Services Provider; BNP Paribas S.S. as Agent Bank, Account Bank Cash Manager and Principal Paying Agent.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of assets securitised	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 963 million.
Disposal price of securitised assets	The disposal price was Euro 215 million.
Guarantees and credit lines granted by the bank	During the loan disposal phase, Banca Carige s.p.a. disbursed a subordinated loan facility of Euro 7 million
Guarantees and credit lines granted by third parties	Cap Agreement to hedge interest rate risk on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Subscribed amount	Residual balance at 31.12.2022	Rating Scope	Rating Moody's
IT0005356040	Senior	Jul-36	175,000	175,000	85,058	BB+ (sf)	Ba1 (sf)
IT0005356057	Mezzanine	Jul-36	30,000	1,500	1,500	CCC (sf)	Ca (sf)
IT0005356065	Junior	Jul-36	10,000	500	500	n.r.	n.r.
Total			215,000	177,000	87,058		

Lanterna Mortgage s.r.l.

Disposal date:	16 July 2020
Seller:	Banca Carige s.p.a.; Banca del Monte di Lucca s.p.a.
Special purpose vehicle:	Lanterna Mortgage s.r.l., with registered office in Via della Cassa di Risparmio 15, Genoa
<i>Servicer:</i>	BPER Banca s.p.a. (former Banca Carige s.p.a.), in the role of Servicer - Corporate Servicer and Cash Manager.
Issue date of securities	31 July 2020
Type of transaction	Traditional - STS compliant
Organisation	BNY Mellon in the role of Account Bank and Paying Agent; Zenith Services as Representative of the Noteholders and BUS; Prime Collateralised Securities EU SAS as Third Party Verifying STS compliance
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Originator. This activity has been delegated to Servicer since the absorption date of Banca Carige into BPER Banca.

The operational aspects are summarised below:

Assets sold	Mortgage loans on residential properties
Quality of assets securitised	Performing loans
Amount of securitised assets	The total claimed principal amount of the loan portfolio sold is Euro 248.4 million.
Disposal price of securitised assets	The disposal price was Euro 249.4 million.
Guarantees and credit lines granted by the bank	None
Guarantees and credit lines granted by third parties	None.
Analysis by business sector	Mortgage agreements stipulated with both individuals and legal entities excluding Public Administrations.
Analysis by geographical area	Securitised loans are concentrated in Italy.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Subscribed amount	Residual balance at 31.12.2022	Rating DBRS	S&P rating
IT0005417990	A1	Jan-65	173,891	-	-	AAA	AA
IT0005418006	A2	Jan-65	11,179	11,179	11,179	AAA	AA
IT0005418014	Junior	Jan-65	69,034	69,034	69,034	n.r.	n.r.
Total			254,104	80,213	80,213		

Lanterna Finance 4

Disposal date:	08 June 2021
Seller:	Banca Carige s.p.a.; Banca del Monte di Lucca s.p.a.
Special purpose vehicle:	Lanterna Finance s.r.l., with registered office in Via della Cassa di Risparmio 15, 16123 - Genoa
<i>Servicer:</i>	BPER Banca s.p.a. (former Banca Carige s.p.a.), in the role of Servicer - Corporate Servicer and Cash Manager.
Issue date of securities	30 June 2021
Type of transaction	Traditional - STS compliant
Organisation	BNY Mellon in the role of Account Bank, Calculation Agent and Paying Agent; Zenith Services as Representative of the Noteholders and BUS; Prime Collateralised Securities EU SAS as Third Party Verifying STS compliance
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Originator. This activity has been delegated to Servicer since the absorption date of Banca Carige into BPER Banca.

The operational aspects are summarised below:

Assets sold	Mortgages granted to SMEs assisted by the specific Guarantee Provision
Quality of assets securitised	Performing loans
Amount of securitised assets	The total claimed principal amount of the loan portfolio sold is Euro 384 million.
Disposal price of securitised assets	The disposal price was Euro 384 million.
Guarantees and credit lines granted by the bank	Subordinated loan for Euro 3.275 million disbursed pro rata by Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a.
Guarantees and credit lines granted by third parties	None.
Analysis by business sector	Mortgage agreements stipulated with legal entities with SME status pursuant to Law 662/96.
Analysis by geographical area	Securitised loans refer to borrowers based in Italy.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Subscribed amount	Residual balance at 31.12.2022	Moody's	S&P rating
IT0005450710	Senior	Apr-50 Apr 2050	320,000	-	-	A3	A
IT0005450728	Junior		62,700	62,700	62,700	n.r.	n.r.
Total			382,700	62,700	62,700		

Grecale 2015

Disposal date:	25 September 2015
Seller:	Unipol Banca s.p.a.
Special purpose vehicle:	Grecale RMBS 2015 s.r.l., based in Via Alfieri 1, 31015 Conegliano (TV)
<i>Servicer:</i>	BPER Banca s.p.a. (former Unipol Banca s.p.a.), in the role of Servicer - Corporate Servicer and Cash Manager, BNP Paribas – in the role of Account Bank and Paying Agent, Securitisation Services in the role of Administrative Servicer and Calculation Agent.
Issue date of securities	24 November 2015
Type of transaction	Traditional
Organisation	BPER Banca s.p.a. (former Unipol Banca s.p.a.) provides a quarterly report on the collections in which it comments on the activity carried out with indications relating to collections, providing specific details about interest and principal payments. The Corporate Servicer activity has been delegated to Banca Finint s.p.a. since the absorption date of Unipol Banca into BPER Banca.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Originator. This activity has been delegated to the Servicer since the absorption date of Unipol Banca into BPER Banca.

The operational aspects are summarised below:

Assets sold	Mortgage loans on residential and commercial properties
Quality of assets securitised	Performing loans
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 728 million.
Disposal price of securitised assets	The disposal price was Euro 728 million.
Guarantees and credit lines granted by the bank	Subordinated loan for Euro 19.5 million.
Guarantees and credit lines granted by third parties	None.
Analysis by business sector	Mortgage agreements stipulated with both individuals and legal entities excluding Public Administrations.
Analysis by geographical area	Securitised loans are concentrated in Italy.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022	Rating Fitch	Rating DBRS
IT0005143836	Senior	Dec-67	573,500	-	AA	AAA
IT0005143844	Mezzanine	Dec-67	58,100	58,100	A+	AAA
IT0005143851	Mezzanine	Dec-67	29,000	29,000	A+	AA
IT0005143869	Junior	Dec-67	65,378	65,378	n.r.	n.r.
Total			725,978	152,478		

Quantitative Information

C.1 Prudential consolidation - Breakdown of exposures deriving from the main "own" securitisations by type of securitised asset and type of exposure

Type of securitised assets/Exposure	On-balance-sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Net impairment losses	Book Value	Net impairment losses	Book Value	Net impairment losses
A. Fully derecognised	974,973	6,152	29,546	-	180	-
- performing residential mortgages	1,662	12	342	-	-	-
- non-performing residential mortgages	169,786	1,958	570	-	69	-
- performing non-residential mortgages						
- non-performing non-residential mortgages	438,174	2,115	1,072	-	53	-
- performing leases						
- non-performing leases	23	-	680	-	-	-
- other performing loans						
- other non-performing loans	365,328	2,067	26,882	-	58	-
- performing securities						
- non performing securities	-	-	-	-	-	-
B. Partially derecognised	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	256,502	-
- performing residential mortgages	-	-	-	-	246,981	-
- non-performing residential mortgages	-	-	-	-	-	-
- performing non-residential mortgages	-	-	-	-	-	-
- non-performing non-residential mortgages	-	-	-	-	-	-
- performing leases	-	-	-	-	-	-
- non-performing leases	-	-	-	-	-	-
- other performing loans	-	-	-	-	9,521	-
- other non-performing loans	-	-	-	-	-	-
- performing securities	-	-	-	-	-	-
- non performing securities	-	-	-	-	-	-

(cont.)

Type of securitised assets/Exposure	Guarantees granted					
	Senior		Mezzanine		Junior	
	Net exposure	Net impairment losses	Net exposure	Net impairment losses	Net exposure	Net impairment losses
A. Fully derecognised	2,229	23	-	-	-	-
- performing residential mortgages	2,229	23	-	-	-	-
- non-performing residential mortgages	-	-	-	-	-	-
- performing non-residential mortgages	-	-	-	-	-	-
- non-performing non-residential mortgages	-	-	-	-	-	-
- performing leases	-	-	-	-	-	-
- non-performing leases	-	-	-	-	-	-
- other performing loans	-	-	-	-	-	-
- other non-performing loans	-	-	-	-	-	-
- performing securities	-	-	-	-	-	-
- non performing securities	-	-	-	-	-	-
B. Partially derecognised	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	-	-
- performing residential mortgages	-	-	-	-	-	-
- non-performing residential mortgages	-	-	-	-	-	-
- performing non-residential mortgages	-	-	-	-	-	-
- non-performing non-residential mortgages	-	-	-	-	-	-
- performing leases	-	-	-	-	-	-
- non-performing leases	-	-	-	-	-	-
- other performing loans	-	-	-	-	-	-
- other non-performing loans	-	-	-	-	-	-
- performing securities	-	-	-	-	-	-
- non performing securities	-	-	-	-	-	-

The table shows the on-balance-sheet exposures assumed by the Group in connection with its own securitisations Sestante, Pillarstone, Restart, Italian Credit Recycle, Brisca, 4Mori, Aquil, Riviera, Spring, Summer, Grogu. "Net impairment losses" show the annual flow of impairment losses and write-backs as required by the Bank of Italy's Circular 262/2005. The parts of the table relating to "Credit Lines" have not been shown as there is nothing to report.

C.2 Prudential consolidation - Breakdown of exposures deriving from the main "third-party" securitisations by type of securitised asset and type of exposure

Type of underlying asset/Exposures	On-balance-sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Net impairment losses	Book Value	Net impairment losses	Book Value	Net impairment losses
- performing residential mortgages	16,715	4	1,922	-	-	-
- non-performing residential mortgages	3,280	1	-	-	-	-
- performing non-residential mortgages	-	-	-	-	-	-
- non-performing non-residential mortgages	-	-	-	-	-	-
- performing leases	-	-	-	-	-	-
- non-performing leases	-	-	-	-	-	-
- other performing loans	37,602	-	-	-	-	-
- other non-performing loans	656	1	-	-	-	-
- performing securities	-	-	-	-	-	-
- non performing securities	-	-	-	-	-	-

(cont.)

Type of underlying asset/Exposures	Credit lines					
	Senior		Mezzanine		Junior	
	Net exposure	Net impairment losses	Net exposure	Net impairment losses	Net exposure	Net impairment losses
- performing residential mortgages	-	-	-	-	-	-
- non-performing residential mortgages	-	-	-	-	-	-
- performing non-residential mortgages	-	-	-	-	-	-
- non-performing non-residential mortgages	-	-	-	-	-	-
- performing leases	-	-	-	-	-	-
- non-performing leases	-	-	-	-	-	-
- other performing loans	2,100	-	-	-	-	-
- other non-performing loans	-	-	-	-	-	-
- performing securities	-	-	-	-	-	-
- non performing securities	-	-	-	-	-	-

The parts of the table relating to "Guarantees granted" have not been shown as there is nothing to report.

C.3 Prudential consolidation - Interests in securitisation vehicles

There are no amounts to be disclosed in this consolidated report.

C.4 Prudential consolidation - Non-consolidated securitisation vehicles

Securitisation name/ Securitisation vehicle name	Registered office	% Interest	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Sardegna Re Finance Srl	Via Statuto 13 – 20121 Milano		1,123,216	-	21,548	675,706	-	456,464
Lanterna Finance 4 - Pmi 100	Via Cassa di Risparmio, 15, 16123, Genoa		292,483	-	55,980	279,815	-	62,700
Lanterna Finance 5	Via Cassa di Risparmio, 15, 16123, Genoa		433,227	-	85,021	313,938	-	187,000
Lanterna Mortgage	Via Cassa di Risparmio, 15, 16123, Genoa		187,752	-	23,275	129,335	-	69,034

C.5 Prudential consolidation - Servicer activities - "own" securitisation: collection of securitised loans and reimbursement of securities issued by securitisation vehicle

There are no amounts to be disclosed in this consolidated report.

C.6 Prudential consolidation – Consolidated securitisation vehicles

There are no amounts to be disclosed in this consolidated report.

D. Disposal transactions

A. Financial assets sold but not fully derecognised

Qualitative Information

The business reflected in the following table mainly relates to the use of investment securities for short/medium/long-term repo transactions and to the disposal of loans to customers in the context of securitisation transactions.

Quantitative Information

D.1 Prudential consolidation - Financial assets sold and fully recognised and associated financial liabilities: book value

	Financial assets sold and fully recognised				Related financial liabilities		
	Book Value	o.w. subject to securitisation transactions	o.w. subject to sale contracts with repurchase agreement	of which non-performing	Book Value	o.w. subject to securitisation transactions	o.w. subject to sale contracts with repurchase agreement
A. Financial assets held for trading	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	881,559	-	881,559	-	864,724	-	864,724
1. Debt securities	881,559	-	881,559	-	864,724	-	864,724
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	3,770,059	716,218	3,053,841	5,382	3,143,061	392,898	2,750,162
1. Debt securities	3,053,841	-	3,053,841	-	2,750,163	-	2,750,162
2. Loans	716,218	716,218	-	5,382	392,898	392,898	-
Total 31.12.2022	4,651,618	716,218	3,935,400	5,382	4,007,785	392,898	3,614,886
Total 31.12.2021	6,520,944	307,736	6,213,207	7,676	6,216,499	56,169	6,160,329

D.2 Prudential consolidation - Financial assets sold partially recognised and related financial liabilities: book value

There are no amounts to be disclosed in this consolidated report.

D.3 Prudential Consolidation – Sale transactions with liabilities having recourse exclusively on the assets sold and not fully derecognised: fair value

There are no amounts to be disclosed in this consolidated report.

B. Financial assets sold and not fully derecognised with recognition of continuing involvement

The Group did not make any disposal for which it would have to provide information in accordance with IFRS 7 § 7, 42D letters a), b), c) and § 42H.

C. Financial assets sold and fully derecognised

The instrument of the assignment of loans to mutual investment funds aims to assign the management of exposures classified as high risk to specialised and independent professional operators (represented by asset management companies, hereinafter also “SGR”) which, through managerial discontinuity actions, should allow a more effective turnaround of Target debtor Companies in a state of financial tension and/or distress with respect to the amount that can be pursued by the creditor bank through own management of its exposure. The strategies pursued by the SGR that manages the fund, in fact, leverage management tools such as, for example, the conversion of debt to equity, the entry of Target debtor Companies in the management bodies in order to achieve an effective operational turnaround, the development of distressed M&A transactions aimed at protecting the value of companies through business partnerships, the direct purchase of property in the case of real estate operators and, lastly, the contribution of new finance from third party investors aimed at the relaunch of companies through tools that enable a greater degree of priority in reimbursements with respect to already existing financial debt (Debtor-in-Possession Financing).

From said perspective, the intervention of an SGR guarantees adequate mechanisms for protecting the rights of investing banks, through the powers attributed to the appropriate investor committees. In addition, in order to align the interests of the SGR with those of the investing banks, the fee and commission structure in favour of the SGR includes not only management fees, proportional to the net assets of the fund, but also performance fees or a carried interest in the extra return on the transaction.

Starting from 2018 until the current year 2022, the BPER Banca Group carried out various assignment transactions attributable to the scheme of the transfer to a mutual investment fund, which involved the derecognition of the assets transferred, following the verification that the originator transferred substantially the risks and rewards of the assets transferred and, also did not retain any substantial control over said assets which was instead assumed by the fund management company.

In replacement of the derecognised assets, under item 20 c) “Financial assets measured at fair value through profit and loss - other financial assets mandatorily at fair value”, of Balance sheet assets, the BPER Banca Group recognised units of the Funds received in respect of said transfers. The risks and rewards that the Group may achieve on the units held in exchange for the transfer of assets depend on the general performance of the fund managed by the SGR. In compliance with Part A4 - Information on fair value, for the initial recognition and subsequent recognitions in the financial statements, in view of the characteristics of the instruments - units in mutual closed-end unlisted (illiquid) funds, the fair value was determined using a mark-to-model approach as level 3 fair value. A type of Discounted Cash Flow (DCF) model was used.

As at 31 December 2022, therefore, the BPER Banca Group holds units of 7 mutual investment funds in its portfolio, summarised hereunder:

- Clessidra Restructuring Fund – CRF
- IDeA Corporate Credit Recovery II – CCR II
- RSCT Fund
- Efesto
- Illimity Credit and Corporate Turnaround Fund - iCCT
- Back2Bonis
- KEYstone

In relation to the provisions contained in the Communication of the Bank of Italy of 23 December 2019, acknowledged in the 7th update of Circular 262, the quali-quantitative information for each transaction in place as at 31 December 2022 is reported below.

Sale of non-performing loans to Clessidra Restructuring Fund

Seller:	BPER Banca s.p.a.	
Acquiring investment fund:	Clessidra Restructuring Fund ("CRF")	
SGR that manages the investment fund:	Clessidra SGR s.p.a.	
Disposal date:	25.09.2019	05.05.2021
Assets sold:	Corporate Loans	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans	Unlikely-To-Pay loans
GBV of assets transferred (in millions of €):	27.7	4.1
NBV of assets transferred (in millions of €):	11.5	1.0

Units of Fund attributed:		
ISIN:	IT0005362659	IT0005362659
No. of units assigned at signing:	18,317,941	813,967
Book value of the units at signing (in millions of €)	12.0	0.8
No. units outstanding at year-end:	19,131,908	
Book value of the units at year-end (in millions of €)	10.9	

Sale of non-performing loans to IDeA Corporate Credit Recovery II

Seller:	BPER Banca s.p.a.	
Acquiring investment fund:	IDeA Corporate Credit Recovery II or "IDeA CCR II"	
SGR that manages the investment fund:	Dea Capital Alternative Funds SGR s.p.a.	
Disposal date:	26.06.2018	24.01.2020
Assets sold:	Corporate Loans	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans	Unlikely-To-Pay loans
GBV of assets transferred (in millions of €):	6.1	8.7
NBV of assets transferred (in millions of €):	1.9	3.4

Units of Fund assigned:		
ISIN:	IT0005276065	IT0005276065
No. of units assigned at signing:	87	144
Book value of the units at signing (in millions of €)	4.3	2.5
No. units outstanding at year-end:	231	
Book value of the units at year-end (in millions of €)	4.1	

Sale of non-performing loans to RSCT Fund

Seller:	BPER Banca s.p.a.	
Acquiring investment fund:	RSCT Fund	
SGR that manages the investment fund:	Davy Global Fund Management Limited, part of the company Pillarstone Italia s.p.a.	
Disposal date:	13.05.2020	
Assets sold:	Corporate Loans	
Quality of assets sold:	Unlikely-To-Pay loans	
GBV of assets transferred ^(*) (in millions of €):	42.2	
NBV of assets transferred ^(*) (in millions of €):	17.6	

Units of Fund assigned:		
ISIN:	IT0005407975	
No. of units assigned at signing ^(*) (in millions of €):	25,126,391	
Book value of the units at signing ^(*) (in millions of €):	17.4	
No. units outstanding at year-end:	25,126,391	
Book value of the units at year-end (in millions of €)	19.2	

(*) The value stated is considered net of the value of the position repurchased in 2021 which, upon transfer, had a GBV of Euro 3.2 and a NBV of Euro 1.5. The repurchase by the transferor involved a reduction in the units initially acquired of 1,397,653 for a value of Euro 1.1 million.

Sale of non-performing loans to Efesto

Seller:	BPER Banca s.p.a.	
Acquiring investment fund:	EFESTO Fund	
SGR that manages the investment fund:	Finanziaria Internazionale Investments SGR s.p.a.	
Disposal date:	27.10.2020	11.03.2021
Assets sold:	Corporate Loans	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans	Unlikely-To-Pay loans
GBV of assets transferred (in millions of €):	25.1	112.5
NBV of assets transferred (in millions of €):	9.7	52.7

Units of Fund assigned:		
ISIN:	IT0005419491	IT0005419491
No. of units assigned at signing:	13,814,877	55,405,549
Book value of the units at signing (in millions of €)	10.0	51.5
No. units outstanding at year-end:	69,220,426	
Book value of the units at year-end (in millions of €)	47.4	

Seller:	Banco di Sardegna s.p.a.						
Acquiring investment fund:	EFESTO Fund						
SGR that manages the investment fund:	Finanziaria Internazionale Investments SGR s.p.a.						
Disposal date:	27.10.2020	29.12.2020	07.01.2021	03.08.2021	09.12.2021	23.06.2022	16.11.2022
Assets sold:	Corporate Loans	Corporate Loans	Corporate Loans	Corporate Loans	Corporate Loans	Corporate Loans	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans	Unlikely-To-Pay loans	Unlikely-To-Pay loans	Unlikely-To-Pay loans	Unlikely-To-Pay loans	Unlikely-To-Pay loans	Unlikely-To-Pay loans
GBV of assets transferred (in millions of €):	18.0	10.9	1.3	5.7	8.0	2.8	30.5
NBV of assets transferred (in millions of €):	9.8	7.2	0.5	3.7	5.2	0.8	14.4

Units of Fund assigned:							
ISIN:	IT0005419491	IT0005419491	IT0005419491	IT0005419491	IT0005419491	IT0005419491	IT0005419491
No. of units assigned at signing:	11,113,744	7,210,793	718,646	3,939,261	5,842,094	2,166,806	22,804,542
Book value of the units at signing (in millions of €)	10.0	7.2	0.5	3.7	4.8	0.8	14.4
No. units outstanding at year-end:	53,795,887						
Book value of the units at year-end (in millions of €)	37.6						

The price of the assets transferred as at June 2022 was Euro 0.8 million. The positions transferred belong to a company operating in the Rentals, travel agencies and business support services sector located in Sardinia.

The price of the positions transferred as at November 2022 was Euro 19.8 million. With respect to the gross value of the assets transferred, 63% relates to companies operating in the sector of welfare institutions, charities, educational institutions, cultural and trade union organisations and 80% relates to debtors located in Sardinia.

Sale of non-performing loans to Illimity Credit and Corporate Turnaround Fund - iCCT

Seller:	BPER Banca s.p.a.	
Acquiring investment fund:	Illimity Credit and Corporate Turnaround Fund ("iCCT")	
SGR that manages the investment fund:	Illimity SGR s.p.a.	
Disposal date:	31.03.2021	26.11.2021
Assets sold:	Corporate Loans	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans	Unlikely-To-Pay loans
GBV of assets transferred (in millions of €):	37.8	5.5
NBV of assets transferred (in millions of €):	23.9	2.5

Units of Fund assigned:		
ISIN:	IT0005416653	IT0005416653
No. of units assigned at signing:	30,357,527	3,230,166
Book value of the units at signing (in millions of €)	25.0	3.3
No. units outstanding at year-end:	33,587,693	
Book value of the units at year-end (in millions of €)	24.5	

Seller:	Sardaleasing s.p.a.		
Acquiring investment fund:	Illimity Credit and Corporate Turnaround Fund ("iCCT")		
SGR that manages the investment fund:	Illimity SGR s.p.a.		
Disposal period:	01.04.2021	06.12.2021	27.06.2022
Assets sold:	Corporate Loans	Corporate Loans	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans	Unlikely-To-Pay loans	Unlikely-To-Pay loans
GBV of assets transferred (in millions of €):	1.8	8.9	7.8
NBV of assets transferred (in millions of €):	1.1	7.3	4.9

Units of Fund assigned:			
ISIN:	IT0005416653	IT0005416653	IT0005416653
No. of units assigned at signing:	1,308,994	6,836,908	4,786,862
Book value of the units at signing (in millions of €)	1.1	4.4	4.8
No. units outstanding at year-end:	12,932,764		
Book value of the units at year-end (in millions of €)	9.0		

The price of the positions transferred as at June 2022 was Euro 4.8 million. With respect to the gross value of the assets transferred, 64% relates to companies operating in the Agriculture, Forestry and Fishing sectors and 78% to companies distributed throughout Emilia-Romagna.

Sale of non-performing loans to Back2Bonis

Seller:	BPER Banca s.p.a.
Acquiring investment fund:	Back2Bonis
SGR that manages the investment fund:	SGR Prelios s.p.a.
Disposal date:	21.05.2021
Assets sold:	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans
GBV of assets transferred (in millions of €):	51.6
NBV of assets transferred (in millions of €):	25.6

Units of Fund assigned:	
ISIN:	IT0005396327
No. of units assigned at signing:	50
Book value of the units at signing (in millions of €)	24.4
No. units outstanding at year-end:	50
Book value of the units at year-end (in millions of €)	18.4

Sale of non-performing loans to KEYstone

Seller:	BPER Banca s.p.a.	
Acquiring investment fund:	KEYstone Fund	
SGR that manages the investment fund:	KRYALOS SGR s.p.a.	
Disposal date:	08.02.2022	20.12.2022
Assets sold:	Corporate Loans	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans	Unlikely-To-Pay loans
GBV of assets transferred (in millions of €):	37.1	34.8
NBV of assets transferred (in millions of €):	16.7	7.6

Units of Fund assigned:		
ISIN:	IT0005474462	IT0005474462
No. of units assigned at signing:	31,914,369	11,320,122
Book value of the units at signing (in millions of €)	20.4	7.7
No. units outstanding at year-end:		43,234,491
Book value of the units at year-end (in millions of €)		25.8

The price of the positions transferred as at February 2022 was Euro 19.2 million. With respect to the gross value of the assets transferred, 70% relates to companies operating in the Construction (41%) and Real Estate (29%) sectors; 75% relates to companies distributed between northern Italy (37%) and southern Italy (38%). The price of the positions transferred as at December 2022 was Euro 12.7 million. With respect to the gross value of the assets transferred, 62% relates to companies operating in the Construction sector and 65% to companies located in Liguria (47%) and in Lazio (18%).

D. Covered bond transactions

Introduction

Covered Bond (OBG) issues are foreseen by BPER Banca Group's strategic plan as a means to diversify funding sources, reduce funding costs and extend the maturities of liabilities. In particular, OBG issues are extremely appealing at a time when market yields are very low. The Board of Directors:

- on 8 February 2011, launched the structuring of a first programme for the issue of covered bonds ("OBG1"), based on a collateralised portfolio of residential mortgage loans pursuant to art. 7-bis of Law 130 of 30 April 1999 ("Law 130/99"), and the regulatory provisions of the Bank of Italy of 24 March 2010 as later amended and supplemented (the "Rules" and, together with Law 130 and each subsequent amendment, the "Regulations"). It should be noted, however, that the implementation of Directive (EU) 2019/2162, contained in Law 130/1999, and the consequent choices on how to exercise the discretionary powers provided for in Regulation (EU) 2019/2160 are currently being defined.
- on 3 March 2015, launched the structuring of a second programme for the issue of Covered Bonds ("OBG2"), based on a collateralised portfolio of residential and commercial mortgage loans, as already mentioned in the Directors' report on Group operations;
- following the merger by absorption of the subsidiary Banca Carige s.p.a. on 24 November 2022, with economic effect from 28 November 2022, BPER Banca became the issuer of a third covered bond issuing programme ("OBG3"), based on a collateralised portfolio of residential and commercial mortgages.

The basic structure of a covered bond issue

Covered Bonds can be issued under a scheme which envisages:

- the sale by a bank, which may differ from the bond issuer, to a special purpose vehicle of high credit quality assets and which constitute segregated assets pursuant to the applicable provisions of Law 130/99;
- the selling bank or another bank granting a subordinated loan to the assignee company to provide the assignee with the funding required to purchase the assets;
- the issue of a guarantee by the assignee company in favour of the bondholders, up to the amount of the segregated assets.

High credit quality assets are intended to mean loans that meet the selection criteria defined by the Regulations and related contracts (the "Eligible Assets").

Key elements of the BPER Banca Group's Programmes for the issue of Covered Bonds

The BPER Banca's Covered Bond Programmes (the "Programmes") have been structured as follows:

- the sale without recourse to Estense Covered Bond s.r.l. (the "SPV" or "Estense Covered Bond") for OBG1, to Estense CPT Covered Bond s.r.l. (the "SPV" or "Estense CPT Covered Bond") for OBG2, and to the vehicle Carige Covered Bond s.r.l. (the "SPV" or "Carige Covered Bond") for OBG3, initially just by BPER Banca or by the respective originator bank and then, during the Programmes, also by other Group Banks, of assets with a high credit quality, which constitute segregated assets pursuant to Law 130/99;
- the provision to the assignee SPVs, by BPER Banca and other Group Banks that will eventually join the Programmes as selling banks, of subordinated loans to provide the assignees with the funding required to purchase the assets sold;
- the issue by the SPVs, up to the amount of the segregated assets, of guarantees in favour of the holders of the Covered Bonds issued by BPER Banca.

Although they are presented "as Group Programmes", the initial and subsequent transactions only involved BPER Banca or the respective originator bank as the selling bank, the understanding being that BPER Banca will always take on the role of issuing bank. Only at a later stage, after an expert assessment of the risks and opportunities, is it expected that other Group Banks will join the Programmes as selling banks to sell additional Eligible Assets.

The portfolios of Eligible Assets involved in the initial sales are composed of loans originating from residential mortgage loans for OBG1 and of residential and commercial mortgage loans for OBG2 and OBG3, which meet the requirements of the Regulations. These portfolios were identified based on general and specific criteria indicated in the sale agreements. The additional portfolios of Eligible Assets may include loans deriving from mortgages that meet the requirements of the Regulations.

The sale prices of the portfolios is determined, as laid down in the Provisions, with reference to their book values in the latest financial statements approved by BPER Banca with a view to specific sale dates or by having the sale price certified by the Independent Auditors. The sale prices so determined are subject to adjustment to take account of movements on the loans between the financial year end and the date of sale. More specifically, the sale prices shall be adjusted to consider the collection of the capital element of the loans in the intervening period and the payment of contractually agreed interest in the same period.

The sale of the portfolios - without recourse and under the combined provisions of articles 1 and 4 of Law 130/99 and art. 58 of the CFA - is communicated to the mortgage holders by publishing a notice of sale by the seller with the above selection

criteria in the Official Journal and by filing the same notice of sale with the Registrar of Companies. Further formalities are also carried out for privacy legislation purposes (Legislative Decree 196/2003 and Regulation (EU) 679/2016, as later amended and supplemented).

The mortgage holders maintain a direct operational relationship with BPER Banca - or, in the case of sale of Eligible Assets by other selling banks that will join the Programmes, with the other Group Banks that the mortgage holders originally obtained the loans from - since the three SPVs have given BPER Banca responsibility for managing and administering the loans sold and the related collection and payment services ("servicing activities"), with BPER Banca having the power to grant a sub-proxy to the pertinent selling banks to perform servicing activities for the portfolios sold.

This, in accordance with the Regulations, is in order to minimise the commercial impact with the mortgage holders and, at the same time, to optimise the operational management of each portfolio which, in fact, remains in the hands of the assignors.

At predetermined dates and based on specific operational and market situations, BPER Banca, in the role of Calculation Agent, will perform assessment tests to compare the portfolios sold with the bonds issued, aimed at verifying the adequacy of the guarantees issued with reference to specific legal parameters and the parameters set by the Programmes' documentation based on indications provided by rating agencies, on which the credit rating assigned to the Covered Bonds depends.

In the case of non-compliance with one or more of the required parameters, it will be necessary to add to the portfolios sold by selling further Eligible Assets. The portfolios can be added to by using the SPVs' liquid funds or by further drawdowns of the subordinated loans granted by BPER Banca (or by the other selling banks) to the two SPVs.

Other initiatives are required in the case of violation of contractual conditions, up to the extreme consequences of enforcement of the guarantees provided by the SPVs in the case of an Event of Default by the Issuer (for example, default in repayment of principal or non-payment of interest on the Covered Bonds).

Moreover, on predetermined dates, the functions responsible for supervising the Bank's risk management verify the quality and integrity of the assets provided as collateral for Covered Bonds issued.

The structure of the Programmes, as outlined, permits the creation of segregated assets (consisting of the Eligible Assets assigned from time to time to the SPVs), to serve as a preferred guarantee for the Covered Bond holders, for the counterparties to derivative contracts entered into under the Programmes to hedge the risks inherent in the portfolio of transferred Eligible Assets and for the payment of other transaction costs.

Normally, the charges for payment and redemption of the OBG remain with the Issuer and, only when there is an Event of Default by the Issuer will automatic protection mechanisms be activated to protect the investors.

To further support the financial structure, provision has been made for swaps with one or more external counterparties selected on the market and with an appropriate credit standing in line with the eligibility criteria required by rating agencies. The purpose of these contracts is to transform the interest flow produced by the loan portfolios sold so as to make them consistent with that incurred on the bonds issued.

In particular, among the various options available, it is normally envisaged that two separate swap derivative contracts will be entered into:

- asset swap: under this contract, the SPV will pay the swap counterparty the flow received as interest on a notional amount represented by a portion of segregated assets and determined by taking into account the outstanding amount of the liability represented by the Covered Bonds issued and will collect from it a flow corresponding to Euribor for the period plus or minus a Spread applied to the same notional amount for the reference period;
- liability swap: under this derivative the SPV will receive from the swap counterparty a fixed rate equal to the coupon of the related series of Covered Bonds and will pay thereto a flow corresponding to Euribor plus or minus (as appropriate) a Spread applied to an amount equal to the nominal value of the corresponding series of Covered Bonds.

These contracts can be linked to back-to-back swap agreements between the swap counterparties and BPER Banca, a situation that currently exists in the case of the eighth and ninth issue of the OBG1 Programme. No swaps had to be made for the remaining issues.

The financial back-to-back mechanism allows, on the one hand, BPER Banca, as selling bank, to maintain a financial position as desired and consistent with its Asset & Liability Management strategies and, on the other hand, the SPV, as guarantor, in the Event of the occurrence of an Event of Default of the Issuer, to cover the costs of the Covered Bonds by trading them for the expected return on portfolio of loans sold.

The OBG1 Programme

The OBG1 Programme provides for the issue of Covered Bonds up to a maximum of Euro 7 billion, to take place in a number of issues over time, by 31 December 2023 at latest (subject to the obligations for annual renewal of the prospectus prepared in compliance with EU Regulations).

OBG1 Programme issuances

Issue	Issue date	nominal amount of the OBGs issued	repayment date	nominal amount repaid	OBG characteristics	Purpose
I	01.12.2011	750,000,000	22.01.2014	750,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
II	25.06.2012	300,000,000	22.04.2015(*)	300,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
III	15.10.2013	750,000,000	22.10.2018	750,000,000	Fixed rate	placed on the national and international market
III(**)	24.02.2014	250,000,000	22.10.2018	250,000,000	Fixed rate	placed on the national and international market
IV	22.01.2015	750,000,000	22.01.2022	750,000,000	Fixed rate	placed on the national and international market
V	29.07.2015	750,000,000	22.07.2020	750,000,000	Fixed rate	placed on the national and international market
VI	31.05.2016	500,000,000	22.07.2020	500,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
VII	03.02.2017	540,000,000	22.04.2021	540,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
VIII	19.07.2018	500,000,000	22.07.2023	--	Fixed rate	placed on the national and international market
IX	19.03.2019	600,000,000	22.04.2026	--	Fixed rate	placed on the national and international market
X	18.09.2020	1,150,000,000	22.10.2024	--	Floating rate	self-subscribed for the purpose of ECB refinancing
XI	18.05.2021	600,000,000	22.04.2025	--	Fixed rate	self-subscribed for the purpose of ECB refinancing
XII	16.11.2021	400,000,000	22.10.2025	--	Fixed rate	self-subscribed for the purpose of ECB refinancing
XIII	29.06.2022	1,000,000,000	22.07.2026	--	Fixed rate	self-subscribed for the purpose of ECB refinancing
Total		8,840,000,000		4,590,000,000		

The residual debt of the outstanding transactions amounts to Euro 4,250 million.

(*) The II issue was early repaid on 12 January 2015.

(**) III series reopened in February 2014

In line with the operational chart described above, on 2 November 2011, BPER Banca sold to Estense Covered Bond s.r.l. a first portfolio of assets complying with the eligibility requirements provided for under the law, selected in accordance with the criteria noted above and featuring the following main characteristics:

- residential mortgage loans provided in accordance with mortgage lending legislation;
- concluded by 31 December 2010;
- final instalment due after 31 December 2012;
- ratio of outstanding debt to the value of secured property, estimated at the payment date, not higher than 80%.

The table below shows the details of all subsequent disposals.

OBG1 Programme sale of receivables

Disposals	Disposal date	(in million)
		price of assets sold
I	02.11.2011	1,091
II	04.05.2012	546
III	10.07.2013	681
IV	23.07.2014	501
V	28.04.2015	1,074
VI	28.01.2016	1,086
VII	27.07.2016	310
VIII	25.01.2017	404
IX	23.10.2017	816
X	27.04.2018	652
XI	29.04.2019	570
XII	25.06.2020	515
XIII	24.09.2021	937
XIV	24.05.2022	991
Total		10,174

The loan granted by BPER Banca to Estense Covered Bond s.r.l., under the form of a credit facility, to finance the purchase of the assigned portfolios currently amounts to Euro 7 billion. This is without prejudice to BPER Banca's right to increase the amount of said credit facility to finance the purchase of additional portfolios (both in connection with new issues or for the purpose of adding to segregated assets). The relevant subordinated loan is remunerated so as guarantee a return to the transferor of the yield on the segregated mortgage loans, albeit residual with respect to payment of the SPV's operating expenses, thus making the asset transfers essentially neutral from an economic standpoint.

Repayment of this loan is linked to the gradual reimbursement of the Covered Bonds that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby.

Repayment of subordinated loan OBG1 Programme

Disposal date	(in million)
	amounts repaid
22.10.2014	250
22.10.2015	250
22.01.2016	120
22.04.2016	250
22.07.2016	250
23.10.2017	400
23.04.2018	100
23.07.2018	250
22.10.2018	500
22.01.2019	280
23.04.2019	150
22.07.2019	150
22.10.2019	147
22.07.2020	495
22.01.2021	50
22.04.2021	50
22.07.2021	50
22.10.2021	450
22.04.2022	540
24.10.2022	75
Total	4,807

The liquidity generated by the portfolio can also be used - within the limits established by law - for suitable investments or deposits, based on BPER Banca's indications as Investment Agent. However, it cannot be entrusted to BPER Banca for the moment because its rating is inadequate. Accordingly, cash generated from the portfolio of sold Eligible Assets - for which BPER Banca will remain as Servicer - are transferred to current accounts with BNP Paribas, either in Italy or the UK, since this is a third party with appropriate rating.

Counterparties involved in the OBG1 Programme

Issuing Bank, initial Selling Bank, Servicer, Investment Agent, Principal Paying Agent and Calculation Agent: BPER Banca.

Any other seller banks that could join the Programme:

- Banco di Sardegna s.p.a.;
- Bibanca s.p.a.

Arranger: NatWest Market Plc (formerly The Royal Bank of Scotland plc).

Joint Lead Manager of the third series of bonds issued: NatWest, Citibank, Mediobanca, Société Générale, UBS.

Joint Lead Manager of re-opening of the third series of bonds issued: Citibank, Raiffeisen Bank International.

Joint Lead Manager of the fourth series of bonds issued: NatWest, BNP Paribas, Natixis, Nomura International plc., UNICREDIT Bank AG.

Joint Lead Manager of the fifth series of bonds issued: NatWest, Banca IMI, Credit Suisse International, Raiffeisen Bank International, Société Générale.

Lead Manager of the sixth series of bonds issued: NatWest.

Lead Manager of the seventh series of bonds issued: NatWest.

Joint Lead Manager of the eighth series of bonds issued: NatWest, Commerzbank, Nomura, UBS, Unicredit. Guarantor: Estense Covered Bond s.r.l.

Joint Lead Manager of the ninth series of bonds issued: NatWest, BNP Paribas, Credit Agricole CIB, HSBC France, Banca IMI.

Joint Lead Manager of the tenth series of bonds issued: NatWest.

Joint Lead Manager of the eleventh series of bonds issued: NatWest.

Joint Lead Manager of the twelfth series of bonds issued: NatWest.

Joint Lead Manager of the thirteenth series of bonds issued: NatWest.

Guarantor: Estense Covered Bond s.r.l..

Representative of the Bondholders (RoB): Banca Finint s.p.a..

Italian Paying Agent, Cash Manager and Account Bank: BNP Paribas (both the Italian and London branches).

Corporate Servicer: Banca Finint s.p.a..

Guarantor Calculation Agent: Banca Finint s.p.a..

Liability Swap counterparty: for the eighth and ninth issue, BNP-Paribas.

Legal advisor to BPER Banca: Studio Legale Cupelli-RCCD.

Asset Monitor and Pool Auditor: PriceWaterhouseCoopers s.p.a..

Independent Auditors of the special purpose vehicle: Deloitte & Touche s.p.a..

Rating agencies: Moody's Italia s.r.l..

The OBG2 Programme

The OBG2 Programme provides for the issue of Covered Bonds up to a maximum of Euro 7 billion, to take place in a number of issues over time, by 31 December 2025 at latest (subject to the obligations for annual renewal of the prospectus prepared in compliance with EU regulations).

OBG2 Programme issuances

Issue	issue date	nominal amount of the OBGs issued	repayment date	nominal amount repaid	OBG characteristics	Purpose
I	16.12.2015	625,000,000	28.01.2018(*)	625,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
II	01.08.2016	200,000,000	28.10.2020	200,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
III	24.02.2017	240,000,000	28.04.2021	240,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
IV	25.01.2018	420,000,000	28.10.2021	420,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
V	17 October 2018	1,050,000,000	28.04.2022	1,050,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
VI	13.03.2019	200,000,000	28.04.2022	200,000,000	Fixed rate	self-subscribed for the purpose of ECB refinancing
VII	10.07.2019	250,000,000	28.07.2023	--	Fixed rate	self-subscribed for the purpose of ECB refinancing
VIII	30.01.2020	200,000,000	28.01.2024	--	Fixed rate	self-subscribed for the purpose of ECB refinancing
IX	30.04.2020	900,000,000	28.04.2024	--	Fixed rate	self-subscribed for the purpose of ECB refinancing
X	12.11.2020	550,000,000	28.10.2024	--	Floating rate	self-subscribed for the purpose of ECB refinancing
XI	12.11.2020	600,000,000	28.10.2024	--	Fixed rate	self-subscribed for the purpose of ECB refinancing
XII	14.05.2021	250,000,000	28.04.2025	--	Floating rate	self-subscribed for the purpose of ECB refinancing
XIII	11.11.2021	700,000,000	28.10.2025	--	Floating rate	self-subscribed for the purpose of ECB refinancing
XIV	11.11.2021	1,000,000,000	28.10.2025	--	Fixed rate	self-subscribed for the purpose of ECB refinancing
XV°	23.09.2022	700,000,000	28.10.2025	--	Fixed rate	self-subscribed for the purpose of ECB refinancing
Total		7,885,000,000		2,735,000,000		

The residual debt of the outstanding transactions is equal to Euro 5,150.

(*) The first issue was early repaid on 27 September 2017 for Euro 150 million and on 22 January 2018 for the residual nominal amount.

In line with the operational chart described above, on 17 September 2015, BPER Banca sold to Estense CPT Covered Bond s.r.l. a first portfolio of assets complying with the eligibility requirements provided for under the law, selected in accordance with the criteria noted above, and featuring the following main characteristics:

- residential and commercial mortgage loans;
- granted by 31 December 2014;
- final instalment due after 31 December 2015;
- ratio of outstanding debt to the value of secured property, revalued close to the date of sale, not higher than 80% for residential mortgage loans and than 60% for commercial mortgage loans.

The table below shows the details of all subsequent disposals.

Asset disposals under the OBG2 Programme

(in millions)		
Disposal of	Disposal date	price of assets sold
I	17.09.2015	870
II	23.06.2016	478
III	21.11.2016	411
IV	22.05.2018	594
V	24.09.2018	732
VI	27.02.2019	276
VII	25.06.2019	593
VIII	26.11.2019	594
IX	25.03.2020	441
X	23.04.2020	1,123
XI	23.10.2020	840
XII	20.10.2021	1,443
XIII	24.06.2022	1,168
Total		9,563

The loan granted by BPER Banca to Estense CPT Covered Bond s.r.l., under the form of a credit facility, to finance the purchase of the assigned portfolios currently amounts to Euro 8 billion. This is without prejudice to BPER Banca's right to increase the amount of said credit facility to finance the purchase of additional portfolios (both in connection with new issues or for the purpose of adding to segregated assets). The relevant subordinated loan is remunerated so as to guarantee a return to the transferor of the yield on the segregated mortgage loans, albeit residual with respect to payment of the SPV's operating expenses, thus making the asset transfers essentially neutral from an economic standpoint.

Repayment of this loan is linked to the gradual reimbursement of the Covered Bonds that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby.

Repayment of subordinated loan OBG2 Programme

		(in million)
Disposal date	amounts repaid	
28.07.2017	70	
30.10.2017	200	
30.04.2018	100	
30.07.2018	150	
28.01.2019	110	
29.07.2019	200	
28.10.2019	335	
28.04.2020	235	
28.07.2020	75	
28.01.2021	50	
28.04.2021	100	
29.07.2021	50	
28.10.2021	600	
28.04.2022	250	
28.10.2022	285	
Total	2,810	

The liquidity generated by the portfolio can also be used - within the limits established by law - for suitable investments or deposits, based on BPER Banca's indications as Investment Agent. However, it cannot be entrusted to BPER Banca for the moment because its rating is inadequate. Accordingly, cash generated by the portfolio of sold Eligible Assets - for which BPER Banca will remain as Servicer - are transferred to current accounts with Citibank N.A., either in Italy or the UK, since this is a third party with an appropriate rating.

The specific financial feature of the OBG2 Programme is a different structural technique which, in the event of the Parent Company's default and under other circumstances foreseen in the OBG2 Programme, makes it possible to transform the repayment plan of the Covered Bonds according to the loan portfolio amortisation schedule pledged as collateral. This eliminates the financial risk associated with a forced and peremptory liquidation of this portfolio, thereby transforming the outstanding Covered Bonds into securities similar to pass-through securities issued as part of securitisation transactions. In this way, the risk profile of a default on the Covered Bonds is clearly attenuated, making it possible to obtain a higher rating.

Counterparties involved in the OBG2 Programme

Issuing Bank, initial Selling Bank, Servicer, Investment Agent, Primary Paying Agent and Calculation Agent: BPER Banca.

Any other seller banks that could join the Programme:

- Banco di Sardegna s.p.a.;
- Bibanca s.p.a.

Arranger: Banca Finint s.p.a..

Initial Dealer of the first series of bonds issued: Banca Finint s.p.a..

Dealer of all the other series of bonds issued: NatWest.

Guarantor: Estense CPT Covered Bond s.r.l.

Representative of the Bondholders (RoB): Banca Finint s.p.a..

Subsequent Paying Agent, Cash Manager and Account Bank: Citibank N.A. (both Italian and London branches).

Corporate Servicer: Banca Finint s.p.a..

Guarantor Calculation Agent: Banca Finint s.p.a..

Legal advisor to BPER Banca: Dentons Europe Studio Legale.

Asset Monitor and Pool Auditor: PricewaterhouseCoopers s.p.a.

Independent Auditors of the special purpose vehicle: Deloitte & Touche s.p.a..

Rating agencies: Moody's Italia s.r.l..

The OBG3 Programme

The OBG3 programme provides for the issue of Covered Bonds up to a maximum of Euro 5 billion.

Issues of OBG3 Programme outstanding as at 31.12.2022

Issue	issue date	nominal amount of the OBGs issued	repayment date	nominal amount repaid	OBG characteristics	Purpose
I	20.09.2010	75,000,000	20.09.2030	--	Fixed rate	placed on the national and international market
II	25.11.2010	20,000,000	25.11.2030	--	Fixed rate	placed on the national and international market
III	27.12.2010	40,000,000	27.12.2030	--	Fixed rate	placed on the national and international market
IV	23.04.2012	30,000,000	23.04.2032	--	Fixed rate	placed on the national and international market
V	02.11.2012	17,000,000	02.11.2032	--	Fixed rate	placed on the national and international market
VI	05.11.2012	50,000,000	05.11.2032	--	Fixed rate	placed on the national and international market
VII	06.11.2012	10,000,000	26.10.2032	--	Fixed rate	placed on the national and international market
VIII	16.01.2013	5,000,000	25.01.2023	--	Fixed rate	placed on the national and international market
IX	25.01.2013	5,000,000	25.01.2028	--	Fixed rate	placed on the national and international market
X	29.08.2013	10,000,000	29.08.2033	--	Fixed rate	placed on the national and international market
XI	05.06.2014	10,000,000	25.05.2029	--	Fixed rate	placed on the national and international market
XII	28.10.2021	750,000,000	28.10.2028	--	Fixed rate	placed on the national and international market
XIII	05.11.2021	500,000,000	05.11.2024	--	Floating rate	self-subscribed for the purpose of ECB refinancing
XIV	22.06.2022	900,000,000	22.06.2026	--	Fixed rate	self-subscribed for the purpose of ECB refinancing
Total		2,422,000,000		-		

In line with the operational scheme described above Banca Carige s.p.a. (later merged into BPER Banca, as stated) on 14 November 2008 sold to Carige Covered Bond s.r.l. a first portfolio of assets complying with the eligibility requirements provided for under the law, selected in accordance with the criteria noted above and featuring the following main characteristics:

- residential and commercial mortgage loans;
- concluded by 30 March 2007;
- final instalment due by 30 June 2045;
- ratio of outstanding debt to the value of secured property, estimated at origination, not exceeding 80% for residential mortgage loans and 60% for commercial mortgage loans.

BPER Banca granted a credit line to Carige Covered Bond s.r.l. to finance the purchase of the portfolios transferred, notwithstanding BPER Banca's right to increase the amount of the credit facility to finance the purchase of additional portfolios (both in connection with new issues or for the purpose of adding to segregated assets). The relevant subordinated loan is remunerated so as guarantee a return to the transferor of the yield on the segregated mortgage loans, albeit residual with respect to payment of the SPV's operating expenses, thus making the asset transfers essentially neutral from an economic standpoint.

Repayment of this loan is linked to the gradual reimbursement of the Covered Bonds that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby.

The liquidity generated by the portfolio can also be used - within the limits established by law - for suitable investments or deposits, based on BPER Banca's indications as Investment Manager. However, it cannot be entrusted to BPER Banca for the moment because its rating is inadequate. Accordingly, cash generated from the portfolio of sold Eligible Assets - for which BPER Banca will remain as Servicer - are transferred to current accounts with BNP Paribas, either in Italy or the UK, since this is a third party with appropriate rating.

Counterparties involved in the OBG3 Programme

Issuing Bank, initial Selling Bank, Servicer, Italian Account Bank, Investment Manager, Paying Agent and Calculation Agent: Banca Carige s.p.a., now BPER Banca.

Arranger: NatWest Market N.V. (formerly The Royal Bank of Scotland plc) and UBS Europe SE.

Guarantor: Carige Covered Bond s.r.l..

Representative of the Bondholders (RoB): Deutsche Trustee Company Limited.

Principal Paying Agent, Cash Manager and Transaction Bank: BNP Paribas (both the Italian and London branches).

Italian Paying Agent: Deutsche Bank s.p.a..

Corporate Servicer: Banca Finint s.p.a..

Guarantor Calculation Agent: Banca Finint s.p.a..

Legal advisor to BPER Banca: Chiomenti Studio Legale.

Asset Monitor and Pool Auditor: BDO Italia s.p.a..

Independent Auditors of the special purpose vehicle: Deloitte & Touche s.p.a..

Rating agencies: Moody's Italia s.r.l. and DBRS Ratings Limited.

Requirements for the Issuers

According to the Rules, Covered Bonds may be issued by banks belonging to banking groups that have:

- Own Funds not lower than Euro 250 million;
- Total capital ratio at consolidated level not lower than 9%.

These requirements must be satisfied, on a consolidated basis, even by selling banks, where the latter, as provided for by the Programmes' structure, differ from the bank issuing the Covered Bonds. In the case of banks belonging to the same group, reference should be made to consolidated figures.

With reference to the figures at 31 December 2022, the Own Funds of the BPER Banca Group amount to Euro 8,526 million and the Total Capital Ratio is 16.08%.

Limits on the sale of Eligible Assets

The Provisions set limits to the possibility for banks to sell Eligible Assets, which are based on the level of their Tier 1 (T1) ratio and Common Equity Tier 1 (CET1) ratio.

Sale restrictions refer to total transactions of this kind made by a banking group. Banking groups are classified into three categories, with corresponding specific limits as shown below:

- "a" band: for banking groups with T1 Ratio equal to or higher than 9% and CET1 Ratio equal to or higher than 8%, for which there are no sale limits;
- "b" band: for banking groups with a T1 Ratio equal to or higher than 8% and a CET1 Ratio equal to or higher than 7%, for which there is a sale limit of 60% of their Eligible Assets;
- "c" band: for banking groups with T1 Ratio equal to or higher than 7% and CET1 Ratio equal to or higher than 6%, for which there is a sale limit of 25% of their Eligible Assets.

At 31 December 2022, the Tier 1 Ratio is 12.76% and the Common Equity Tier 1 Ratio is 12.47%.

Organisational structure and procedures

The structuring process for the OBG Issue Programmes meant organising a team to coordinate the activities of all the departments involved. In this regard, a specific structure was set up, the Structured Finance Management Office, which acts as coordinator of the interfunctional team, taking care to involve all the structures involved in the management process of the Covered Bonds. To supervise the structuring process and management of the Programmes, including when it is fully operational, a specific Group Regulation has been prepared followed by a Group Organisational Procedure.

Accounting, capital and tax impact

With the issue of the GBB, BPER Banca, as initial selling bank and any subsequent selling banks will retain substantially all the risks and benefits of the transferred assets as:

- they are required to reinstate, in line with several alternatives, the collateral should the value of assets sold deteriorate and their value fall below the thresholds set by contract;
- the repayment of the subordinated loan granted to the special purpose vehicle is linked to the performance of the secured assets.

The primary objective of creating a special purpose vehicle and the sale of eligible assets thereto is, in fact, to legally segregate, by means of a without recourse sale contract, the selling bank's assets within a separate legal entity. These assets, segregated in this manner, are subject to a restriction as to their use pursuant to Law 130/99 for the protection, among others, of the holders. Thus, the holders of Covered Bonds benefit, on the one hand, from the general guarantee represented by the issuer's capital and on the other, from the guarantee issued by the SPV in respect of the segregated portfolio for which they have priority creditor rights. This structure of "dual protection" facilitates the creation of conditions for a potential reduction in funding costs. The overall risk profile of BPER Banca as initial selling bank and that of any further selling banks is not altered in any way.

The same regulatory provisions stipulate that the selling banks retain the same capital requirement that they are already required to comply with, in respect of the assets sold, prior to the sale. The transactions do not, therefore, qualify for derecognition: the selling banks must continue to recognise the transferred assets in their entirety in the balance sheet and the considerations received from the sale must be accounted for as opposite entries to the financial liabilities due to the SPVs.

In turn, these liabilities must be shown net of the subordinated loans granted to the vehicles, due to the principle of substance over form: it is as if the purchase of loans by the SPVs had never taken place.

The subordinated loans are not taken into consideration for the purposes of counterparty risk; these loans must not, in fact, be considered, as the credit risk is already reflected in the valuation of the mortgage loans being sold.

As regards the impact at consolidation level, it should be noted that the aforementioned SPVs are BPER Banca Group's entities, as the Parent Company has a 60% holding; they are therefore subject to consolidation.

Finally, regarding the tax implications, consistent with the dictates of art. 7 bis, Law 130/99, all taxes and dues are payable as though the sales of the loans had never taken place.

Again, to ensure that the operation was neutral for tax purposes, it was established, as foreseen in art. 7 bis, paragraph 7 of Law 130/99, that the sale price would be equal "to the latest carrying amount of the loans", or as certified by the Independent Auditors of the selling Bank.

More specifically, the book value is adjusted for "endogenous variables", that is, cash collected from the loans in the intervening period and contractual interest accruing in the same period. This is also consistent with the regulatory provisions laid down by the Rules as described previously.

As for the other components that could affect the configuration of the carrying amount, i.e. amortised cost and collective impairments (given that they are performing loans), it has been considered in line with the principles of relevance, pertinence and materiality to assume that their value is equal to the one shown in the latest approved and audited financial statements, or the sale price specifically certified by the auditors of the selling Bank.

Risks associated with the transaction

The Covered Bond Programmes involve some financial and non-financial risks, subject to analysis and monitoring by the Group's Risk Management and Compliance functions and, specifically with regard to the risks of fraud and unintentional errors in financial reporting, by the Manager responsible for preparing the company's financial reports. In summary the main risk profiles can be summarised as follows:

- Interest rate risk. In the structure of a Covered Bond, the interest rate risk originates from the different characteristics of interest rates on Covered Bonds and on the portfolio of secured assets. These risks are mitigated by hedging derivatives put in place from time to time with market counterparties.
- Credit risk. In the structure of a covered bond, credit risk is attributable to the quality of loans sold by each Selling Bank in the cover pool. Given this risk, the rating agencies, in order to attribute to the Covered Bonds the maximum rating possible, require a level of over-collateralisation which is also linked to the quality of the cover pool.
- Counterparty risk. The counterparty risk is the possibility that the creditworthiness of third parties involved in the transaction, in other words, the swap counterparties and the non Group bank, with which the SPV has its accounts, may worsen to the point of creating a liquidity problem, with the result that the cover pool funds that flow into the accounts of the SPV or payments made in connection with the swaps are retained by the same counterparties. This risk is mitigated by the involvement of high rated counterparties and the existence of clauses, in the relevant ISDA and CSA contracts as well as in the "Cash Management and Agency Agreement", according to which, in the case of downgrading of the counterparties, they will be immediately replaced.
- Liquidity risk. An issue of "bullet" Covered Bonds with a cover pool relating to mortgage loans with a given repayment plan entails the need for dynamic management of the cover pool itself. The funds received from the collection of capital instalments on the mortgage loans relating to the cover pool may have to be, in fact, reinvested in new mortgage loans with similar characteristics. If the Group does not have eligible mortgages available to be sold to supplement the cover pool (or to replace non-performing mortgages), it would be forced to pay cash or eligible securities, impacting negatively on the Counterbalancing Capacity.
- Compliance risk. The articulate and accurate external legislation regulating Covered Bonds, together with management and internal operating rules, require a precise and formal structuring of activities under the Programmes, both during the up front and on going phases. The analysis of compliance requirements has been performed by the Compliance function.
- Reputational risk. Reputational risk is the possibility that the failure by BPER Banca to fulfil certain obligations arising from its role in the Programmes adversely affects the credibility and image of the Group on the market, resulting in a significant economic and financial impact. In addition to the risks outlined above, already existing at the inaugural issue, there are aspects associated with the multi-originator characteristic of the Programmes, which will be formally integrated into the body of the contract and management processes, as and when other Group Banks join the Programmes as originators.
- Risk of financial inadequacy. The regulatory provisions, in the discipline of Covered Bonds, in relation to the complexity of the contractual profiles and the possible impact on the technical structure of these transactions, require, among other things, a careful assessment of the impact on the financial stability of the bank. The analysis of the projects by the Board of Directors highlighted:
 - regarding the impact on results, the transactions would have led to, with reference to available market data, a

- lower cost of funding compared with equivalent senior transactions and this would have allowed start-up costs to be fully covered, already in the first year, as well as to cover ongoing costs for the period. Under current market conditions, this original estimate may be considered highly conservative;
- regarding the impact on the financial position, having considered the portfolio of eligible residential or commercial mortgage loans, at Group level, a plan of multi-year issuances was hypothesised so as to have sufficient room to replenish the cover pool, if necessary, without affecting the financial position and/or commercial practices of the Group.

These findings have allowed the Board to determine that the transactions do not negatively affect the financial stability of the bank and of the Group as a whole.

In order to renew and extend the GBB1 Programme for a further 5 years - completed in January 2019 - the Board of Directors reiterated in good time its assessments in this regard.

Organisational and management aspects of special purpose vehicles

With regard to organisational and management aspects of special purpose vehicles (in order to assess their adequacy in relation to the role assigned them) and the contracts entered into as part of the Programmes, Reports on the transferee company have been prepared by external legal consultants, in order to ensure that the contracts entered into as part of the Programmes contain clauses that ensure the regular and efficient performance of functions by the assignees, as required by the Regulations.

Assessment of legal aspects of the Programmes for Issue of Covered Bonds

Linklaters and Allen & Overy, both law firms, originally issued reports on the OBG1 and OBG2 Programmes covering, in accordance with the Rules, the legal aspects of the activities involved in the Programmes. The reports contain a thorough assessment of legal structures and contractual arrangements used, with particular attention to the characteristics of the guarantees given by the assignee companies and the overall relationships between and among the participants in the Programmes.

Annual assessment of the Programmes for Issue of Covered Bonds by Asset Monitor

Note that, under the regulations, the Asset Monitors – in this case PricewaterhouseCoopers s.p.a. for OBG1 and OBG2; BDO Italia s.p.a. for OBG3 -- perform annual reviews of the Programmes' status and issue a report to the Board of Directors, the Board of Statutory Auditors and the Bank's Internal Audit Function.

To date, the analyses conducted have not identified any findings.

E. Prudential consolidation – models for the measurement of credit risk

The BPER Banca Group does not have internal portfolio credit risk models (VAR methodology).

1.2 – Market risk

1.2.1 Interest rate risk and price risk - Trading portfolio for regulatory purposes

The Group's organisation provides for centralisation of the credit risk control function at the Parent Company.

Qualitative information

A. General aspects

The Group's proprietary trading portfolio comprises all of the financial instruments acquired for trading purposes or for hedging a risk factor inherent to the portfolio or the banking book.

"For trading purposes" is understood as being the purchase of financial instruments with the following features:

- exposure to managed risk factors (interest rate risk and price risk, exchange rate risk, issuer risk, counterparty risk and liquidity risk);
- trading done prevalently on active markets;
- securities issued by operators of prime standing.

The trading portfolio is managed according to exposure to the interest rate risk deriving from the overall asset-liability structure and, as a rule, does not include complex or innovative derivatives.

The trading portfolio comprises all those financial instruments not purchased with the aim of achieving equilibrium of the asset-liability structure, but with a view to contributing to the results of the year, optimising the overall risk-yield profile.

The size of this portfolio is closely linked to the overall liquidity position of the Group.

Arbitrage and short-term speculative activity with regard to listed derivative instruments are marginal with respect to the management of the proprietary portfolio. The objective of the investment strategy underlying trading in these financial instruments is to maximise the overall risk/yield profile via appropriate diversification.

The Parent Company makes medium-term speculative investments in stock markets, in commodity derivatives, in mutual funds and, to a marginal extent, in hedge funds. However, this activity is just a small part of the transactions carried out in the bond markets.

The trading portfolio governance process is centralised in BPER Banca to respond to the needs of central oversight of market risk and greater efficiency of Group investment processes.

This process implies that the individual Group banks remain responsible for optimisation of the yield from liquidity through treasury transactions with BPER Banca or, alternatively, by investing in floating rate or fixed rate bonds issued by the Bank.

In this way, the governance of market risk has been centralised by the Parent Company on the basis of decisions taken by the ALCO and Finance Committee, which is chaired by the Chief Executive Officer.

B. Management processes and measurement methods for interest rate and price risk

The BPER Banca Group's system of daily checking is consistent with market standards. Value at Risk (VaR) techniques are used to measure market risk.

VaR represents the estimated maximum potential loss, determined based on probabilities, that may be suffered by the aggregate concerned over a given time horizon at a pre-determined level of confidence.

The method adopted for calculating VaR belongs to the class of "historical simulation" models, according to which the overall risk is determined on the basis of the historical distribution of the returns on the risk factors to which the financial instruments held are sensitive. The methodologies used to monitor market risks also include sensitivity analyses based on parallel shifts in the market rate curves.

Currently, the daily calculation of VaR makes reference to two distinct time horizons; in fact, an analysis is carried out with a time horizon of one month and with a confidence interval of 99% on the entire Group's proprietary portfolio (banking book and trading book), in line with the Group's Risk Appetite Framework. This is accompanied by further analysis with the same confidence interval, but with a one-day time horizon, in order to monitor day by day the market risk dynamics of the Bank's trading portfolio. This model is only used for internal management purposes and is not involved in the calculation of the capital adequacy requirements regarding market risk.

The process of controlling interest-rate risk and price risk is centralised at BPER Banca. Periodic information is assured by the

distribution of specific reports prepared at different time intervals, starting from the one produced daily.

The monitoring and control of interest rate risk of the trading portfolio aims to mitigate the risk in question, by defining a system of operating limits for the portfolios managed by the appropriate Group structures, addressing the various risks to which they are exposed. The limits are checked on a daily basis.

The daily monitoring and control of the price risk associated with the trading portfolio for supervisory purposes is performed via Value-at-Risk (VaR) analyses, in accordance with the method indicated above.

Impacts resulting from the Covid-19 pandemic

In 2022, no impacts on the market risk profile of the BPER Group deriving from the trend in the Covid-19 pandemic were highlighted.

Quantitative Information

3. Interest rate risk - Trading portfolio for regulatory purposes: internal models and other methodologies for the sensitivity analysis

The VaR readings determined over time horizons of ten days and one day are set out below, in relation to the rate risk associated with the trading portfolio reported for regulatory purposes at 31 December 2022.

Descriptive data		VaR		VaR	
		Time horizon: 10 days		Time horizon: 1 day	
		Confidence interval: 99%		Confidence interval: 99%	
Type of transaction	Present value	VaR	Var/Present Value	VaR	Var/Present Value
BOT	-	-		-	0.00%
BTP	181	5	2.76%	2	1.11%
CCT		-	0.00%	-	0.00%
Other government securities	4,695	71	1.51%	23	0.49%
Bonds	51,949	414	0.80%	133	0.26%
Equities	-	-		-	0.00%
Mutual funds and Sicavs		-		-	0.00%
Derivatives/Transactions to be settled	95,144	6,951	7.31%	2,193	2.31%
Effect of diversification		(209)		(68)	
Total portfolio 2022	151,969	7,232	4.76%	2,283	1.50%
Total portfolio 2021	184,401	29,758	16.14%	8,155	4.42%

The value of the trading portfolio at 31 December 2022 given a parallel shift of +/- 100 bps (sensitivity analysis) is set out below.

	+100 bps	-100 bps
31 Dec 2022	(8,852)	7,342
31 Dec 2021	54,240	(163,279)

3. Price risk - Trading portfolio for regulatory purposes: internal models and other methodologies for the sensitivity analysis

The VaR determined over time horizons of ten days and one day is set out below, in relation to the price risk associated with the trading portfolio reported for regulatory purposes at 31 December 2022.

Descriptive data	VaR			VaR	
	Time horizon: 10 days			Time horizon: 1 day	
	Confidence interval: 99%			Confidence interval: 99%	
Type of transaction	Present value	VaR	Var/Present Value	VaR	Var/Present Value
Equities	59,050	8,431	14.28%	2,666	4.52%
Mutual funds and Sicavs			0.00%		0.00%
Derivatives/Transactions to be settled	(689)	6,600	-957.91%	2,090	31.67%
Effect of diversification		(11,188)		(3,539)	
Total portfolio 2022	58,361	3,843	6.59%	1,217	2.09%
Total portfolio 2021	86,494	5,523	6.39%	1,747	2.02%

1.2.2 Interest rate risk and price risk - Banking book

Qualitative Information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk represents the potential impact of unexpected changes in market rates on current profits and the equity value of the Group. This risk typically affects the positions included in the banking book.

The exposure to interest rate risk can be further analysed into:

- income risk;
- investment risk.

Income risk derives from the possibility that an unexpected change in interest rates may reduce net interest income, being the difference between interest received and interest paid. This risk is measured by maturity gap models and depends on:

- the mismatch in the maturity structures of lending and funding, in cases where the related assets and liabilities are remunerated at fixed rates until final maturity;
- the mismatch of the review periods for rate conditions, in the case of floating-rate assets and liabilities.

The timing mismatches mentioned above expose BPER Banca to:

- refinancing risk: the risk arising when the average maturity period (period until the next rate review) is shorter for funding than for lending. In this case, the Bank is exposed to possible increases in interest rates (the Bank is Liability Sensitive);
- reinvestment risk: the risk arising when the average maturity period (period until the next rate review) is shorter for lending than for funding. In this case, the Bank's net interest income will decline if interest rates fall (the Bank is Asset Sensitive).

Investment risk derives from the possibility that adverse changes in the value of all assets, liabilities and off-balance sheet instruments held by the Bank, following changes in interest rates, may destabilise the equilibrium of the balance sheet. This risk is measured by duration gap and sensitivity analysis techniques.

The following types of interest rate risk are identified:

- Repricing Risk: risk associated with differences in the maturities (fixed rate) and the repricing dates (floating rate) of the assets and liabilities held in the portfolio.
- Yield Curve Risk: risk associated with changes in the gradient and shape of the yield curve.
- Refixing Risk: risk associated with the timing of changes in market parameters, for floating rate positions. More specifically, this is the risk that rate of rise in interest rates is more marked in the refixing periods for funding than in those for lending.
- Basis Risk: risk arising from the imperfect correlation between the indexation parameters for lending and funding, or from unfavourable changes in the gradient of the curve.
- Optionality Risk: risk associated with "explicit" or "embedded" options embedded in the banking book's assets and liabilities (e.g. cap/floor/collar, loan prepayment options).

Every month, BPER Banca monitors at both consolidated and legal entity level the impact that unexpected changes in market interest rates might have on the positions in the banking book, according to the following prospects:

- standpoint of current profits: the purchase of considering the impact on current profits is to evaluate interest risk with reference to the sensitivity of net interest income to rate changes over a given period of time. Adverse changes in net interest income potentially affect the financial stability of a bank by weakening its capital adequacy. The change in net interest income depends on the various types of risk;
- standpoint of economic value: changes in interest rates may affect the economic value of the Parent Company's assets and liabilities. The economic value of a bank is represented by the present value of its expected cash flows, defined as the sum of the present value of the cash flows to be generated by its assets, liabilities and positions in derivatives. By contrast with the standpoint of current profits, the standpoint of economic value identifies the risk generated by the repricing or maturity gap over a long time horizon.

The objectives to be pursued in support of the proper management of interest rate risk are:

- reduce the adverse effects of the volatility of net interest income (standpoint of current profits). The stability of net interest income is mainly influenced by the Yield Curve Risk, Repricing Risk, Basis Risk and Optionality Risk;
- immunise the economic value, being the sum of the present values of all the expected cash flows, generated by both sides of the balance sheet. By contrast with the standpoint of current profits, the standpoint of economic value takes a medium/long-term view and is mainly associated with the repricing risk;

- ensure compliance with the related organisational requirements envisaged by the domestic and international supervisory bodies.

The model for the governance of interest rate risk is based on the following principles:

- assignment to the Parent Company of guidance and coordination rights over the strategic planning and control processes, treasury and financial management, the commercial area and the governance of lending for the entire Group, in order to ensure the consistent management of interest-rate risk and compliance with regulatory requirements,
- segregation between governance processes and the management of interest rate risk.

The strategic decisions at Group level regarding the management of risk are made by the corporate bodies of the Parent Company. The decisions made take account of the operational specifics and related risk profiles of each Group company, in order to establish an integrated and consistent risk management policy.

Given the above, the BPER Group has adopted a centralised model for the governance and management of risk.

As the Parent Company, BPER Banca is responsible for defining guidance for the governance, acceptance and management of interest-rate risk at Group level.

The model for the management of interest rate risk focuses on the following measures of risk:

- sensitivity of net interest income;
- sensitivity of economic value.

The sensitivity analysis of net interest income identifies the impact of changes in interest rates as a result of parallel and other shocks.

The Bank calculates the sensitivity of net interest income holding rates and volumes constant. According to this model amounts maturing are reinvested on the assumption of constant volumes, rates and maturities.

The indicator is calculated at both Group and Legal Entity levels.

The sensitivity analysis of economic value identifies the impact on the value of shareholders' equity of parallel and other shocks to the yield curve. This change is calculated by discounting all the cash flows using two different yield curves: the current curve at the analysis date and that following the shock, and comparing the two values.

$$\Delta VA = VA_{(Curve1)} - VA_{(Curve2)}$$

In order to include the prepayment phenomenon (early repayment, in whole or in part, of the residual debt by the borrower) when measuring the sensitivity of economic value, a statistical model has been adopted whereby the potential prepayment of loan principal is estimated using different variables, both of financial nature (such as market interest rates) and contractual (such as the original duration of the loan, the type of loan, the personal characteristics of the borrower, etc.).

For the calculation of sensitivity, demand balances outstanding with customers are simulated using an econometric model which identifies a portfolio that replicates them, by allocating demand funding (lending) to a portfolio of liabilities (assets) with an identified effective repricing profile.

In addition to the risk measures mentioned above, the capital absorbed in relation to interest rate risk is also calculated. Sensitivity analysis is applied in order to estimate the capital absorbed, consistent with the standardised approach envisaged by the Supervisory Authorities. Under this approach, the capital absorbed in relation to the banking book's interest rate risk is the change in the economic value (defined as the present value of expected cash flows) caused by an adverse interest-rate shock.

With regard to price risk, the banking book essentially includes transactions in equity instruments, mutual funds and SICAVs classified in the financial statements as measured at fair value through profit or loss and other comprehensive income.

The monitoring of the aforementioned portfolio takes place through the Value at Risk (VaR) methodology presented in detail in the section on qualitative information: "Interest rate risk and price risk - Trading portfolio reported for regulatory purposes".

The Financial Risks Service records and monitors on a daily basis the exposure to price risk through the production of specific reporting containing the main risk metrics (mainly expressed in terms of Value-at-Risk) and, where appropriate, the associated exposure limits for said type of risk.

Impacts resulting from the Covid-19 pandemic

In 2022, no impacts on the interest rate risk profile of the BPER Group deriving from the trend in the Covid-19 pandemic were highlighted.

Quantitative Information

2. Banking book: Internal models and other methodologies for the analysis of sensitivity

Below are the year-end figures at 31 December 2022 and their trends (minimum, average, maximum) of the management reporting year relating to the banking book's net interest income, against a parallel shift of 100/-50 bps.

	+100 bps	-50 bps
31 December 2022	75,672	-40,220
maximum change	75,672	-84,883
minimum change	2,164	2,288
average change	2,009	-9,094
31 December 2021	(1,534)	(93,016)

Below are the year-end figures at 31 December 2022 and their trends (minimum, average, maximum) of the management reporting year relating to the change in the value of the banking book, against a parallel shift of +/- 100 bps (sensitivity analysis).

	+100 bps	-100 bps
31 December 2022	(43,697)	36,678
maximum change	(158,231)	(286,017)
minimum change	(1,267)	36,678
average change	(63,591)	41,237
31 December 2021	111,667	123,843

In relation to the measurement of interest-rate risk, the VaR¹⁰³ of the overall securities portfolio (banking and trading) amounts to Euro 654 million (Euro 255 million at 31 December 2021) and is principally attributable to the Italian government securities held in the portfolio, which account for approximately 38% of the indicator, Euro 248 million (Euro 126 million at 31 December 2021).

¹⁰³ VaR measured over a time horizon of one month with a confidence interval of 99%.

3. Price risk - Banking book: internal models and other methodologies for the sensitivity analysis

The VaR determined over time horizons of ten days and one day is set out below, in relation to the price risk associated with the banking book at 31 December 2022.

Descriptive data	VaR			VaR	
	Time horizon: 10 days			Time horizon: 1 day	
	Confidence interval: 99%			Confidence interval: 99%	
Type of transaction	Present value	VaR	Var/Present Value	VaR	Var/Present Value
Equities	564,528	37,094	6.57%	11,730	2.08%
Mutual funds and Sicavs	641,160	26,236	4.09%	8,297	1.29%
Derivatives/Transactions to be settled	-	-	-	-	-
Effect of diversification		(4,335)		(1,371)	
Total portfolio 2022	1,205,688	58,995	4.89%	18,656	1.55%
Total portfolio 2021	865,273	37,387	4.32%	11,823	1.37%

1.2.3 Exchange risk

Qualitative Information

A. General aspects, management and measurement of exchange risk

The BPER Banca Group is exposed to exchange risk in connection with routine funding and lending activities and, to a marginal extent, in relation to speculative activities.

The Financial Risks Service of the Parent Company records and monitors on a daily basis the exposure to currency risk through the production of specific reporting containing the main risk metrics (mainly expressed in terms of Value-at-Risk) and, where appropriate, the associated exposure limits for said type of risk.

B. Hedging of exchange risk

The BPER Banca Group uses plain vanilla instruments for the operational hedging of exchange risk.

Quantitative Information

1. Breakdown of assets, liabilities and derivatives by currency

Items	Currency					
	USD	GBP	CHF	CNY	JPY	OTHER CURRENCIES
A. Financial assets	3,800,674	479,340	210,296	6,117	11,281	26,411
A.1 Debt securities	3,313,965	454,960	-	-	-	-
A.2 Equity instruments	27,091	1	-	-	-	-
A.3 Loans to banks	160,771	10,899	5,097	1,666	8,613	19,170
A.4 Loans to customers	298,847	13,480	205,199	4,451	2,668	7,241
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	22,031	2,425	3,267	-	205	1,616
C. Financial liabilities	3,410,221	290,969	31,769	11,370	7,471	43,909
C.1 Deposits from banks	2,802,960	256,200	778	-	2	124
C.2 Deposits from customers	607,261	34,769	30,991	11,370	7,469	43,785
C.3 Debt securities in issue	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	8,722	150	390	115	-	555
E. Financial derivatives	1,928,925	290,658	259,513	40,683	51,497	51,643
- Options	-	-	-	-	-	-
+ Long positions	136,061	629	-	-	185	-
+ Short positions	137,462	1,756	130	10,446	6,498	2,867
- Other derivatives	-	-	-	-	-	-
+ Long positions	643,733	31,228	39,365	23,248	29,609	30,277
+ Short positions	1,011,669	257,045	220,018	6,989	15,205	18,499
Total assets	4,602,499	513,622	252,928	29,365	41,280	58,304
Total liabilities	4,568,074	549,920	252,307	28,920	29,174	65,830
Net balance (+/-)	34,425	(36,298)	621	445	12,106	(7,526)

2. Internal models and other methodologies for the analysis of sensitivity

The VaR determined over time horizons of ten days and one day is set out below, in relation to the risk faced by the BPER Banca Group at 31 December 2022.

	VaR Time horizon: 10 days Confidence interval: 99%	VaR Time horizon: 1 day Confidence interval: 99%
2022	23,506	7,295
2021	4,718	1,479

1.3 Derivatives and hedging policies

1.3.1 Trading derivative instruments

A. Financial derivatives

A.1 Trading financial derivatives: notional values at the end of the period

Underlying assets/Type of derivatives	Total 31.12.2022				Total 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	9,182,516	4,926,591	-	-	13,619,072	650,244	-
a) Options	-	688,873	259,904	-	-	2,410,767	26,469	-
b) Swaps	-	8,443,916	3,182,284	-	-	10,990,991	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	1,437,799	-	-	-	623,775	-
e) Other	-	49,727	46,604	-	-	217,314	-	-
2. Equities and stock indexes	-	6,227,457	37,443	-	-	32,064	58,251	-
a) Options	-	6,227,457	162	-	-	32,064	534	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	37,281	-	-	-	57,717	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	1,757,181	719,804	-	-	1,513,934	138,308	-
a) Options	-	63,414	251,384	-	-	261,477	-	-
b) Swaps	-	1	-	-	-	1	-	-
c) Forwards	-	1,693,766	468,420	-	-	1,252,456	138,308	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	6,362	-	-	-	-	-
5. Other	-	-	6,854	-	-	-	-	-
Total	-	17,167,154	5,697,054	-	-	15,165,070	846,803	-

A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

Type of derivatives	Total 31.12.2022				Total 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive Fair Value								
a) Options	-	143,693	7,125	-	-	12,221	36	-
b) Interest rate swaps	-	358,288	1,160	-	-	111,871	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	44,413	11,182	-	-	10,151	451	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	26,943	519	-	-	5,630	-	-
Total	-	573,337	19,986	-	-	139,873	487	-
2. Negative Fair Value								
a) Options	-	40,106	17,096	-	-	30,220	153	-
b) Interest rate swaps	-	158,231	207,076	-	-	75,766	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	15,930	9,115	-	-	12,809	1,907	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	290	23,705	-	-	2,441	-	-
Total	-	214,557	256,992	-	-	121,236	2,060	-

A.3 OTC trading financial derivatives - notional values, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	1,447,798	147,317	3,331,476
- positive fair value	X	-	187	2,735
- negative fair value	X	-	3,448	238,872
2) Equities and stock indexes				
- notional value	X	37,288	128	26
- positive fair value	X	1	12	15
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	1,096	69,148	649,561
- positive fair value	X	319	4,357	12,206
- negative fair value	X	-	14	14,449
4) Commodities				
- notional value	X	-	6,362	-
- positive fair value	X	-	-	-
- negative fair value	X	-	65	-
5) Other				
- notional value	X	2,651	-	4,203
- positive fair value	X	35	-	119
- negative fair value	X	113	-	31
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	8,370,700	271,650	540,166
- positive fair value	-	423,613	269	471
- negative fair value	-	157,183	15,227	21,762
2) Equities and stock indexes				
- notional value	-	6,227,457	-	-
- positive fair value	-	101,868	-	-
- negative fair value	-	2,034	-	-
3) Currencies and gold				
- notional value	-	1,757,181	-	-
- positive fair value	-	47,116	-	-
- negative fair value	-	18,351	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional values

Underlying assets/Residual life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	4,048,826	7,497,715	2,562,566	14,109,107
A.2 Financial derivatives on equity securities and stock indexes	1,415,067	4,849,724	108	6,264,899
A.3 Financial derivatives on currencies and gold	2,436,343	40,642	-	2,476,985
A.4 Financial derivatives on commodities	6,362	-	-	6,362
A.5 Other financial derivatives	6,855	-	-	6,855
Total 31.12.2022	7,913,453	12,388,081	2,562,674	22,864,208
Total 31.12.2021	6,941,402	6,929,525	2,140,946	16,011,873

B. Credit derivatives

B.1. Trading credit derivatives: end-of-period notional amounts

Types of transactions	Trading derivatives	
	with a single counterparty	with more than one counterparty (basket)
1. Protection purchases		
a) Credit default products	-	30,000
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2022	-	30,000
Total 31.12.2021	-	30,000
2. Protection sales		
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2022	-	-
Total 31.12.2021	-	-

B.2 Trading credit derivatives: positive and negative gross fair value - breakdown by product

Types of derivatives	Total 31.12.2022	Total 31.12.2021
1. Positive Fair Value		
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	-	-
2. Negative Fair Value		
a) Credit default products	3	661
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	3	661

B.3 OTC trading credit derivatives: notional values, gross positive and negative fair value by counterparty

	Central counterparties	Banks	Other financial companies	Other entities
Contracts not included in netting agreements				
1) Protection purchases				
- notional value	X	30,000	-	-
- positive fair value	X	-	-	-
- negative fair value	X	3	-	-
2) Protection sales				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Protection purchases				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Protection sales				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

B.4 Residual life of OTC trading credit derivatives: notional values

Underlying assets/Residual life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
1 Protection sales	-	-	-	-
2 Protection purchases	-	30,000	-	30,000
Total 31.12.2022	-	30,000	-	30,000
Total 31.12.2021	-	30,000	-	30,000

B.5 Credit derivatives connected with the fair value option: annual changes

There are no amounts to be disclosed in this consolidated report.

1.3.2 Accounting hedges

Qualitative information

From 1 July 2020, the BPER Banca Group has adopted Chapter 6 Hedge Accounting of IFRS 9. For more details on the choices applied, please refer to Part A.2 of the Explanatory Notes, paragraph 4. “Hedging transactions”.

A. Fair value hedges

Hedged Risk - Rate Risk

As already mentioned previously and in other parts of the financial statements, the corporate strategies provide for specific interventions aimed at the best possible management of interest rate risk. Among the intervention levers, the Group has recourse to derivative contracts (classified from an accounting point of view both as “hedging” and “trading”), used to reduce the sensitivity of the proprietary securities portfolio, loans granted and own liabilities (bond issues and on demand items), compared with a movement in risk-free rates.

The derivatives used for this purpose are:

- Interest Rate Swaps (IRS), also in currencies other than the Euro, traded over the counter, that are specific for each asset or liability instrument to be hedged, or refer to several instruments with the same maturity;
- Futures, listed, generic with underlying bonds (typically German, Italian and US bonds).

Compared with what is shown, micro-hedge accounting relationships are qualified only for hedging the interest rate risk connected to bonds in the banking book, classified among Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost, loans disbursed and classified as Financial assets measured at amortised cost, using IRS-type derivatives for this purpose. Hedging relationships of fixed rate bond loans issued by the Group were treated similarly under the micro-hedging arrangement.

In addition, starting from 2022, the BPER Banca Group qualified macro hedging relations (macro-hedge accounting) for the hedging of interest rate risk connected with some liability items - Sight Items - modelled according to the results of the behavioural model adopted by the BPER Banca Group and therefore characterised as “inelastic core” funding, i.e. those that are substantially characterised by a trend-based fixed cost and a stable duration over time.

Hedged risk - Credit / Counterparty Risk

Given the unexpected increase in credit/counterparty risk, the BPER Banca Group may use derivative instruments to reduce the sensitivity of the investment portfolio to this type of risk.

The derivatives used for this purpose are:

- Credit Default Swaps – CDS, traded over-the-counter, generic and linked to sub-indexes;
- Futures, listed, generic with underlying bonds (typically German, Italian and US bonds).

Compared with what is shown, the credit risk is hedged only by management, as no Hedge Accounting relationship has been qualified.

Hedged risk – Price risk

The coverage of potential unwanted changes in fair value also includes transactions involving equity securities.

The derivatives used for this purpose are generally Total Return Swap (TRS), traded over the counter, specific for each individual exposure.

B. Cash flow hedges

Hedged Risk – Rate Risk

The objective pursued by the Group in this case is to stabilise the contribution made by the securities portfolio to the net interest income of the Bank should risk-free rates rise.

Cash flow hedging tends to be extremely limited (at the end of 2022, there were no interest rate hedges in place) and generally requires the use of Interest Rate Swaps - IRS, traded over the counter, specific for each instrument to be hedged or for multiple instruments with the same maturity.

Hedged Risk – Exchange Rate Risk

The objective pursued by the Group in this case is to stabilise the contribution made by the foreign currency securities portfolio to the net interest income of the Bank should the exchange rate depreciate.

Also in this case, hedging tends to be very limited (at the end of 2022 there was just one currency hedge in place) and generally requires the use of Cross Currency Swaps - CCS, traded over the counter, specific for each issue to be hedged or for multiple issues with the same maturity.

C. Hedging of foreign investments

The BPER Banca Group does not have any foreign investment hedging relationships.

D. Hedging instruments

The hedge accounting implemented by the BPER Banca Group is therefore achieved by the use of OTC IRS derivative contracts, either plain vanilla or with cap & floor options, and CCS or TRS derivatives.

E. Hedged items

The BPER Banca Group currently has accounting hedges on securities (bonds and equities) in the banking book, on loans (mortgages) granted and on its own bond issues. For these instruments, either just the interest rate risk component or the interest rate risk and inflation rate risk components are hedged.

From 2022, in addition to previous hedges, some new accounting hedges were entered into on sight items, i.e. funding. In particular, Macro Fair Value Hedges were created, in order to hedge the core fixed-rate inelastic component.

IBOR Reform

Following the Financial Stability Board's decision to gradually replace IBORs with "alternative interest rates", the European Union introduced its Benchmarks Regulation (EU 2016/1011 BMR), published in 2016 and in force since January 2018. It lays down precise rules for administrators, contributors and users of benchmarks that guarantee transparency and representativeness of the indices with respect to the markets to which they refer, requiring them to base their figures as much as possible on actual transactions. Following the BMR, European institutions declared as critical:

- the EONIA rate, which since 2 October 2019 has been based on the fixing of the Euro Short-Term Rate, €STR (identified by the ECB as an alternative rate) which was discontinued and replaced by the €STR rate on 3 January 2022;
- the EURIBOR rate, which had its methodology revised in 2019 (introducing the so-called hybrid method), which guarantees compliance with the regulatory requirements;
- the benchmark rates for other currencies, the most important ones involved in the reform are: USD LIBOR, GBP LIBOR, EUR LIBOR, CHF LIBOR, JPY LIBOR, JPY TIBOR, EUROYEN TIBOR, CAD CDOR, etc. In particular, among these, the following rates have no longer been used since 31 December 2021:
 - GBP LIBOR;
 - EUR LIBOR;
 - CHF LIBOR;
 - JPY LIBOR;
 - USD LIBOR (only for the 1w and 2M maturities. The remaining maturities will no longer be used from June 2023).

The following table indicates the notional amount and average residual duration of all hedging derivatives, aggregated by the reference benchmark rate used. The hedging derivatives provide a good proxy of the extent of the interest-rate exposures that the Bank manages via the hedges.

Type of instrument	Received cash-flow	Paid cash-flow	Current notional amount (in thousands)	Average residual life (years)
IRS	2M Euribor	Fixed rate	127,000	0.22
	3M Euribor	Fixed rate	193,029	9.84
	6M Euribor	Fixed rate	11,519,114	7.08
	USD Libor 3M	Uncodified rates	16,904	2.05
		Fixed rate	738,796	4.43
	Fixed rate	1M Euribor	3,709,210	6.09
		6M Euribor	1,106,552	2.06
			Fixed rate	92,634
Overall total			17,503,238	6.41

It should be noted that, of the hedging relationships shown, those impacted by the IBOR Reform in terms of the uncertainty of future cash flows and the consequent difficulty in carrying out tests of the prospective resilience of the relationships, are limited to relationships based on the USD LIBOR benchmark rate, an index that will be subject to transition to the new risk-free rates (RFRs) as the regulators' discontinuation deadline of June 2023 approaches.

The BPER Banca Group has applied EU Regulation 34/2020 of 15 January 2020, which adopts the guidelines issued by the IASB in its document "Interest Rate Benchmark Reform (Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: recognition and measurement and IFRS 7 Financial Instruments: Disclosures)". This allows, on an exceptional and temporary basis, the performance of prospective tests in constant application of the current benchmark, also for maturities after 31 December 2022. The purpose is to avoid the situation whereby the uncertainty caused by the reform with regard to the amount and timing of cash flows might lead to existing hedges being interrupted.

Quantitative Information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: end-of-period notional amounts

Underlying assets/Type of derivatives	Total 31.12.2022				Total 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	With netting agreements	Without netting agreements		Central counterparties	With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	17,448,792	-	-	-	12,482,700	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	17,448,792	-	-	-	12,482,700	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indexes	-	-	-	-	-	15,919	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	15,919	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	54,446	-	-	-	54,446	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	54,446	-	-	-	54,446	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	17,503,238	-	-	-	12,553,065	-	-

A.2 Hedging financial derivatives: gross positive and negative fair value - breakdown by product

Positive and negative fair value										Change in the value used to calculate hedge effectiveness	
Type of derivatives	Total 31.12.2022				Organised markets	Total 31.12.2021				Total 31.12.2022	Total 31.12.2021
	Over the counter					Over the counter					
	Without central counterparties					Without central counterparties					
	Central counterparties					Central counterparties					
		With netting agreements	Without netting agreements				With netting agreements	Without netting agreements			
1. Positive Fair Value											
a) Options	-	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	1,808,515	-	-	-	178,108	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-	-
Total	-	1,808,515	-	-	-	178,108	-	-	-	-	-
2. Negative Fair Value											
a) Options	-	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	507,974	-	-	-	248,939	-	-	-	-	-
c) Cross currency swaps	-	5,007	-	-	-	239	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-	-
Total	-	512,981	-	-	-	249,178	-	-	-	-	-

A.3 OTC hedging financial derivatives - notional values, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equities and stock indexes				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	17,448,792	-	-
- positive fair value	-	1,808,515	-	-
- negative fair value	-	507,974	-	-
2) Equities and stock indexes				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	54,446	-	-
- positive fair value	-	-	-	-
- negative fair value	-	5,007	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging financial derivatives: notional values

Underlying assets/Residual life		Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		2,546,228	6,699,695	8,202,869	17,448,792
A.2 Financial derivatives on equity securities and stock indexes		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	54,446	54,446
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	31.12.2022	2,546,228	6,699,695	8,257,315	17,503,238
Total	31.12.2021	1,308,968	4,117,419	7,126,678	12,553,065

B. Credit hedging derivatives

There are no amounts to be disclosed in these Consolidated financial statements

C. Non-hedging derivatives

There are no amounts to be disclosed in these Consolidated financial statements

D. Hedged instruments

D.1 Fair value hedges

	Micro-hedges: book value	Micro-hedges - net positions: book value of assets or liabilities (prior to netting)	Cumulative fair value changes (hedged instrument)	Micro-hedges Termination of hedging: residual cumulative fair value changes	Change in value used to assess hedge ineffectiveness	Macro- hedges: Book Value
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedging of:	2,500,472	-	(262,640)	-	(262,640)	-
1.1 Debt securities and interest rates	2,482,783	-	(264,214)	-	(264,214)	X
1.2 Equities and stock indexes	17,689	-	1,574	-	1,574	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost - hedging of:	9,868,344	-	(1,771,968)	-	(1,771,968)	-
1.1 Debt securities and interest rates	9,868,344	-	(1,771,968)	-	(1,771,968)	X
1.2 Equities and stock indexes	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Total 31.12.2022	12,368,816	-	(2,034,608)	-	(2,034,608)	-
Total 31.12.2021	10,698,293	-	(299,170)	(118)	(328,018)	-
B. Liabilities						
1. Financial liabilities measured at amortised cost - hedging of:	1,055,468	-	(77,446)	-	(77,446)	3,990,502
1.1 Debt securities and interest rates	1,055,468	-	(77,446)	-	(77,446)	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 31.12.2022	1,055,468	-	(77,446)	-	(77,446)	3,990,502
Total 31.12.2021	1,873,006	-	1,539	(131)	(14,582)	-

D.2 Hedging of cash flows and foreign investments

	Change in value used to calculate hedging ineffectiveness	Hedging reserves	Termination of hedging: residual value of hedging reserves
A. Cash flow hedges			
1. Assets	-	(3,332)	-
1.1 Debt securities and interest rates	-	-	-
1.2 Equities and stock indexes	-	-	-
1.3 Currencies and gold	-	(3,332)	-
1.4 Loans	-	-	-
1.5 Other	-	-	-
2. Liabilities	-	-	13,967
1.1 Debt securities and interest rates	-	-	13,967
1.2 Currencies and gold	-	-	-
1.3 Other	-	-	-
Total (A) 31.12.2022	-	(3,332)	13,967
Total (A) 31.12.2021	-	(1,879)	-
B. Hedges of foreign investments	X	-	-
Total (A+B) 31.12.2022	-	(3,332)	13,967
Total (A+B) 31.12.2021	-	(1,879)	-

E. Effects of hedging on shareholders' equity

E.1. E.1 Reconciliation of components of shareholders' equity

	Cash flow hedging reserve				
	Debt securities and interest rates	Equities and stock indexes	Currencies and gold	Loans	Other
Initial balance	-	-	(1,879)	-	-
Changes in Fair Value (effective portion)	-	-	(1,453)	-	-
Transfer to P&L	(13,000)	-	-	-	-
of which: future transactions not expected	-	-	-	-	-
Other changes	26,967	-	-	-	-
of which: transfer to initial book value	-	-	-	-	-
Final balance	13,967	-	(3,332)	-	-

The parts of the table relating to hedging reserves for foreign investments and hedging instruments (non-designated elements) are not shown as they do not apply.

1.3.3 Other information on derivative instruments (trading and hedging)

At 31 December 2022, the BPER Banca Group does not have any derivatives that satisfy the criteria envisaged in IAS 32, para. 42 for offsetting financial assets and liabilities.

1.4 Liquidity risk

Qualitative Information

A. General aspects, management and measurement of liquidity risk

The BPER Banca Group has a specific policy for the management of liquidity risk (Group Policy for Liquidity and Funding Risk Governance), which includes the plan covering the objectives, processes and strategies for action (Contingency Funding Plan).

Group Policy for Liquidity and Funding Risk Governance

This document, which forms an integral part of the Risk Appetite Framework – RAF of the BPER Banca Group, defines the principles, objectives and methods of governance and monitoring of liquidity and funding risk at Group level.

More specifically, it contains:

- the definition of the governance model in terms of the parties involved in risk governance and their roles and responsibilities;
- definition of limits and mitigating actions aimed at risk containment;
- the formalisation of risk management methods, through the establishment of rules, procedures and metrics for the measurement and monitoring of liquidity and funding risk, describing the stress test model adopted to evaluate the risk exposure in stress scenarios.

Liquidity risk typically crystallises in the form of failure to meet payment obligations; it may take various forms, depending on the circumstances in which the risk arises. With reference to the definitions adopted at international level, a distinction is made between funding liquidity risk and market liquidity risk.

Funding liquidity risk is the risk that the Parent Company will not be able to make, in an efficient manner, expected and unexpected cash payments, both current and future, nor will it be able to meet collateral obligations, without an adverse effect on current operations or its financial position.

Market liquidity risk, on the other hand, is the risk that the Group is not able to sell a financial asset without incurring a capital loss due to poor liquidity or disruption in the reference market.

These two forms of liquidity risk are often highly correlated, and may crystallise as a result of the same underlying factors. Market liquidity risk is usually considered to be a type of market risk (price risk); accordingly, the processes and rules for measuring, controlling and mitigating liquidity risk focus on the funding risk aspect.

In the context of funding risk, a distinction is made between:

- mismatch liquidity risk, being the liquidity risk implicit in the structure of the Group's assets and liabilities due to the transformation of maturities typical of financial intermediaries, when the profile of cash outflows is not perfectly matched by the profile of cash inflows (with reference to contractual maturities and routine behaviour);
- contingency liquidity risk, being the risk that future events may require access to significantly more liquidity than previously planned by the Group; in other words, this is the risk of not being able to settle sudden and unexpected payment commitments in the short or very short term.

Liquidity risk can derive from different types of sources. In particular, two macro-categories are considered:

- Endogenous sources of liquidity risk: these include, among specific adverse events for the Group, a rating downgrade or other event that causes the market to lose confidence in the Group. Such a downgrade or a widespread market perception of a deterioration in the Group's solidity (which could arise from other risks, such as major losses on the trading book or loan portfolio) might also result in:
 - reduced access to the market for unsecured funds (e.g. commercial paper) by institutional investors;
 - a reduction in or cancellation of interbank lines of credit;
 - the withdrawal of deposits by retail customers;
 - an increased need for liquidity, for example a request to increase margins and guarantees due, or the need to finance assets that can no longer be sold or converted into securities through securitisations.
- Exogenous sources of liquidity risk include:
 - systemic events that cause a liquidity crisis in the market (political and financial crises, catastrophic events, etc.);
 - specificity of some financial products (derivative contracts, stock-borrowing contracts), where events, such as sudden market movements, bankruptcies or downgrades in the ratings, could trigger a request for further collateral

- from counterparties;
- commitments relating to committed lines that in the event of a crisis could generate an increase in the demand for liquidity on the part of customers; endorsement credits or committed lines facilities stipulated with special purpose vehicles in connection with securitisations act in a similar way;
- structural changes in the market that can lead to an increase in the liquidity risk perceived overall (increasing system demand for more volatile funding sources such as wholesale funds, rapid movement of accounts via internet banking).

Consistent with the Group Guidelines - Internal Control System, the management of liquidity risk can be broken down into the following components:

- definition of risk objectives;
- risk-taking;
- risk management;
- definition of risk exposure and operational limits.

The Group's governance model of short-term liquidity (operating liquidity) is based on centralised governance of liquidity and the related risk. In particular, the Parent Company:

- is responsible for the liquidity policy;
- governs short-term liquidity;
- determines and manages the funding plan;
- monitors liquidity risk;

for all Group banks and companies in scope.

Funding/lending transactions involving liquidity are centralised at the Treasury and Institutional Liquidity Office to ensure that the Group's overall liquidity is managed efficiently:

- by optimising access to liquidity markets in terms of volumes and costs, exploiting the creditworthiness of the Group and minimising the cost of funding;
- by centralising "rating sensitive" funding transactions, as well as interventions on the money market;
- by implementing a principle of functional specialisation through centres of competence for secured funding transactions (issues of secured instruments, funding from particular categories of institutional investors, etc.).

The Group's governance model for long-term liquidity (or "structural liquidity") is based on the following principles:

- attribution to the Parent Company of the prerogatives for the guidance and coordination of the commercial and credit policies of Group Companies to ensure consistency in the overall governance of funding risk and to ensure compliance with the requisites envisaged by the regulations;
- communication of decisions and clear division of responsibilities between management, control and operational bodies;
- development of processes for the governance and control of funding risk that are consistent with the Group's reporting structure and by using the governance model formalised by this policy.

The principles listed above give rise to a centralised model for the governance and management of the structural liquidity risk among all Group Banks/Companies included in the scope of consolidation.

The Group's model for the governance of liquidity and funding risk has the following objectives:

- guarantee solvency in the ordinary course of business and under crisis conditions;
- ensure enough liquidity to satisfy the contractual commitments of the Group at all times, while also optimising the cost of funding given both current and expected market conditions;
- apply the instructions issued by the Supervisory Authorities, while also taking account of the Group's own operating characteristics.

Pursuit of the above objectives takes account of the following aspects:

- separation of responsibilities and roles between the corporate bodies that govern liquidity and funding and those with control functions;
- distinction between the metrics that monitor short-term risk and those focused on the medium-long term;
- the metrics that monitor short-term liquidity risk, being the ability of the Group to meet both routine and unexpected payment obligations, while minimising the related cost, envisage:
 - calculation of the exposure using the Liquidity Risk Mismatch Model, considering the eligible assets that are readily convertible into liquid funds, as well as any reserves held in the form of working capital;
 - maintenance of the lending-funding due to mature in the various time bands within a cumulative limit; verification both daily for internal operational purposes and weekly in accordance with the frequency requirements specified by the Supervisory Authorities;
- the metrics that monitor medium/long-term funding risk are designed to maintain suitable dynamics in the ratio of medium/long-term assets and liabilities, avoiding pressure on the sources of current and expected short-term liquidity while optimising the cost of funding. These metrics envisage:

- calculation of the liquidity mismatch which, in practical terms, means calculating the gap ratios between assets and liabilities in the time bands beyond one year;
- calculation of the funding gap, being the difference between lending and commercial funding as a percentage of total lending;
- the use of statistical/quantitative behavioural models for items without contractual maturities or which are subject to options;
- definition of a Group Contingency Funding Plan that establishes the most suitable methods of managing Group liquidity in a crisis scenario caused by endogenous and/or exogenous factors;
- monitoring the liquidity position in the ordinary course of business and under stress conditions;
- performance of periodic stress tests considering both endogenous and exogenous shock scenarios; when carrying out stress analysis, scenarios are constructed with reference to events of a systemic, idiosyncratic and combined nature;
- development of processes for the governance and management of liquidity and funding risk, using a model that involves the appropriate corporate bodies and functions;
- conformity of the processes for the governance and management of liquidity and funding risk with the prudential supervision instructions.

Contingency Funding Plan

The Contingency Funding Plan formalises the process of liquidity management under stress or crisis scenarios. The business functions responsible for monitoring and managing liquidity risk must be able to carry out their activities both under normal conditions and at times of stress and/or liquidity crises that are unlikely to occur, but which would have a significant impact.

In view of the governance model of the liquidity and funding risk previously illustrated, BPER Banca - as the lender of last resort for all Group subsidiaries - guarantees their short, medium and long-term solvency and is responsible for activating the Contingency Funding Plan, regardless of where in the Group the liquidity crisis arises.

The purpose of the Contingency Funding Plan is to safeguard the net assets of the Bank at the early stages of liquidity stress and to guarantee the Group's continuity in the event of a serious and/or prolonged liquidity crisis, by:

- defining a process for the identification and monitoring of risk indicators that signal and measure the stages in a liquidity crisis;
- identifying ex ante a system of predetermined but flexible actions to be implemented in the early stages of a crisis;
- determining the roles and responsibilities of each business function;
- identifying the internal regulations that may be invoked to justify the actions of the BPER Banca Group's management, which at a time of crisis must be authorised to modify on a timely and perhaps radical basis the structure of the assets and liabilities in the balance sheet.

A state of liquidity crisis is defined as a situation in which a Group finds it difficult or impossible to settle the cash payments falling due, except by activating procedures and/or using tools with an intensity or in a manner not envisaged as part of ordinary administration.

Liquidity crises fall into two broad categories:

- systemic liquidity crises generated by market, political or macroeconomic crises;
- specific liquidity crises limited to the Group or to one or more Group Companies/Banks.

Considering the types of liquidity crisis and their scale, three operational scenarios have been identified:

- ordinary course of business;
- state of stress;
- state of crisis.

Depending on the scenario, the actions required and the functions involved in its management can be identified.

The operational scenario faced by the Group is identified by monitoring the system of early warnings, which comprises a series of indicators that flag the scenario with reference to progressive levels of stress/crisis associated with one or more drivers. Depending on the level of stress/crisis identified, monitoring and/or communications procedures are activated in preparation for implementing procedures designed to manage the state of stress or state of crisis concerned.

The Contingency Funding Plan and its revisions must be approved by the Board of Directors of the Parent Company.

B. Liquidity indicators

The harmonised rules for banks and investment companies contained in EU Regulation 575/2013 (CRR), as subsequent updates, introduced the following liquidity indicators, to be calculated at a consolidated level:

- Liquidity Coverage Ratio (LCR): this is an indicator of coverage of short-term liquidity whose purpose is to force banks to accumulate sufficient high-quality assets that are readily convertible into cash, in order to deal with a scenario of high stress on the funding side over a period of thirty days. At 31 December 2022 it was 195.3% calculated as a ratio of Euro 31,542 million of highly liquid assets and Euro 16,155 million of net cash outflows.
- Net Stable Funding Ratio (NSFR): a structural long-term indicator that is measured with a view to reporting any mismatches between assets and liabilities. As at 31 December 2022, the ratio stood at 127.3%, calculated as the ratio between Euro 106,217 million of available stable funding and Euro 83,430 million of required stable funding.

The liquidity requirements are over 100%, so above the minimum requirements of Basel 3.

Alongside these indicators, the legislation also sets the Leverage Ratio which is highlighted in the Directors' Report on Operations under the heading "Key figures".

Impacts resulting from the Covid-19 pandemic

In 2022, no impacts on the liquidity risk profile of the BPER Group deriving from the trend in the Covid-19 pandemic were highlighted.

Quantitative information

1. Time breakdown of financial assets and liabilities by contractual residual maturity EURO

Items/time bands	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months
On balance sheet assets	9,171,456	541,358	1,614,345	3,835,661	5,004,438
A.1 Government securities	263	-	5,108	90	19,820
A.2 Other debt securities	288,635	2,322	2,755	246,882	181,037
A.3 UCITS units	633,565	-	-	-	-
A.4 Loans	8,248,993	539,036	1,606,482	3,588,689	4,803,581
- Banks	1,169,105	2,656	1,273	49,076	120,269
- Customers	7,079,888	536,380	1,605,209	3,539,613	4,683,312
On balance sheet liabilities	106,498,347	528,787	79,417	181,857	1,386,640
B.1 Deposits and current accounts	103,804,168	1,358	17,418	39,808	435,272
- Banks	374,452	-	2	1,055	6
- Customers	103,429,716	1,358	17,416	38,753	435,266
B.2 Debt securities	18,040	53,032	23,737	28,784	67,553
B.3 Other liabilities	2,676,139	474,397	38,262	113,265	883,815
Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	-	48,562	72,293	392,370	461,152
- Short positions	-	72,918	73,331	90,167	184,315
C.2 Financial derivatives without exchange of principal					
- Long positions	380,645	-	-	-	-
- Short positions	379,492	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	4,290,418	-	-	-
- Short positions	-	3,990,418	-	-	-
C.4 Irrevocable commitments to disburse funds					
- Long positions	926,074	-	-	166	827
- Short positions	2,910,179	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	3	-	-	-	-

1. Time breakdown of financial assets and liabilities by contractual residual maturity

EURO

(cont.)

Items/time bands	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Undefined
On balance sheet assets	5,973,040	8,043,277	43,128,988	47,366,236	1,042,466
A.1 Government securities	595,429	248,105	6,181,282	6,809,173	-
A.2 Other debt securities	412,167	441,233	5,226,985	6,796,756	-
A.3 UCITS units	-	-	-	-	-
A.4 Loans	4,965,444	7,353,939	31,720,721	33,760,307	1,042,466
- Banks	174,153	24,331	11,439	164,665	1,042,466
- Customers	4,791,291	7,329,608	31,709,282	33,595,642	-
On balance sheet liabilities	10,081,360	4,749,405	6,401,456	4,717,257	-
B.1 Deposits and current accounts	185,462	277,233	113,392	33,084	-
- Banks	11	23	336	-	-
- Customers	185,451	277,210	113,056	33,084	-
B.2 Debt securities	76,542	649,182	3,972,302	2,957,258	-
B.3 Other liabilities	9,819,356	3,822,990	2,315,762	1,726,915	-
Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	182,664	146,891	18,371	54,446	-
- Short positions	156,353	262,717	21,532	-	-
C.2 Financial derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	300,000	-
C.4 Irrevocable commitments to disburse funds					
- Long positions	4,529	30,177	673,061	194,624	-
- Short positions	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

1. Time breakdown of financial assets and liabilities by contractual residual maturity

OTHER CURRENCIES

Items/time bands	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months
On balance sheet assets	154,448	14,373	33,565	61,905	226,157
A.1 Government securities	-	-	-	3	869
A.2 Other debt securities	24	54	132	327	76,664
A.3 UCITS units	-	-	-	-	-
A.4 Loans	154,424	14,319	33,433	61,575	148,624
- Banks	117,263	1,562	13,952	4,657	22,473
- Customers	37,161	12,757	19,481	56,918	126,151
On balance sheet liabilities	628,934	96,120	310,861	895,338	1,833,195
B.1 Deposits and current accounts	628,320	25,080	20,889	11,579	50,649
- Banks	7,373	-	-	-	-
- Customers	620,947	25,080	20,889	11,579	50,649
B.2 Debt securities	94	-	-	-	-
B.3 Other liabilities	520	71,040	289,972	883,759	1,782,546
Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	-	83,663	72,961	89,371	152,295
- Short positions	-	61,736	89,061	416,739	704,581
C.2 Financial derivatives without exchange of principal					
- Long positions	81	-	-	-	-
- Short positions	65	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds					
- Long positions	-	-	529	-	-
- Short positions	179	350	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

1. Time breakdown of financial assets and liabilities by contractual residual maturity

OTHER CURRENCIES

(cont.)

Items/time bands	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Undefined
On balance sheet assets	240,139	201,822	2,180,592	1,539,819	-
A.1 Government securities	871	29,762	181,769	929,871	-
A.2 Other debt securities	220,155	158,712	1,884,888	482,162	-
A.3 UCITS units	-	133	-	-	-
A.4 Loans	19,113	13,215	113,935	127,786	-
- Banks	895	-	45,700	-	-
- Customers	18,218	13,215	68,235	127,786	-
On balance sheet liabilities	5,501	555	6,759	46	-
B.1 Deposits and current accounts	5,501	555	13	-	-
- Banks	-	-	-	-	-
- Customers	5,501	555	13	-	-
B.2 Debt securities	-	-	-	-	-
B.3 Other liabilities	-	-	6,746	46	-
Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	156,813	255,654	21,250	-	-
- Short positions	182,022	143,972	17,809	54,446	-
C.2 Financial derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

As required by the regulations, liquidity risk includes the self-securitisations carried out by the BPER Banca Group and outstanding as at 31 December 2022.

Sardegna Re-Finance self-securitisation

During 2017, the subsidiary Banco di Sardegna completed a securitisation of performing residential mortgage loans pursuant to Law 130 dated 30 April 1999 to strengthen the funding available - through the Parent Company BPER Banca - to control liquidity risk.

This transaction involved the without-recourse bulk sale of 19,494 performing loans, comprising residential mortgage loans granted to developers and residential mortgage loans granted to home owners, totalling Euro 1,494,858,369, to Sardegna Re-Finance s.r.l., a company formed pursuant to Law 130. The vehicle company financed the transaction via issue of the asset-backed bonds described in the following table, all of which were taken up by Banco di Sardegna.

The objective of this transaction, which did not involve the market, was to create a reserve of liquidity via the issue of securities eligible for refinancing with the ECB - through the Parent Company BPER Banca - and for use as collateral for other funding transactions. It represents one aspect of the liquidity management activities arranged by the BPER Group.

The securities have been rated by Moody's and DBRS.

As structured, the sale does not transfer to third parties, with respect to the originator bank, the real credit risk associated with the underlying loans. Based on the provisions of IAS 39 regarding derecognition (replaced by IFRS 9 starting from 1 January 2018, maintaining the same approach for the derecognition of assets), the transactions subject to securitisation remain on the books of Banco di Sardegna (and therefore of the BPER Banca Group) and are discussed in the Explanatory Notes.

Since the possibility of subsequent sales of loan portfolios was envisaged - within 24 months from the December 2017 closing date - to be followed by an adjustment of the securities issued due to an increase in their respective pool factor values, there were two further sales of mortgages, selected with criteria similar to those used for the first sale, of Euro 443 and Euro 175 million, respectively, in June and December 2018. The portfolio has therefore reached its maximum capacity already after 12 months and the transaction has been consolidated as follows.

Classes	A	J
Issue amount	1,668,800,000	531,200,000
Current Pool Factor	0.63889421	0.87022505
Currency	Euro	Euro
Maturity	22.12.2060	22.12.2060
Listing	Dublin Stock Exchange	Unlisted
ISIN code	IT0005317034	IT0005317042
Depreciation	Pass Through	Pass Through
Indexation	Euribor 3m	Unindexed
Spread	0.80%	Residual
Issue Moody's Rating	Aa2	Unrated
Issue DBRS Rating	AA (low)	Unrated
Current Moody's Rating	Aa3	Unrated
Current DBRS Rating	AA (High)	Unrated

Lanterna Finance 5

On 2 December 2021, Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. entered into a deed of assignment of loans for an amount of roughly Euro 683 million in principal in favour of the vehicle company Lanterna Finance s.r.l. which, on 22 December 2021, issued three classes of securities for a total amount of Euro 687 million, which were fully subscribed for by the transferor banks. The securitisation is STS compliant and STS verified.

With the merger of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a., which took place by deed of 24 November 2022, the securities of the securitisation are available to BPER Banca s.p.a. to improve its counterbalancing capacity in implementing the Group's funding policy.

Disposal date:	02 December 2021
Seller:	Banca Carige s.p.a.; Banca del Monte di Lucca s.p.a.
Special purpose vehicle:	Lanterna Finance s.r.l., with registered office in Via della Cassa di Risparmio 15, 16123 - Genoa
Servicer:	BPER Banca (former Banca Carige s.p.a.), in the role of Servicer - Corporate Servicer and Cash Manager.
Issue date of securities	22 December 2021
Type of transaction	Traditional - STS compliant
Organisation	BNY Mellon in the role of Account Bank, Calculation Agent and Paying Agent; Zenith Services as Representative of the Noteholders and BUS; Prime Collateralised Securities EU SAS as Third Party Verifying STS compliance
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Originator. This activity has been delegated to the Servicer since the absorption date of Banca Carige into BPER Banca.

The operational aspects are summarised below:

Assets sold	Mortgage and non-mortgage loans to SMEs
Quality of assets securitised	Performing loans
Amount of securitised assets	The total claimed principal amount of the loan portfolio sold is Euro 683 million.
Disposal price of securitised assets	The disposal price was Euro 687 million.
Guarantees and credit lines granted by the bank	Subordinated loan for Euro 7.575 million disbursed pro rata by Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a.
Guarantees and credit lines granted by third parties	None.
Analysis by business sector	Mortgage agreements stipulated with legal entities with SME status pursuant to Law 662/96.
Analysis by geographical area	Securitised loans refer to borrowers based in Italy.

ISIN code	Seniority	Maturity	Issue amount	Subscribed amount	Residual balance at 31.12.2022	Rating DBRS	S&P rating
IT0005473910	A1	Jan-61	425,000	425,000	238,938	AA (High)	AA-
IT0005473928	A2	Jan-61	75,000	75,000	75,000	A(high)	A+
IT0005473936	B	Jan-61	187,000	187,000	187,000	n.r.	n.r.
Total			687,000	687,000	500,938		

Multi Lease AS self-securitisation

The new “MultiLease 4” transaction (abbreviated as “ML4”), completed in the third quarter of 2021 and effective for legal purposes from 1 July 2021, with underlying portfolio of performing lease receivables for a total amount of Euro 1,796,045,000.00, met the expected cash collection levels in 2022. There are no customers in default and reminders were promptly sent for past due receivables to ensure the immediate collection in observance of the provisions of the Servicing Agreement.

Under the Servicing Agreement, the credit collection and monitoring service was carried out regularly; the Corporate Servicer (Zenith Srl) punctually issued monthly reports on the performance of the transaction.

It should be noted that, in June 2022, the Audi Function of the Parent Company concluded an annual audit on the Servicing process carried out by BPER Leasing; said audit was conducted in application of the provisions of the Bank of Italy which, - under Circular no. 288/2015 Supervisory provisions for financial intermediaries” - sets forth that of a financial company exercises the role of Servicer in a securitisation, the internal audit function must verify, at least annually, the adequacy and the functionality of the process of managing and monitoring the performance of securitised assets, and monitor compliance of the transaction with the law and the Prospectus.

The objective of the audit was to evaluate: I) the actions of management and governance of activities assigned to the Servicer according to the regulatory provisions and the contracts relating to the securitisation in place; II) the information provided to the corporate bodies; III) the adequacy and functionality of the overall servicing process, structured to manage securitised assets (segregation of credit assets; management, registration and repayment of collections of securitised assets); IV) compliance with the threshold values defined by the servicing and transfer agreements; V) the operating and control procedures on the correct performance of the transaction (controls on: arrears; trend in collections; “trigger events”; maturity of payments of coupons of ABS notes; observance of contractual limits); VI) the controls required by the supervisory provisions assigned to the Risk Management Function; VII) the consistency of the regulatory and contractual structure that defines the responsibilities and the duties of the Servicer vis-à-vis the Vehicle Company and, in general, the stakeholders in the securitisation.

The audit ended with a positive result (Low residual risk and no findings and/or recommendations).

It should also be underlined that, on 16 December 2022, the company was informed of an increase in the rating of Class A notes (Senior notes) from A to A+, following the review of the transaction conducted by the agency S&P Global Ratings.

The total amount of these Notes after the repayment on the payment date (28 December 2022) – repayment of principal Euro 25,687,241.30 and interest Euro 1,488,634.90 - is Euro 1,256,961,676.70 made up as follows:

Class A Notes – Senior Euro 781,916,676.70;

Class B Notes – Junior Euro 475,045,000.00.

The residual balance of the portfolio at 31 December 2022 amounted to Euro 1,301,888,764.36 for a total of 6,287 contracts, including Euro 9,842,948.07 of Unpaid Principal Instalments.

1.5 Operational risk.

Qualitative Information

A. General aspects, governance and measurement of operational risk

Operational risk is "the risk of losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events, including the legal risk¹⁰⁴".

The BPER Banca Group adopts the Traditional Standardised Approach (TSA) to calculate the capital requirement for operational risk. The Own Funds requirement is calculated using the standardised approach by determining the three-year average of the sum of the annual Own Funds requirement for the lines of business in which the relevant indicator was classified¹⁰⁵.

Note that, on the basis of the principles of organisational separation and independence of functions exercising second and third level control activities, it is envisaged that there is:

- a first level control of operational risk;
- a function that performs second level controls of operational risk within the Risk Management Department, part of the Credit and Operational Risk Management Unit;
- a function for third-level controls that is attributed to the Internal Audit Department, in accordance with the Group's internal control system.

Operational risk management is based on the following principles:

- identification: operational risks are identified, highlighted and reported to senior management;
- measurement and assessment: the risk is quantified by determining the impact on business processes, inclusive of the financial impact thereon;
- monitoring: monitoring of operational risk and of exposure to significant losses is ensured, generating information flows that favour active risk management;
- mitigation: appropriate measures have been taken to mitigate operational risk;
- reporting: a reporting system has been set up to report on operational risk management.

The collection and storage of data relating to loss events is done by means of the Group's Loss Data Collection process.

The process of Loss Data Collection is supported by special IT tools, which are under constant development, to ensure the integrity and quality of data.

The assessment of operational risk exposure, which is performed by means of risk self assessment, is aimed at determining, with an annual time horizon and for significant operating segments:

- the extent of exposure to operational risk;
- an assessment of the adequacy of line processes and controls.

The management of operational risk also includes assessment of the risks associated with the approval of new products and services, the start-up of new activities, the entry into new markets and the outsourcing of corporate functions.

As of 2015, the Group has implemented an analytical framework for IT risk, in compliance with Circular 285 of 17 December 2013, with the aim of providing an overview of the current risk situation and the remedy plan needed to avoid exceeding the threshold set for the Group's risk appetite.

Following the new regulatory provisions (Directive (EU) 2015/2366 implemented in the 28th update of Circular 285 of July 2019), every year the Group carries out an in-depth assessment of the operational and security risks related to the payment services provided and the adequacy of the mitigation measures and control mechanisms put in place to address them.

The Parent Company prepares a quarterly report for Senior Management and the managers of central organisational units on the operational losses incurred during the period, as well as an annual report that analyses the forward-looking assessments of operational risk, based on the risk self assessments carried out, and describes the various risk mitigation actions planned. Specific reporting requirements have also been established by the IT risk management framework.

¹⁰⁴See (EU) Regulation 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment companies (CRR) – Part one, Title I, art. 4. Legal risk is the risk of losses resulting from violations of laws or regulations, from contractual or extra-contractual liability or from other disputes.

¹⁰⁵ See CRR – Part three, Title III, Chapter 3, art. 317.

Membership by the BPER Banca Group of the DIPO consortium¹⁰⁶ allows the Bank to obtain feedback about the operational losses reported by the other Italian banks that are members. The Parent Company currently uses this feedback to analyse the positioning of the Group with respect to the system as a whole, to update the map of operational risks and to support the estimates made during the Risk Self Assessment process.

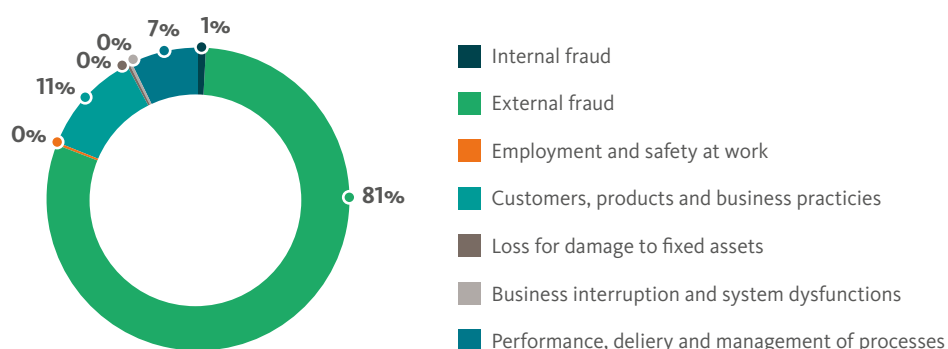
Operational risk management includes the various steps involved in the process of Business Continuity Management. This process is designed to maintain an appropriate level of attention regarding operational continuity and to avoid the progressive obsolescence of organisational measures (rules, impact assessment, scenarios, emergency measures, operating plans etc.) taken to ensure the continuity of critical business processes.

Quantitative Information

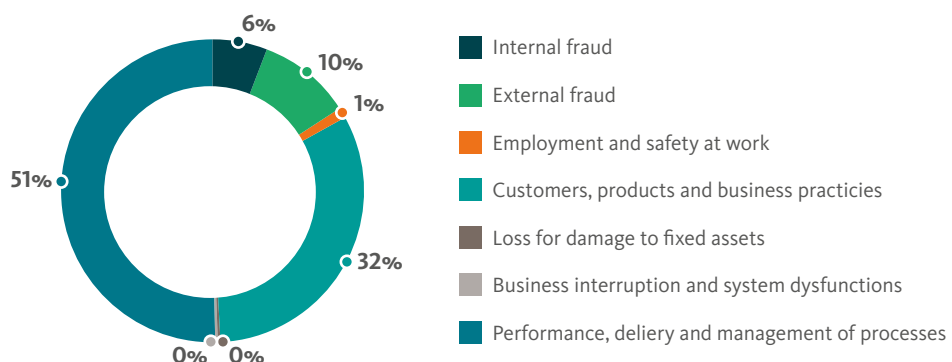
The following is the distribution of the number of events and operating losses recorded in 2022, divided into the following risk categories:

- internal fraud: losses due to fraud, embezzlement or circumvention of regulations, laws or company policies, excluding incidents of discrimination or failure to apply equal treatment, which involves at least one internal resource of the entity;
- external fraud: losses due to fraud, embezzlement or violation/circumvention of laws, by a third party;
- employment and safety at work: losses arising from acts not in compliance with laws or agreements in respect of employment, health and safety at work, from the payment of compensation for personal injuries or incidents of discrimination or failure to apply equal treatment;
- customers, products and business practices: losses arising from unintentional or negligent non-performance relating to professional obligations to specific clients (including fiduciary and suitability requirements), or from the nature or characteristics of the product;
- damage to fixed assets: losses resulting from loss or damage to assets from natural disasters or other events;
- business interruption and system failures: losses arising from business interruption or system failures;
- performance, delivery and management of processes: losses due to weaknesses in the handling of transactions or management of processes, as well as losses due to relations with business partners and suppliers.

Figure 1 – Breakdown by Frequency



¹⁰⁶ Database Italiano Perdite Operative (Italian Database of Operational Losses) which the BPER Banca Group has participated in since 2003. The DIPO observatory is a service provided by the Italian Banking Association designed to support the development of Operational Risk Management and to create a methodology for gathering and exchanging information on operational losses suffered by members.

Figure 2 – Breakdown by Gross Actual Loss

An analysis of the graphs shows that the most relevant type of event in terms of frequency is:

- "External fraud" with 81% of the total frequency;
- "Customers, products and business practices", with 11% of the total frequency;

In terms of economic impact the most significant events related to:

- "Performance, delivery and management of processes", with 51% of the total gross loss.
- "Customers, products and business practices", with 32% of the total gross loss.

Reputational risk

Qualitative Information

A. General aspects, management and methods to measure reputational risk

Reputational risk is “the current or prospective risk of a decline in earnings or capital arising from an adverse perception of the Group by customers, employees, counterparties, shareholders, investors or Supervisory Authorities”.

The framework for the management of reputational risk is supervised by the Operational Risks Office within the Risks Department, with support from the organisational units involved (Reputational Risk Owner) in managing risk and monitoring the corrective actions needed to mitigate any vulnerabilities identified.

The system of reputational risk management adopted by the BPER Group has the following components:

- identification and assessment of risk based on Reputational Data Collection and Reputational Self-Assessment;
- monitoring of the Group's exposure to reputational risk using a series of specific Key Risk Indicators;
- management of critical reputational events (escalation): management of particularly critical reputational events, by means of a functional escalation process and the determination of short and long term responses and mitigation;
- reporting: preparation of suitable reports, based on the various processes/sub-processes comprising the framework, in order to present in summary form the outcome of the risk management activities to all bodies and functions concerned.

No internal capital is allocated to cover reputational risk (since it is included in other risk categories).

Section 3 - Risks of insurance companies

This section is not applicable as the BPER Banca Group does not include insurance companies.

Section 4 - Risks of other companies

This section is not applicable because, as already explained in part A of these Explanatory Notes, the BPER Banca Group has decided to align the scope of consolidation with that used for regulatory purposes.

Part F – Information on consolidated shareholders' equity

Section 1 – Consolidated shareholders' equity

Qualitative information

Equity management and its continuous monitoring in terms of size and quality compared with the risks assumed is an activity that the BPER Banca Group carries on constantly to ensure an adequate level of capitalisation in compliance with the prudential rules.

As Parent Company, BPER Banca performs the role of coordination and guidance of Group banks and companies, coordinating the management of capital in each Legal Entity and providing appropriate guidelines.

By means of active capital management, a suitable combination of different capitalisation instruments and continuous monitoring, the Parent Company has managed to combine projects for capital growth and optimisation that have enabled the Group to maintain one of the strongest capital profiles among Italian banking groups.

The size of the Group's consolidated capital resources and those of the individual Group companies are verified periodically and brought to the attention of management and of the Board of Directors and Board of Statutory Auditors. The capital position is monitored as part of the RAF (Risk Appetite Framework) process, at meetings of the Risk Committee, in periodic reports relating to the financial statements and in the impact simulations relating to extraordinary transactions and regulatory changes.

The capital management and planning activities are aimed at governing and improving the current and prospective financial strength of the Group. There are also plans to improve the capital base, such as conservative pay-out policies, strategic finance operations (capital increases, convertible loans, subordinated bonds) and levers connected to the containment of risks, such as insurance coverage, management of loans as a function of counterparty risk, technical form and guarantees assumed.

The Parent Company is subject to the capital adequacy requirements established by the Basel Committee, in accordance with the rules defined by EU Regulation 575/2013 (CRR). In regulatory terms, BPER Banca, Banco di Sardegna and Bibanca were authorised from 30 June 2016 to use the AIRB approach for measuring credit risk for the Corporate and Retail segments. Other BPER Banca Group companies apply the Standardised Approach (SA) for the measurement of credit risk while, at the same time, continuing preparations to extend the use of advanced methodologies to other Group entities whose IT systems have already been aligned.

Lastly, with reference to the transition to IFRS 9, the Board of Directors of BPER Banca has decided to make the election allowed by Regulation (EU) 2395/2017 of the European Parliament and of the Council as regards "transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds". The five-year transition period envisaged in that regulation will end on 1 January 2023 (for 2022 a 25% correction factor was applied; for 2021 a 50% correction factor was applied and a 70% CF was applied for 2020), when the provisions recognised during transition to 1 January 2018 are required to be included in full in the calculation of own funds. BPER Banca has also decided that the entire banking group will adopt the "static" option, which limits deferral of the impact on capital solely to FTA of the regulation.

Quantitative information

B.1 Consolidated Shareholders' equity: breakdown by business type

Captions	Prudential consolidation	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total
1. Share capital	2,876,474	-	-	(747,483)	2,128,991
2. Share premium reserve	1,557,960	-	-	(318,310)	1,239,650
3. Reserves	4,147,848	-	-	(1,077,841)	3,070,007
4. Equity instruments	150,000	-	-	-	150,000
5. (Treasury shares)	(5,678)	-	-	-	(5,678)
6. Valuation reserves:	50,615	-	-	13,064	63,679
- Equity instruments measured at fair value through other comprehensive income	149,113	-	-	(1,138)	147,975
- Hedging of equity instruments designated at fair value through other comprehensive income	(854)	-	-	1,111	257
- Financial assets (no equity instruments) measured at fair value through other comprehensive income	(251,892)	-	-	3,008	(248,884)
- Property, plant and equipment	98,317	-	-	-	98,317
- Intangible assets	-	-	-	-	-
- Foreign investment hedges	-	-	-	-	-
- Cash flow hedges	7,118	-	-	-	7,118
- Hedging instruments (non-designated elements)	-	-	-	-	-
- Foreign exchange differences	-	-	-	-	-
- Non-current assets and disposal groups held for sale	-	-	-	-	-
- Financial liabilities designated at fair value through profit or loss (variation due to changes in creditworthiness)	3,295	-	-	-	3,295
- Actuarial gains (losses) on defined benefit plans	(134,093)	-	-	-	(134,093)
Share of valuation reserves of equity investments valued at equity	-	-	-	10,083	10,083
- Special revaluation laws	179,611	-	-	-	179,611
7. Profit (loss) for the year (+/-) of the Group and minority interests	1,465,090	-	-	8,790	1,473,880
Total	10,242,309	-	-	(2,121,780)	8,120,529

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets / Amounts	Prudential consolidation		Insurance companies		Other companies		Consolidation adjustments and eliminations		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	12,456	264,348	-	-	-	-	3,998	990	16,454	265,338
2. Equity instruments	158,708	9,595	-	-	-	-	(1,138)	-	157,570	9,595
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2022	171,164	273,943	-	-	-	-	2,860	990	174,024	274,933
Total 31.12.2021	126,936	32,252	-	-	-	-	2,950	990	129,886	33,242

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity instruments	Loans
1. Opening balance	6,200	90,444	-
2. Increases	145,468	66,626	-
2.1 Fair value increases	21,647	60,432	-
2.2 Impairment losses for credit risk	1,126	X	-
2.3 Reclassification to profit and loss of negative reserves following disposal	1,068	X	-
2.4 Transfer to other components of shareholders' equity (equity instruments)	-	3,126	-
2.5 Other increases	121,627	3,068	-
- of which: business combinations	1	2,550	-
3. Decreases	400,552	9,095	-
3.1 Fair value decreases	360,778	2,703	-
3.2 Write-backs for credit risk	684	-	-
3.3 Reclassification to profit or loss of positive reserves: -from disposal	4,568	X	-
3.4 Transfer to other components of shareholders' equity (equity instruments)	-	5	-
3.5 Other decreases	34,522	6,387	-
- of which: business combinations	29,708	1,586	-
4. Closing balance	(248,884)	147,975	-

B.4 Valuation reserves about actuarial gains (losses) on defined benefit plans: annual changes

	31.12.2022	31.12.2021
1. Opening balance	(159,928)	(155,764)
2. Increases	56,933	2,477
2.1 Actuarial gains	56,428	788
2.2 Other increases	505	1,689
3. Decreases	31,098	6,641
3.1 Actuarial losses	99	6,212
3.2 Other decreases	30,999	429
4. Closing balance	(134,093)	(159,928)

Section 2 – Own funds and capital adequacy ratios

The disclosures about own funds and capital adequacy are provided in the document entitled “Public Disclosure as at 31 December 2022 – Pillar 3”, prepared in accordance with the regulatory framework consisting of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (the Capital Requirements Regulation or CRR) as later amended. This document is published on the same date as -or as soon as possible after- the Consolidated Financial Statements as at 31 December 2022 on the website of the Parent Company <https://istituzionale.bper.it>.

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Part G - Business combinations

Section 1 - Transactions carried out during the year

1.1. Business combinations

Description of the transaction

On 3 June 2022, the strategic transactions between BPER Banca and the Carige Group were implemented, as per the agreements of last 14 February.

BPER Banca therefore purchased from the Interbank Deposit Protection Fund (FITD) and from the Voluntary Intervention Scheme (VIS) 604,154,459 ordinary shares representing 79.418% of the share capital of Banca Carige, paying the consideration of Euro 1; in turn, the FITD paid Banca Carige a capital contribution of Euro 530,000,000, aimed at covering the capital strengthening needs of Banca Carige at the closing of the acquisition.

Simultaneously with the acquisition of the majority of the share capital, BPER Banca started the procedure envisaged for a mandatory tender offer on the remaining 156,568,928 ordinary shares, equal to 20.582% of the ordinary share capital of Banca Carige. Accordingly, BPER Banca sent the notice required pursuant to art. 102 of Legislative Decree No. 58 of 24 February 1998 (the Consolidated Law on Finance) to Consob and Banca Carige on 3 June 2022. The price of the Mandatory Tender Offer was Euro 0.80 for each ordinary share. In conjunction with the Mandatory Tender Offer, BPER Banca also deemed it appropriate to promote a voluntary offer on the 20 savings shares of Banca Carige, at a price of Euro 25,000 each.

At the end of the Offer, BPER Banca, having reached an overall holding greater than 90%, but lower than 95%, of the ordinary share capital of Banca Carige, initiated the purchase obligation under art. 108, paragraph 2 of the Consolidated Law on Finance, reopening the terms of the offer – keeping the economic conditions unchanged – from 22 August 2022 to 9 September 2022 (the “Sell-Out” procedure).

At the end of the offer extension, including as a result of purchases on the market, BPER Banca acquired 731,095,957 ordinary shares of Banca Carige, equal to 96.105% of the ordinary share capital and 8 savings shares, equal to 40% of the savings share capital. Having acquired a shareholding of over 95% of the ordinary share capital of Banca Carige, the conditions were met for the exercise of the Purchase Right pursuant to article 111 of the Consolidated Law on Finance, and for compliance with the Purchase Obligation pursuant to article 108, paragraph 1 of the Consolidated Law on Finance (“squeeze out”). As at 20 September 2022, the purchase right was therefore exercised on 29,627,430 ordinary shares, enabling BPER Banca to hold 100% of the ordinary share capital and 40% of the savings share capital of Banca Carige.

The sequence of events in the business combination described above made it possible to frame the acquisition of control of Banca Carige (and its subsidiaries) at 100% of its ordinary share capital as a single transaction, carried out according to the procedure required for listed issuers as was the case for Banca Carige.

As regards the rationale for the transaction and the detailed time sequence of the events, please refer to the contents of the Directors' Report on Group Operations in the chapter “Significant events and strategic transactions”, paragraph “Acquisition and integration of Banca Carige s.p.a.”. Said disclosure shows that the objective of the BPER Banca Group is the merger by absorption of Banca Carige and Banca del Monte di Lucca into BPER Banca, which became effective for legal purposes on 28 November 2022 (accounting and tax effectiveness backdated to 1 July 2022).

Name	Date of the transaction	Cost of the transaction	Interest acquired	Total revenues (*)	Net profit (loss) (**)
Banca Carige	03.06.2022	125,453	100.0000%	132,924	(221,111)

The cost of the transaction is Euro 1 which is the value that BPER Banca paid to acquire 79.418% of the share capital from the Selling Shareholders and Euro 125,453 thousand as the total outlay that BPER Banca incurred when the mandatory tender offer for the 156,568,709 ordinary shares and the voluntary tender offer for the 8 savings shares were opted in. In this regard, see below for a more detailed description of the accounting treatment adopted for the business combination.

(*) the data refers to Net interest and other banking income of Banca Carige and its subsidiaries as at 30 June 2022.

(**) the profit (loss) for the period refers to Banca Carige and its subsidiaries as at 30 June 2022.

Accounting treatment of the transaction

This transaction counts as a Business Combination for the purposes of IFRS 3, having satisfied the requirements for the identification of an acquired “business”.

Since this is the acquisition of control of Banca Carige s.p.a., i.e. of a pre-existing company actively operating on the national banking market, the elements qualifying a “business” pursuant to IFRS 3¹⁰⁷ are easy to identify (Inputs, Processes, Outputs).

¹⁰⁷ As required by IFRS 3 B7.

It should also be noted that the "concentration test" envisaged by paras. B7A and B7B of IFRS 3¹⁰⁸, focusing on gross assets and indicated, in any case, as optional, was not applied as the qualitative analysis carried out showed sufficient elements to conclude that the acquired set of activities and assets is a business.

Having qualified the transaction as a business combination, the Acquisition Method envisaged by IFRS 3 has to be applied, as described in Part A.2 of these Explanatory Notes, to which reference should be made for details.

According to IFRS 3, the business combination must be recognised on the date on which the acquirer effectively obtains control over the acquirees.

Specifically considering the time sequence of relevant events in this sense, namely:

- 3 giugno 2022 – acquisizione del 79,418% del Capitale sociale di Banca Carige dal FITD e dallo Schema Volontario di intervento (e, conseguentemente, del controllo ai sensi dell'IFRS 10);
- 15 giugno 2022 – Assemblea ordinaria degli azionisti di Banca Carige che, tra le altre, ha nominato un nuovo C.d.A. espressione del socio di maggioranza BPER Banca;
- 11 July 2022 - launch of the Mandatory Tender Offer on the remaining 20.582% of the share capital and of the Voluntary Tender Offer on the savings shares;
- 29 July 2022 - end of the Mandatory Tender Offer, which allowed BPER Banca to reach a total of 714,315,304 ordinary shares held, representing approximately 93.9% of the share capital; end of the Voluntary Tender Offer, which allowed BPER Banca to acquire 5% of the savings shares;
- 9 September 2022 - end of the Sell-Out procedure, which allowed BPER Banca to reach a total of 731,095,957 ordinary shares held, representing approximately 96.11% of the share capital and to acquire 7 savings shares;
- 20 September 2022 – conclusion of the squeeze-out procedure, which allowed BPER Banca to acquire the remaining 3.89% represented by 29,627,430 ordinary shares of Banca Carige;

the date of the combination was identified with the legal effectiveness of the acquisition of the majority stake in Banca Carige, i.e. 3 June 2022, although for the purposes of the accounting treatment of the combination in the consolidated financial statements, the book values of the acquirees as at 30 June 2022 were considered, reasonably assuming that the time difference with respect to the date of the combination does not lead to any significant effects.

The same sequence according to which the acquisition of the overall stake in the share capital was developed and the strategic objective declared by BPER Banca already at the time of the offer to purchase the majority stake, are equally relevant for the definition of the cost of the combination. In application of the reference accounting principles and practices, in addition to the consideration paid to FITD for the purchase of 79.418% of the share capital, it is believed that the price offered for the "acquisition of the remaining part of Banca Carige's capital" may be included in the cost of the combination (understood as a single transaction).

The IFRS 3 does not specifically regulate the accounting treatment of transactions subsequent to the acquisition of control (already achieved by BPER Banca in execution of the agreement entered into with FITD and the VIS); in this specific case, however, the subsequent purchases of ordinary shares are consequent to a legislative obligation, which required BPER Banca to make an offer also for the shares owned by minority shareholders (the Non-Controlling Interest - NCI). For the definition of the related accounting treatment it was therefore necessary to resort to an expert opinion, so as to consider each individual element of the transaction, by virtue of an accounting representation that provides the user of the financial statements with clear and complete information on the transaction.

In this sense, giving priority to the economic substance of the transaction according to the strategic objective pursued by the BPER Banca Group - i.e. the full integration of the Carige Group - the mandatory tender offer launched by BPER Banca for the purchase of the NCI and the voluntary tender offer on the savings shares were classified in the accounts as put options granted respectively to the NCI¹⁰⁹ and to the savings shareholders who, as against a "fixed" strike price, originated a liability¹¹⁰ which was accounted for in the PPA as an opposite entry to the resulting goodwill.

The consolidated financial statements as at 31 December 2022 were prepared on the basis of a definitive Purchase Price Allocation - PPA, as the BPER Banca Group finalised the fair value measurements of the assets and liabilities acquired at the acquisition date as defined above.

The fair value of the assets and liabilities acquired at the acquisition date is reported below; it should be noted that, for the purposes of accounting recognition of the business combination in the consolidated financial statements, the book values of the acquired entities (sub-consolidated figures of the Carige Group) as at 30 June 2022 were considered, the reference accounting date for the business combination.

¹⁰⁸ In force from 1 January 2020.

¹⁰⁹ For the accounting treatment, please refer to the considerations proposed by the Interpretation Committee and the IASB in May 2013.

¹¹⁰ The accounting treatment of these agreements is not clearly governed by the IAS/IFRS. Although the IFRIC in 2014 confirmed that such agreements are financial liabilities, the nature of these liabilities is controversial and has been debated by both the IFRIC and the IASB on numerous occasions without reaching a definitive solution. The IASB has decided to include this issue within a broader project, "Financial Instruments with Characteristics of Equity (FICE) project", which is still ongoing.

(in thousands)			
Assets	Carrying amount as at 30.06.2022	PPA	Fair value as at 30.06.2022
10. Cash and cash equivalents	279,233		279,233
20. Financial assets measured at fair value through profit or loss	123,117	(876)	122,241
a) financial assets held for trading	7,552		7,552
c) other financial assets mandatorily measured at fair value	115,565	(876)	114,689
30. Financial assets measured at fair value through other comprehensive income	2,833,699	(13,537)	2,820,162
40. Financial assets measured at amortised cost	15,568,335	(374,896)	15,193,439
a) loans to banks	4,561,970		4,561,970
b) loans to customers	11,006,365	(374,896)	10,631,469
50. Hedging derivatives	38,785		38,785
70. Equity investments	114,658		114,658
90. Property, plant and equipment	772,308	(108,919)	663,389
100. Intangible assets	11,486		11,486
110. Tax assets	1,226,620	179,027	1,405,647
120. Non-current assets and disposal groups classified as held for sale	1,066,829	(10,772)	1,056,057
120. Other assets	387,430	(10,000)	377,430
Total assets	22,422,500	(339,973)	22,082,527

(in thousands)			
Liabilities and shareholders' equity	Carrying amount as at 30.06.2022	PPA	Fair value as at 30.06.2022
10. Financial liabilities measured at amortised cost	18,389,015	(56,575)	18,332,440
a) due to banks	3,743,172		3,743,172
b) due to customers	12,413,722	(23,221)	12,390,501
c) debt securities issued	2,232,121	(33,354)	2,198,767
20. Financial liabilities held for trading	1,286		1,286
30. Financial liabilities designated at fair value	62,341		62,341
40. Hedging derivatives	251,189		251,189
60. Tax liabilities	33,718	16,744	50,462
70. Liabilities associated with assets classified as held for sale	1,207,813	51,036	1,258,849
80. Other liabilities	598,498	100,000	698,498
90. Employee termination indemnities	25,298		25,298
100. Provisions for risks and charges	220,622	102,919	323,541
a) commitments and guarantees granted	14,066		14,066
b) pension and similar obligations	17,374		17,374
c) other provisions for risks and charges	189,182	102,919	292,101
Accounting differences of assets and liabilities	1,632,720	(554,097)	1,078,623
Total liabilities and shareholders' equity	22,422,500	(339,973)	22,082,527

The considerations made in the process of determining the fair value for the purposes of the PPA as at 31 December 2022¹⁰⁰ are summarised below:

- Performing loans: the portfolio being valued is attributable to medium and long-term operations. As there is no active market for this type of instrument, the Bank has adopted an internal valuation model which was able to replicate the exit price that would be received or paid in an orderly transaction between market participants, in accordance with IFRS 13. The method currently prevailing on the market for this valuation is Discounted Cash Flow (DCF), in which the cash flows are discounted at an appropriate rate which incorporates an estimate of the main risk factors. More specifically, future cash flows were determined by considering principal and interest flows, representing the contractual plan of the individual accounts, corrected by applying appropriate prepayment coefficients in order to incorporate the probability of early, total or partial repayment.

The discount rate applied was obtained as the sum of three components:

- the level of risk-free interest rates, observed on the various tenors of the curve;
- the cost of funding, corresponding to the remuneration curve of the BPER Banca Group's cost of money;

¹⁰⁰ In order to conduct said valuation activities, the Bank made use of the support of external advisors.

- the level of the average credit spread, determined on the basis of the probability of default (PD) and Loss Given default (LGD) and the average residual duration of the individual transaction. Both the expected loss component, starting from the PD and LGD levels deriving from application of BPER Banca's internal models, and the unexpected loss component, starting from the regulatory capital of the positions acquired and the cost of capital estimated internally by BPER Banca, were considered in the credit spread.

Overall, the performing loans assessed as mark-to-model amounted to approximately Euro 8.8 billion. The valuation process determined a lower total fair value of the performing portfolio of Euro 212.1 million than the carrying amount acquired. With regard to short-term operations (understood as on-demand transactions or those with a residual duration of less than 12 months), the carrying amount acquired at the reference date was considered a reasonable approximation of the fair value in accordance with IFRS 13, taking into account that the discounting of future cash flows is of little significance, even if there are changes in reference market rates.

- Non-performing loans: similarly to what was done for performing loans, since there is no active market for this type of instrument, determination of fair value assumes that it replicates the price that would be received in an orderly transaction between market participants, thereby establishing a valuation framework that is as consistent as possible with the situations that can actually be observed on the market. To this end, a DCF model (the main valuation methodology currently used by the market) was applied to the individual accounts, defining some specific aspects of the different risk classes, distinguishing bad loans, on the one hand, and UTP and Past Due loans on the other.

With reference to secured bad loans, an analytical estimate was made of the expected recovery flows from the sale of the assets pledged to guarantee the position (assuming that collateral was sold through judicial auctions with a haircut and an average duration of the recovery process in line with market benchmarks). For unsecured bad loans, statistical benchmark recovery curves were applied, differentiated according to the age of the position and the counterparty's segment. The "gross" cash flows determined in this way were subsequently corrected with a prudential factor to reflect the risk of volatility in recoveries. This component discounts the elements of uncertainty associated with recoveries and therefore makes it possible to take into account possible developments in the NPL market, also due to the residual effects of the Covid-19 crisis and the impact of the ongoing war between Russia and Ukraine. The recovery flows were also reduced by legal costs, applying benchmark values, estimated in proportion to gross recoveries and consistent with what has been observed on the market. They were also reduced by servicing costs, using benchmark values consistent with the average forecast in the servicing agreements for NPL portfolios (generally based on an annual fee applied to the receivables under management and a success fee applied to gross collections). The discount rate of the recovery flows was determined as the weighted average cost of a hypothetical securitisation involving the issue of notes with different seniority (without recourse to the GACS state guarantee).

With regard to exposures classified as UTP and Past Due, the so-called "Steady-state Cash Flow" approach was applied, which is the main method used for assessing loans in the Asset Quality Review (AQR). According to this approach, the recovery flows are determined by estimating the present value of the debtor's forecast cash flows quantified through a joint analysis of various items in the counterparty's financial statements, subsequently allocating them to cover the exposure in relation to the effective seniority of each position. As regards UTP and Past Due exposures to counterparties for which financial statements are unavailable in the database of the Company Accounts Data service ("Centrale Bilanci"), a methodology has been applied based on Danger Rate and Cure Rate benchmark grids, obtained from market and financial information, according to which the value of each exposure has been determined as the weighted average of the average price observed on performing and non-performing portfolios, with weighting based on the Cure Rates and Danger Rates attributed.

As the last phase of the evaluation process, a benchmarking analysis was carried out with respect to the prices of recent transactions observed on the market for homogeneous clusters. The results of the analysis showed that the valuation prices of bad loans and UTPs, if compared with transactions in the last three and two years, are generally prudential, incorporating the possible evolutions of the NPL market due to the residual effects of the Covid-19 crisis and the impact of the ongoing war between Russia and Ukraine.

Overall, the net carrying amount of non-performing loans, acquired from the Carige Group and subject to valuation, amounted to approximately Euro 319.9 million. The fair value resulting from these models, quantified on the basis of assumptions and proxies, was lower than this amount by Euro 162.8 million.

- Securities held in the portfolio: the financial instruments held in the portfolio and represented by instruments already measured at fair value, showed the need for a negative valuation adjustment of Euro 14.4 million on Level 3 instruments (partly classified under Financial assets measured at fair value through profit and loss and partly under Financial assets measured at fair value through other comprehensive income).
- Intangible assets: analyses were carried out to identify any intangibles originating from Customer Relationships, not already recognised in the seller's financial statements. With respect to the valuation of any intangible assets linked to indirect deposits acquired and direct deposits (Core Deposits, intangible assets reflecting the benefits connected with the lower cost of funding acquired with respect to alternative sources of funding - "mark-down"), by adopting the best market valuation practices a "Multi-period Excess Earning Method – MEEM" model was applied. The valuation of the trademark "Cesare Ponti", maintained in use by the BPER Banca Group, was also verified, applying the "Royalty Relief Method" valuation method. The checks carried out, by applying the valuation models indicated, led to the identification of an essentially low total value of intangible assets, as such to prompt Management to keep said assets without an explicit value.
- Property, plant and equipment: independent fair value appraisals have been carried out on all properties acquired (land and buildings), based on appraisals by the independent expert used by the BPER Banca Group. The results of these

activities led to an estimated adjustment to the fair value of the property, plant and equipment acquired from the Carige Group of Euro 102.4 million; In addition to the checks conducted on properties, the book values of the works of art acquired were reconsidered which, measured at fair value by an appointed independent expert, had highlighted the need for adjustments to the market value totalling Euro 6.8 million. Lastly, the alignment of Rights of Use and Lease Liabilities connected with the lease agreements acquired, led to a reduction of Euro 0.3 million in rights of use.

- Other assets: under said item, a review was carried out, in particular, of the "pending items", likely to be measured at a different fair value (lower) than the book value. On an overall perimeter of roughly Euro 20 million, a total adjustment of around Euro 10 million was estimated according to both an individual and collective approach;
- Contingent liabilities: the recognition of risks embedded in the business acquired (mainly legal and fiscal), as well as the fair value measurement of the contingent liabilities related thereto, led to the estimation of additional contingent liabilities for an amount of Euro 26.8 million. More specifically, among the possible risks considered for the purposes of the PPA, the following cases are highlighted:
 - Civil litigation: with the main instance being the action brought in 2011 by the trustee of the Madoff Fund insolvency proceedings - the "master fund" (and subsequently by the liquidator of the Fairfield Sentry Fund - "feeder fund") requesting that Carige be sentenced to return funds allegedly paid out preferentially to some investors with respect to the body of creditors. The refund in question amounts to approximately Euro 11 million;
 - Criminal litigation: in which Carige is indicted for liability under Decree 231/2001 and held liable under civil proceedings in relation to the criminal litigation cases in which the former company top managers and senior management (Chairman and members of the Board of Directors, General Manager and other executives in office at the time of the facts) are indicted of market rigging, obstruction of supervisory control, false corporate communications, market manipulation, abusiveness, improper use and forgery of credit and payment cards, embezzlement and fraud. The consequences envisaged for the cases in which Carige is charged or investigated essentially translate into fines for administrative offences estimated at approximately Euro 9 million;
 - Tax disputes: with the main instance being an assessment claim arising from the rescheduling of the timing for the write-down of goodwill recognised by Banca Carige Italia (subsequently merged by incorporation into Banca Carige) when the non-Ligurian business unit was merged, which was subject to 'tax alignment' and therefore affected the amount of the tax credit deriving from the conversion of the DTAs recognised at the date of the combination. The ascertainment has led the derecognition of tax credits for a total of Euro 210 million (gross of the Euro 100 million substitute tax paid by Carige upon tax alignment of goodwill, which could potentially be repeated).

Potential expenses deriving from the reorganisation of the banking business acquired were also considered, also in connection with the early termination of certain commercial relationships, determining the estimate of contingent liabilities for a total of Euro 176.1 million (of which a part already recognised as debt under Other liabilities, in respect of the agreements reached with the counterparty by the end of 2022).

- Debt securities issued: the fair value measurement of bonds issued and outstanding at the business combination date was carried out using list prices from the main infoproviders; where it was not possible to obtain these prices, or they were not considered representative of active markets, the instruments were measured according to internal models capable of adequately considering the issuer risk based on their seniority. The fair value measurement showed a Euro 33.4 million lower value than the corresponding carrying amount acquired.
- Due to customers: the liabilities consisting in medium/long-term customer deposits were also measured using internal models. More specifically, a Discounted Cash Flow (DCF) model was used, in which the cash flows (including principal and interest amounts), as resulting from the contractual plan of the individual positions, were discounted at an appropriate discount rate, incorporating the estimate of the main risk factors and identified as the sum of the level of risk-free interest rates, observed on the various curve tenors, and the cost of funding, corresponding to the liquidity cost remuneration curve of the BPER Banca Group. Overall, term deposits assessed as mark-to-model amounted to approximately Euro 0.4 billion. The fair value measurement showed a Euro 8.1 million lower value than the corresponding carrying amount acquired. With regard to short-term funding (understood as on-demand relationships or those with a residual duration of less than 12 months), the carrying amount acquired at the reference date was considered a reasonable approximation of the fair value in accordance with IFRS 13, taking into account that the discounting of future cash flows is of little significance, even if there are changes in reference market rates.

In addition, in relation to amounts due to customers, the liabilities representing the senior tranche of ABS issued as part of the securitisations Lanterna Finance 4 and Lanterna Mortgage 1, subscribed by third party investors, were measured at fair value. Said measurement led to a lower fair value of Euro 15.1 million compared to the corresponding carrying amount acquired.

- Assets held for sale and Liabilities associated with assets held for sale: this item includes the estimate of the costs that the BPER Banca Group must incur as part of the disposal agreement entered into with Banco Desio to prevent antitrust issues and relating to the part of the business unit consisting in 40 former Carige branches. The fair value measurement of said expenses (deriving partly from the value adjustments made to some asset categories) led to the posting of a total negative impact of Euro 62.3 million (of which: Euro 11.3 million in lower assets and Euro 51 million in liabilities). It should be noted that Assets held for sale also include a property, whose fair value measurement led to a revaluation of Euro 0.5 million.
- Capital shares held by minority shareholders: specific reference is made to both the portion of the share capital of the subsidiary Banca del Monte di Lucca and the savings shares of Banca Carige, which, at the business combination date and at the closing date of the subsequent mandatory and voluntary tender offers, were held by minority interests. The fair value measurement was carried out based on the identified ratio of exchange with BPER Banca ordinary shares at their

- related market price, for a total of Euro 5 million.
- Tax effects: for the purposes of preparing these financial statements, fiscal relevance was given to the fair value measurement of the items described above, determining the recognition of tax assets totalling Euro 179.0 million (of which roughly Euro 115 million was already used to calculate the current taxes for 2022) and tax liabilities for a total of Euro 16.7 million.

Depending on the choices made, the difference between the assets and liabilities acquired at 3 June 2022 and the price paid is shown below, so as to identify the result of the PPA.

	(in thousands)
Banca Carige	
Accounting differences of assets and liabilities (A)	1,632,720
Consideration paid (*) (B)	-
Exercise of the Tender Offer (C)	125,453
Negative difference to allocate (A-B-C)	1,507,267
Financial assets designated at fair value	(14,413)
Non-performing loans to customers	(162,758)
Performing loans to customers	(212,138)
Property, plant and equipment	(108,919)
Tax assets and liabilities	162,283
Other activities	(10,000)
Debt securities issued	33,354
Due to customers	23,221
FV of minorities	(5,049)
Assets and Liabilities associated with assets classified as held for sale	(61,808)
Contingent liabilities and other liabilities	(202,917)
Badwill	948,123

(*) BPER Banca paid Euro 1.

At the end of the allocation process, the total benefit deriving from the acquisition was Euro 948.1 million, registered as income in the Income Statement caption 275. "Gain on a bargain purchase".

The "bargain purchase" that emerged from the transaction is largely attributable to the favourable market situation for buyers, as reflected in the relationship between the market price and the book value of listed banks, a reference parameter in defining the purchase price in transactions of this type. The consideration paid was, however, determined by taking into account the limited cost-effectiveness that characterised Banca Carige on a stand alone basis at the date of the purchase and the related risks borne by customers and all its stakeholders (including minority shareholders).

Since the PPA valuation resulted in badwill, in application of IFRS 3, the BPER Banca Group decided to proceed with the overall verification of the process required by IFRS 3 by obtaining a fairness opinion from an independent auditor other than the Group's auditing firm. The fairness opinion, confirming badwill for an amount of Euro 948.1 million, was obtained on 8 March 2023.

Consequent to the merger by absorption of the two most significant legal entities of the Carige Group acquired, the disclosure required by IFRS 3, paragraph B64 (q) (i) is not available, given they do not even represent a separate operating segment.

In relation to the presentation of the revenues, profits and losses of the entity resulting from the business combinations described above for the current year, assuming that these occurred at the start of the reporting period, as required by IFRS 3, paragraph B64 (q) (ii), the required disclosure is presented hereunder.

	(in thousands)	
Description	Total revenues (*)	Net profit (loss)
BPER Banca Group	4,062,743	1,227,864

(*) The data refers to Net interest and other banking income.

Section 2 - Transactions carried out after the end of the reporting period

2.1. Business combinations

No business combinations have been carried out subsequent to 31 December 2022 and up to the date of approval of the consolidated financial statements.

Section 3 – Retrospective adjustments

No retrospective adjustments to business combinations performed in previous years were necessary.

Part H – Related-party transactions

1. Information on the remuneration of Managers with strategic responsibilities

	Board of Directors	Statutory Auditors	Other managers with strategic responsibilities
short-term benefits (1)	3,837	336	3,768
post-employment benefits (2)	-	-	263
other long-term benefits (3)	571	-	840
indemnities for termination of employment (4)	-	-	1,398
share-based payments (5)	-	-	38
Total 31.12.2022	4,408	336	6,307
short-term benefits (1)	3,262	403	4,084
post-employment benefits (2)	-	-	275
other long-term benefits (3)	249	-	510
indemnities for termination of employment (4)	2,200	-	1,047
share-based payments (5)	386	-	319
Total 31.12.2021	6,097	403	6,235

The information provided is consistent with that required by IAS 24.

The amounts shown for the Directors (including the emoluments of the Chief Executive Officer), the Statutory Auditors and other Managers with strategic responsibilities, represent their emoluments for the year, regardless of when they are paid.

(1) The item includes salaries, indemnities in lieu of untaken vacation, paid leave of absence and any fringe benefits, such as insurance, housing and car, in addition to social security contributions.

As regards the Directors, note that the amount shown (Euro 3,837 thousand) consists of their emoluments for the period in accordance with art. 11 of the Articles of Association. More specifically:

- Euro 2,129 thousand (Euro 1,802 thousand at 31 December 2021), comprising the fees payable to the Directors (Euro 1,113 thousand), the additional emoluments due to members of the Board committees (Euro 514 thousand), as well as the attendance fees payable to the Directors for participating in meetings of the Board of Directors (Euro 216 thousand) and amounts earned for positions held in subsidiaries not paid directly to the Parent Company (Euro 286 thousand as at 31 December 2022);

- Euro 365 thousand (unchanged as compared to the previous year) of additional emoluments payable to Directors appointed to particular positions in compliance with the Articles of Association (specifically Chair and Deputy Chair); in fact, this remuneration has to be set by the Board of Directors, after having sought the opinion of the Board of Statutory Auditors;

- Euro 1,200 thousand (Euro 1,033 thousand at 31 December 2021) as additional emoluments, again with reference to the same clause of the Articles of Association mentioned above, for the office of Chief Executive Officer, plus Euro 143 thousand of variable remuneration.

The amounts shown for Other managers with strategic responsibilities (the General Manager, 3 Deputy General Managers, the Manager responsible for preparing the Company's financial reports and 4 other Group Senior Managers in the Parent Company BPER Banca) belong to the types of costs detailed above. They are disclosed in the Report on Remuneration (art. 123-ter of Legislative Decree 58/1998) in accordance with Consob's instructions.

(2) The item includes payments to the supplementary pension funds and provisions for termination indemnities.

(3) The item includes deferred variable remuneration relating to annual variable incentive plans, as specified in the Remuneration Report.

(4) The item includes termination indemnities.

(5) The item includes the costs accrued for the Long-Term Incentive Plan during the year.

2. Information on related-party transactions

The BPER Banca Group has adopted a series of regulations that include the “Group policy governing non-compliance risk in relation to conflicts of interest with related parties and risk activities with associated persons”. This regulatory framework complies with the Bank of Italy’s requirements in terms of “Risk activities and conflict of interest with related parties and associated persons” as contained in Circular 285 dated 17 December 2013 and subsequent updates. The Policy describes the prudential limits placed on risk activities involving related parties, the continuous monitoring of limits, the management of situations where the limits have been exceeded. An “internal threshold of attention” establishes an individual limit on the weighted consolidated exposure that is lower than the regulatory threshold. This threshold is set at such a level as to constitute an adequate precaution against accepting particularly significant exposures to related parties and persons associated with them.

The following shows the transactions with related parties, identified in application of IAS 24.

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
Subsidiaries	604,477	16,947	47,278	7,472	903
Associates	667,897	21,500	282,395	6,659	1,697
Directors, Statutory Auditors and Managers	66	1,242	326	18	47
Other related parties	379,072	2,006,567	162,174	253,952	21,114
Total 31.12.2022	1,651,512	2,046,256	492,173	268,101	23,761
Subsidiaries	506,502	8,236	43,020	2,109	701
Associates	743,299	9,075	207,380	3,237	1,278
Directors, Statutory Auditors and Managers	285	1,501	66	49	1
Other related parties	328,408	2,096,011	103,277	183,346	9,912
Total 31.12.2021	1,578,494	2,114,823	353,743	188,741	11,892

None of the balances or transactions with related parties can be considered critical. They all relate to routine banking and other services and arose normally during the year, as a consequence of needs and requirements in the common interests of the parties or, where applicable, of the Group. The conditions applied to individual balances and transactions with these companies are in line with those currently applied in the market.

“Other related parties” are situations other than those set out in the table, such as entities controlled by associated companies of BPER Banca, entities which have a significant influence on the BPER Banca Group and entities subject to the control of Directors, Statutory Auditors or Managers, or by subjects that may have significant influence over them, as defined by IAS 24.

The total amount of cash and endorsement loans to Directors, Statutory Auditors, Managers and other related parties comes to Euro 541.6 million (Euro 432 million at 31 December 2021). The above amount accounts for 0.28% of total cash and endorsement loans.

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
Total reference amounts - 31.12.2022	152,302,794	144,182,265	38,992,102	5,070,380	3,838,221
Total reference amounts - 31.12.2021	136,347,873	129,489,064	37,200,969	3,944,603	3,132,334

The total reference amounts for revenues include interest income (caption 10), commission income (caption 40) and other operating income (detail of caption 230); costs include interest expense (caption 20), commission expense (caption 50), other operating expenses (detail of caption 230) and administrative expenses (caption 190).

Related party transactions stated as a percentage of reference amounts (financial position and economic results)

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
Subsidiaries	0.40%	0.01%	0.12%	0.15%	0.02%
Associates	0.44%	0.01%	0.72%	0.13%	0.04%
Directors, Statutory Auditors and Managers	0.00%	0.00%	0.00%	0.00%	0.00%
Other related parties	0.26%	1.39%	0.42%	5.02%	0.55%
Total 31.12.2022	1.10%	1.41%	1.26%	5.30%	0.61%
Subsidiaries	0.37%	0.01%	0.12%	0.05%	0.02%
Associates	0.55%	0.01%	0.56%	0.08%	0.04%
Directors, Statutory Auditors and Managers	0.00%	0.00%	0.00%	0.00%	0.00%
Other related parties	0.24%	1.62%	0.28%	4.65%	0.32%
Total 31.12.2021	1.16%	1.64%	0.96%	4.78%	0.38%

Part I – Equity-based payments

Qualitative information

1. Description of equity-based payments

By way of a preamble, the following should be noted:

On 20 April 2022, the Shareholders' Meeting, based on prior resolution of the Board of Directors of 16 March 2022, approved the Remuneration policies for the year 2022 of the BPER Banca Group containing guidelines on the use of remuneration plans based on equity (financial) instruments.

It should be noted that the 2022 remuneration policy was conceived and structured in a manner closely connected with the strategic guidelines of the new business plan which, at the time of the Shareholders' Meeting of 20 April 2022, was still in its preparation phase, pending the outcomes of the acquisition of control of Banca Carige s.p.a. ("Carige") and the relevant Group. Following the finalisation of the aforementioned acquisition, which took place on 3 June 2022, and the subsequent entry of Carige and its subsidiaries into the BPER Banca Group, the Board of Directors then approved, on 9 June 2022, the Group Business Plan 2022-2025 (the "Business Plan" or the "Strategic Plan"), which was presented to the market on 10 June 2022 with an indication of the relevant targets. Unlike initially foreseen, the Business Plan covers a four-year period (2022-2025).

In light of the above, and following the intentions already disclosed to the market at the time of presentation of the Business Plan, the Board of Directors, based on the prior opinion of the Remuneration Committee, therefore saw fit to amend the 2022 Remuneration policy relating to the long-term incentives approved by the Shareholders' Meeting in April 2022, along with the associated Incentive Plan, likewise approved by the Shareholders' Meeting in April 2022, in order to align them with the Business Plan targets and the associated four-year term (2022-2025).

The above elements therefore involved the need to subsequently update Section I of the "2022 Report on the Remuneration Policy and Compensation Paid", in order to adjust the disclosure relating to the Long-Term Incentive Plan contained herein (LTI Plan), whose amendment proposals were also submitted to the Shareholders' Meeting for approval (on 5 November 2022).

In light of the above, the amendment of the 2022-2024 Long-Term Incentive Plan (LTI) based on financial instruments approved by the Shareholders' Meeting on 20 April 2022, was also presented for approval of the shareholders' meeting on 5 November 2022, and its main changes can be summarised as follows:

- the 4-year extension of the term of the LTI Plan and the associated targets, in line with the 2022-2025 Strategic Plan, keeping the percentage bonus that can be accrued based on each Plan year unchanged;
- the consequent adjustment of the disclosure contained in the Information Document, regarding the maximum number of shares to service the Plan and the relevant costs;
- the renaming of the LTI Plan, according to the elements already outlined, as the "2022-2025 Long-Term Incentive Plan".

Without prejudice to the information provided above by way of a preamble, in order to pursue the objective of encouraging alignment of the interests of management with those of shareholders, the "Supervisory Provisions for banks" regarding "Remuneration and incentive policies and practices" (Bank of Italy Circular no. 285 of 17 December 2013 and subsequent updates) establish that at least 50% of variable remuneration provided to "key employees" (or "Material Risk Takers" or "MRT") should be paid in the form of shares or associated financial instruments (pursuant to article 114-bis of Legislative Decree no. 58 of 24 February 1998 and paid through upfront payment systems or deferred for a period of no less than 4-5 years. "Variable remuneration" refers to both variable performance-linked components or other parameters, and to amounts paid as incentives for the early termination of the employment relationship or for the early exit from office recognised to recipients ("severance").

In compliance with the aforementioned regulatory provisions, the BPER Banca Group has therefore made provision for:

- A short-term incentive plan on an annual basis - MBO 2022: the plan identifies the following beneficiaries: in addition to the Chief Executive Officer and the General Manager, the Managers with strategic responsibilities of the BPER Banca Group and selected persons from other categories of employees or associates of the BPER Banca Group classified as "Material Risk Takers" pursuant to the applicable legislation. As far as the structure is concerned, the Plan envisages paying part of the incentive through the assignment of BPER Banca shares, subject to the fulfilment of the conditions for its activation ("entry gates") and based on the bonus amount accrued by each MRT. The period of implementation of the Plan is between 2022 (when the results for 2022 are determined) and the actual availability of the last deferred tranche of BPER shares (2029).
- 2022-2025 Long-Term Incentive (LTI) Plan: the plan identifies the following beneficiaries: in addition to the Chief Executive Officer and the General Manager, some Managers with strategic responsibilities of the BPER Banca Group and certain selected persons from managers of the BPER Banca Group included in the perimeter of "Material Risk Takers". As regards the structure, the Plan makes provision, subject to the achievement of specific long-term company performance targets in line with the Strategic Plan in force, for the assignment to beneficiaries of an individual bonus, to be paid solely in ordinary BPER Banca shares at the end of the four-year vesting period (1 January 2022 - 31 December 2025). The period

for implementing the 2022-2025 LTI Plan runs between the year of the shareholders' meeting approval (2022) and the actual availability of the last deferred portion in BPER shares (2032).

For detailed information, please refer to the document "2022 Report on remuneration policy and compensation paid", published on the Bank's website www.bper.it – Homepage > Governance > Documents.

Methods of implementation of the short-term incentive plan on an annual basis -MBO 2022

The assignment of variable remuneration is provided on the condition that the BPER Group achieves the economic-financial targets established on an ex-ante basis ("entry gates") tied to the following parameters targeted at ensuring the maintenance of adequate income and capital standards:

- Consolidated Common Equity Tier 1 Ratio (CET1);
- Consolidated Return On Risk-Weighted Assets (RORWA);
- Consolidated Liquidity Coverage Ratio (LCR).

After checking that the entry gates have been exceeded, the bonus allocation and the deriving extent of the variable remuneration are defined by evaluating individual performances using a process that includes an analysis of various qualitative and quantitative indicators.

If the variable remuneration determined for each individual beneficiary is greater than Euro 50 thousand or 1/3 of the total annual remuneration, this Plan is activated, which envisages payment (also through quotas with deferred vesting) of a part of the bonus through the free-of-charge, personal assignment of a given number of BPER shares. With regard to the bonus component deferred over time, the Plan envisages its allocation in equal portions to the years subsequent to that of the bonus assignment (subject to a retention period of 1 year starting from the maturity date of each deferred portion), after having exceeded the entry gates set for the year prior to the year of disbursement of each deferred quota.

The deferred instalments are subject to malus rules that can reduce the instalment to zero in the event of failure to achieve the entry gates for the financial year preceding the year of payment of each deferred instalment. The malus mechanism, which can block payment of the deferred portions of the Bonus, also acts on activation of the clawback clauses.

The total number of BPER shares derives from the size of the bonus assigned and the average price of the share established in the period prior to the date of the Board of Directors' meeting which approves the Group's consolidated results.

On 14 January 2021, the Board of Directors of the Parent Company decided that from 2021 "actual" BPER Banca shares would be used instead of "phantom" shares as the financial instruments serving the MBO short-term incentive plan, adapting to market benchmarks and standardising the tools used in incentive schemes. The use of "actual" shares is already envisaged for the LTI plan.

Note that there are compensation plans still outstanding for the years 2017, 2018, 2019, 2020 and 2021.

For detailed information on the contents of the Plan, please refer to the "Information Document on the compensation plan based on financial instruments" prepared in accordance with article 114-bis of the Consolidated Law on Finance and article 84-bis of the Issuers' Regulation available to the public at the Company's registered office, on the Bank's website www.bper.it – Homepage > Governance > Shareholders' Meeting.

Methods of implementation of the 2022-2025 Long-Term Incentive (LTI) Plan

In line with the market practices, the entry gates defined for the LTI Plan are in line with those defined for the MBO Plan (Consolidated Common Equity Tier 1 (CET1) ratio, Return On Risk-Weighted Assets (RORWA) and consolidated Liquidity Coverage Ratio (LCR)). In particular, the assignment of variable remuneration (exclusively in BPER shares) in the 2022-2025 LTI Plan is linked to the achievement, in 2026 with reference to 2025, of the entry gate objectives as defined. Failure to achieve even only one of the entry gates means not paying any bonus under this long-term incentive scheme.

If the entry gates are exceeded, the company performance to which to link the total bonus amount to be determined (bonus pool) is based on the measurement of the following metrics (KPIs):

- Return On Tangible Equity or also "ROTE" at 2025 (earnings objective);
- Cost/Income ratio at 2025 (operating efficiency target);
- Gross NPE Ratio at 2025 (credit quality objective);
- ESG at 2025: mix of objectives structured into "sustainable finance", "energy transition", "diversity and inclusion" and Project «Futuro».

2022-2025 LTI scorecard

KPIs	Weight
Rote at 31/12/2025	50%
Cost/Income at 31/12/2025	20%
Gross NPE Ratio at 31/12/2025	15%
ESG[1]	15%

[1] Composed of 4 indicators of equal weight (25%): Sustainable Finance (Green loans), Energy Transition (Reduction of CO2 Emissions), Diversity and Inclusion (Gender Gaps: less represented gender among Managers and Executives), "Future" Project (financial education projects and definition of a youth inclusion project).

Attainment of the above-mentioned KPIs is verified in 2026 in relation to the last year of the vesting period (2025). However, continuous monitoring of the indicators is required under the Plan to verify compliance with the objectives of the Strategic Plan. The target values of the KPIs of the 2022-2025 LTI Plan are indicated in the Remuneration Report approved by the Shareholders' Meeting on 5 November 2022.

The disbursement of the individual bonus for each plan beneficiary is linked to the achievement of one's individual targets¹¹² (determined on an annual and four-yearly basis) calculated according to a percentage of gross annual individual remuneration: (i) 60% (240% on a four-yearly basis) for top management and C-Level (these include the Chief Executive Officer and the General Manager of the Parent Company and (ii) 40% (160% on a three-yearly basis) for senior management and (iii) 15% (60% on a four-yearly basis) for beneficiaries identified from the selected key personnel for the pursuit of the strategic guidelines. Excluded from the Plan are the heads of the control and similar functions, whose variable remuneration is expected not to exceed 33% of their fixed remuneration, taking into account the specific regulatory restraints of the industry for usable indicators.

The manner in which bonuses are awarded is structured as an up-front portion, awarded at the end of the four-year vesting period, and as a portion deferred pro-rata in equal tranches, over a number of years (5 years). The payment structure for the shares provides for a retention period of one year for the up-front portion and for the deferred portions.

The exact identification of the number of ordinary BPER Banca shares to be assigned in each fiscal year of the Plan term is conditional on the opening of gates and the level of achievement of the specific performance indicators upon payment of the Bonus at 2025.

The Bank cannot assign shares to beneficiaries, in whole or in part, and also reserves the right to ask the beneficiaries to return the shares, in whole or in part, if malus and claw-back clauses are triggered.

The Bank asks beneficiaries - through specific individual agreements - not to make use of personal hedging or insurance strategies which may alter or nullify the effects of the alignment with the risk inherent in the Plan, in compliance with the regulatory framework in force.

For detailed information on the contents of the Plan, please refer to the "Information Document relating to the long-term incentive plan "2022-2025 LTI plan" prepared in accordance with article 114-bis of the Consolidated Law on Finance and article 84-bis of the Issuers' Regulation available to the public at the company's registered office, on the Bank's website www.bper.it – Homepage > Governance > Shareholders' Meeting.

¹¹²In respect of the variable:fixed ratio defined by the relevant remuneration policies at the moment of participation and in compliance with the regulations in force from time to time.

Quantitative Information

As regards the LTI Plan, the grant of shares without charge in execution of the Plan will take place using treasury shares that derive from purchases authorised at the Shareholders' Meeting, pursuant to arts. 2357 and 2357-ter of the Italian Civil Code.

Purchase of the shares is subject, however, to the required authorisation being granted by the ECB, which was received on 11 April 2022 for the new LTI Plan.

In light of the economic-financial results achieved by the Group, stock grants for a total of 1,714,223 BPER Banca s.p.a. shares were approved by BPER Banca's Board of Directors on 10 March 2022 as part of the 2019-2021 Long-Term Incentive Plan. The determination of the short-term variable remuneration referred to 2021 involved the assignment of 678,698 BPER Banca s.p.a. shares.

The ordinary treasury share buyback programme - launched on 7 December 2022 and announced to the market in the press release of 6 December 2022 - was concluded on 15 December 2022, as part of the 2022 MBO incentive plan and any severance payments due. The purchases were made according to the terms authorised by the shareholders' meeting of BPER Banca on 20 April 2022.

In the 7 days of programme execution, BPER Banca - via Equita Sim s.p.a., the intermediary in charge of executing the programme - acquired a total of 750,000 ordinary shares of BPER Banca s.p.a., equal to 0.07% of share capital, for a total value of Euro 1,441,097.00 at an average purchase price per share of Euro 1.9215.

2. Other information

Determination of the fair value and accounting treatment

Short-term variable component

Variable remuneration for 2022 is currently being determined.

The determination of the short-term variable remuneration referred to 2021 involves the assignment of 678,698 BPER Banca s.p.a. shares.

Long-term variable component - Long-Term Incentive

The achievement of the entry gates and performance levels obtained entail the assignment of 1,714,223 BPER Banca shares, as of June 2022, according to the procedures set out in the Plan.

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Part L – Segment reporting

According to IAS/IFRS, financial reporting must include descriptive information or more detailed analysis of the figures shown in the financial statements.

In addition, the Conceptual Framework of Financial Information points out that financial statements can include additional information compared with what is specifically requested by the Standards, when, in the opinion of preparers of financial statements, this is likely to give a clearer explanation of the company's business.

In this sense, paragraph 1 of IFRS 8 states that the objective of the Standard is to disclose information to enable users of the financial statements to evaluate the nature and financial effects of the business activities of an entity and the economic environments in which it operates.

Based on these recommendations, the following representation is structured in a broader way with more detailed information than is used in the top management reporting system, which is mainly based on a vision by legal entity, although it is aligned and can be reconciled with it.

Segmentation of the various items analysed is based on criteria consistent with the "behavioural model" adopted by the Group for the clustering of customers for commercial purposes.

The segments were identified on the basis of the following criteria:

- legal nature and risk profile of the counterparty;
- balance sheet and income statement parameters such as turnover, agreed lending facilities of the BPER Banca Group and total assets;
- behavioural variables.

Segments

Income statement and balance sheet information is presented for the following segments:

Retail

This segment comprises the income statement and balance sheet information deriving from relations with the following types of customers:

- natural persons with assets at Bank level of less than Euro 50,000 (identified as "Family" customers);
- natural persons with assets at Bank level higher than Euro 50,000 and lower than Euro 500,000 (identified as "Personal" customers);
- sole proprietorships or legal entities that have at least a turnover of less than Euro 1 million or agreed facilities at Group level of less than Euro 50,000 or total assets of less than Euro 2.5 million (identified as "POE" - *Piccoli Operatori Economici*);
- legal entities with at least a turnover of between Euro 1 million and Euro 5 million or agreed facilities at Group level of between Euro 50,000 and Euro 2 million or total assets of between Euro 2.5 million and Euro 25 million (identified as "Small Business" customers).

The income statement and balance sheet data of Optima s.p.a. Optima SIM s.p.a., Finitalia s.p.a. and Arca Holding s.p.a. (sub-consolidation) is also included as, by their nature, these Group companies offer products and services to retail customers.

Private

This segment comprises the income statement and balance sheet information deriving from relations with the following types of customers:

- natural persons with assets at Bank level equal to or greater than Euro 500,000 (identified as "Private Banking" or "Private" customers).

The income statement and balance sheet figures of Banca Cesare Ponti s.p.a. which, by nature, offers products and services to private customers, are included.

Corporate

This segment comprises the income statement and balance sheet information deriving from relations with the following types of customers:

- legal entities with at least a turnover of between Euro 5 million and Euro 500 million or agreed facilities at Group level of between Euro 2 million and Euro 20 million or total assets exceeding Euro 25 million (identified as "Corporate" customers);
- Central Governments and Public Administrations (identified as "Entities and Treasuries");
- Banks and financial companies or sole proprietorships/legal entities attributable to insolvency proceedings/bankruptcies (identified as "Institutional Counterparties").

This segment also includes the income statement and balance sheet information of Group companies that, by their nature, offer

products and services to Corporate customers (Sardaleasing s.p.a. and Emil-Ro Factor s.p.a.).

Large Corporate

This segment comprises the income statement and balance sheet information deriving from relations with the following types of customers:

- legal entities with at least a turnover exceeding Euro 500 million or agreed facilities at Group level of more than Euro 20 million.

Finance

This segment includes the income statement and balance sheet information deriving from treasury activities, management of the Group's investment portfolios, access to financial markets and specialist operational support for the commercial network.

Corporate centre

Included herein are income statement and balance sheet captions arising from activities related to the governance of the Group, to strategic decisions and results thereof (shareholders' equity, equity investments, etc.) or from activities not directly connected to other areas of the business.

Other assets

This segment also includes the income statement and balance sheet information of those non-banking Group companies that are not allocated to the other segments.

A.1 Breakdown by segment: income statement

Based on the requirements established in IFRS 8, the income statement by segment contains the following information:

Captions	Retail	Private	Corporate	Large Corporate	Finance	Corporate centre	Other activities	Total
Net interest income	1,082,823	(5,446)	448,605	101,080	158,828	35,793	4,210	1,825,893
Net commission income	1,350,406	117,165	203,278	244,748	-	-	6,203	1,921,800
Net interest and other banking income	2,480,232	119,472	703,415	351,020	230,678	35,793	9,209	3,929,819
Net income from financial activities 31.12.2022	2,084,436	118,732	569,816	300,242	207,171	35,793	6,989	3,323,179
Net income from financial activities 31.12.2021	1,738,485	109,124	164,109	57,614	442,507	1,510	11,931	2,525,280
Operating costs	(1,636,278)	(90,016)	(505,949)	(26,939)	(14,969)	(572,560)	(28,751)	(2,875,462)
Profit (Loss) from current operations before tax 31.12.2022	448,204	28,716	60,855	273,303	192,201	412,139	(27,323)	1,388,095
Profit (Loss) from current operations before tax 31.12.2021	363,714	35,108	(331,497)	42,673	432,316	204,723	(54,166)	692,871

The above captions have been allocated to the various Segments using the information held in the management information system, which can be reconciled with the accounting system.

The Corporate segment presents a "Gross profit from continuing operations as at 31.12.2022" of Euro 60.9 million, compared to a loss of Euro 331.5 million recorded at the end of 2021. The change of Euro 392.4 million is attributable primarily to the growth in net interest and other banking income of Euro 264.8 million (also due to the increase in the size of the Group following the already mentioned acquisition (and merger) of the Carige Group, and the improvement in the quality of the loan portfolio for Euro 141.0 million, which reflects the overall performance of the Group.

Profit (loss) from current operations before tax at 31.12.2022 for the Corporate Centre segment was significantly affected by the main non-recurring positive items related to goodwill arising from the business combination for an amount of Euro 948.1 million.

The figures for the previous year are those published in the Consolidated Financial Statements as at 31 December 2021.

Detailed information about net commission income by segment is presented below, pursuant to paras. 114 and 115 of IFRS 15 "Revenues from contracts with customers".

Captions	Retail	Private	Corporate	Large Corporate	Other activities	Total
Financial instruments	190,782	85,778	10,700	4,359	911	292,530
<i>of which: placement of securities</i>	<i>144,433</i>	<i>55,164</i>	<i>22,403</i>	<i>4,328</i>	-	<i>226,328</i>
Collective portfolio management	374,047	-	-	-	-	374,047
Payment services	548,551	4,801	150,672	22,809	402	727,235
<i>of which: current accounts</i>	<i>330,873</i>	<i>3,249</i>	<i>33,118</i>	<i>8,521</i>	-	<i>375,761</i>
<i>of which: cards</i>	<i>106,134</i>	<i>588</i>	<i>73,945</i>	<i>2,980</i>	-	<i>183,647</i>
<i>of which: bank transfers and other payment instruments</i>	<i>111,544</i>	<i>964</i>	<i>43,609</i>	<i>11,308</i>	<i>402</i>	<i>167,827</i>
Distribution of third-party services	95,223	21,582	4,950	144,911	-	266,666
<i>of which: insurance products</i>	<i>56,611</i>	<i>19,984</i>	<i>15,638</i>	<i>124,483</i>	-	<i>216,716</i>
Financial guarantees granted	8,689	99	23,455	12,927	38	45,208
Financing operations	132,855	680	103,199	14,408	-	251,142
Other commission income	58,437	4,526	42,555	49,253	5,111	159,882
Total Commission Income 31.12.2022	1,408,584	117,466	335,531	248,667	6,462	2,116,710

Management commissions are recognised periodically in line with fulfilment of the performance obligation, while performance commissions are recorded only to the extent that it is highly probable that a significant reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved, as specified in paragraph 56 of IFRS 15.

A.2 Breakdown by segment: balance sheet

Based on the requirements established in IFRS 8, the balance sheet by segment contains the following information:

Captions	Retail	Private	Corporate	Large Corporate	Finance	Corporate centre	Other activities	Total
Financial assets measured at fair value	266,561	39	82,619	-	9,086,663	-	111,795	9,547,677
Loans to banks	-	311	467	-	9,353,556	-	128,114	9,482,448
- debt securities at amortised cost	-	-	-	-	6,585,523	-	11,342	6,596,865
- loans	-	311	467	-	2,768,033	-	116,772	2,885,583
Loans to customers	51,926,899	588,255	30,405,582	8,086,642	14,592,782	(263)	228,952	105,828,849
- debt securities at amortised cost	-	39,635	-	-	14,592,782	-	21,597	14,654,014
- loans	51,926,899	548,620	30,405,582	8,086,642	-	(263)	207,355	91,174,835
Other activities	1,749,325	116,198	241,558	20,294	1,830,685	23,083,735	402,025	27,443,820
Total Assets 31.12.2022	53,942,785	704,803	30,730,226	8,106,936	34,863,686	23,083,472	870,886	152,302,794
Total Assets 31.12.2021	48,816,281	514,789	25,709,707	5,736,930	49,819,826	4,685,765	1,064,575	136,347,873
Due to banks	-	-	79,125	-	21,725,451	-	195,913	22,000,489
Due to customers	78,352,158	7,064,222	17,880,835	3,485,886	-	-	631,842	107,414,943
Debt securities issued	355,973	67,736	6,056,383	56,799	-	-	-	6,536,891
Financial liabilities designated at fair value	-	96,286	-	-	782,912	-	-	879,198
Other liabilities and shareholders' equity	822,173	48,332	305,991	8,793	702,023	13,421,226	162,735	15,471,273
Total liabilities 31.12.2022	79,530,304	7,276,576	24,322,334	3,551,478	23,210,386	13,421,226	990,490	152,302,794
Total liabilities 31.12.2021	70,198,636	6,693,458	20,656,878	4,276,801	23,669,597	9,956,559	895,944	136,347,873

Balance sheet information has been allocated to the segments using the criteria adopted for the allocation of the income statement.

The Asset Corporate Centre segment recorded an increase compared to 31 December 2021 (it amounted to Euro 4,685.8 million) primarily due to new investments in "overnight" deposits at Central Banks for Euro 12,706.0 million, included in the item "Other assets". Said new investments were financed by the disposal of the Compulsory reserve in 2022, which recorded a decrease of Euro 18,962.4 million compared to 31 December 2021, and which was included in the Finance segment, in particular in the item "Loans to banks - loans".

Financial information by geographical area

All the activities of the BPER Banca Group are essentially concentrated in Italy.

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Part M – Information on leases

Section 1 - Lessee

Qualitative Information

With regard to the contracts entered into as lessee, BPER Banca recognises both the leased right-of-use asset and the liability for the future lease instalments envisaged in the contract.

In the context of the elections allowed by IFRS 16, BPER Banca decided not to recognise right-of-use assets or lease payables in relation to the following lease contracts:

- lease of intangible assets;
- short-term leases with less than 12 months remaining;
- lease of assets with a low unit value (as described further in the Explanatory notes – Part A – Accounting policies, an asset is deemed to have a low unit value if its fair value when new was not more than Euro 5 thousand).

Consequently, the lease payments for these assets are charged to caption "160. Administrative expenses" on an accruals basis; for further information about this, see the Explanatory Notes - Part C - Income statement, Table 10.5 "Other administrative expenses: breakdown".

Quantitative information

Rights of use acquired through leases: see the Explanatory Notes - Part B - Assets, table 8.1 "Property, plant and equipment used in operations: breakdown of assets measured at cost".

Lease liabilities: see the Explanatory Notes - Part B - Liabilities, table 1.1 "Financial liabilities measured at amortised cost: breakdown by product of due to banks", table 1.2 "Financial liabilities measured at amortised cost: breakdown by product of due to customers", table 1.6 "Lease liabilities".

Interest expense on lease liabilities: see the Explanatory Notes - Part C – Income statement, table 1.3 "Interest and similar expense: breakdown".

Other expenses associated with right-of-use assets acquired under leases: see the Explanatory Notes - Part C – Income statement, table 12.1 "Net adjustments to property, plants and equipment: breakdown".

Income from sub-lease transactions: see the Explanatory Notes - Part C – Income statement, table 1.1 "Interest and similar income: breakdown".

1.1 Right-of-use assets acquired under leases: changes in right-of-use assets relating to property, plant and equipment used in operations

Property, plant and equipment used in operations	Right-of-use assets acquired under leases 31.12.2021	Depreciation of the year	Other changes of the year	Impairment losses of the year	Book value 31.12.2022
a) land	-	-	-	-	-
b) buildings	291,212	(58,946)	106,825	(3,693)	335,398
c) furniture	-	-	-	-	-
d) electronic systems	25,850	(12,171)	3,009	-	16,688
e) other	7,041	(2,964)	2,926	-	7,003
Total	324,103	(74,081)	112,760	(3,693)	359,089

As regards "Other changes of the year", the impact is mainly linked to new contracts acquired (approximately Euro 75 million) and those acquired through the business combination with the Carige Group (Euro 53 million), in addition to remeasurement of the rights of use mainly due to ISTAT adjustments, changes in the lease term, opening and closing of contracts.

1.2 Expense and Income relating to leases other than right of use

	Total 31.12.2022	Total 31.12.2021
Costs relating to short-term leases	4,518	4,021
Expense relating to leases of low-value assets (*)	16,892	14,523
Income from finance subleases	1,945	1

(*) Including VAT

1.3 Lease liabilities: changes

	Lease liabilities 31.12.2021	Interest expense	Lease payments made	Other changes	Book value 31.12.2022
Total lease liabilities	330,358	6,320	(1,001)	33,447	369,124

As regards “Other changes of the year”, the impact is mainly linked to new contract acquired (approximately Euro 63 million) and those acquired through the business combination with the Carige Group (approximately Euro 53 million), in addition to remeasurement of lease liabilities mainly due to ISTAT adjustments, changes in the lease term, opening and closing of contracts.

Section 2 - Lessor

Qualitative Information

The lease contracts in which BPER Banca is the lessor are classified as either finance leases or operating leases.

Finance leases transfer to the lessee substantially all the risks and rewards of ownership.

In substance, under finance leases, the lessee obtains the economic benefits deriving from use of the leased asset over most of its economic life, in exchange for a commitment to pay the lessor a consideration that is substantially the same as the fair value of the asset and the related financial charges. The lease contract is therefore recognised by the lessor in the following manner:

- the value of the credit granted is recognised as an asset, net of the principal portion of the lease payments due and paid by the lessee;
- interest income is credited to the income statement.

Operating leases do not transfer to the lessee substantially all the risks and rewards incidental to ownership, which remain with the lessor.

Under operating leases, the lessor shall recognise the lease payments in profit or loss on an accruals basis.

See the Explanatory notes – Part A – Accounting policies for additional information.

Given the legal structure of finance leases, the credit risk faced by the Bank is limited by retaining ownership of the asset until the end-of-lease payment is made by the lessee. This factor is particularly important in relation to property leases and those in which the asset concerned is highly fungible. In particular, in order to limit more effectively the risk of losses and whenever indicated in the lease origination report, BPER Banca may request the customer to provide additional secured guarantees (typically pledged securities) and/or unsecured guarantees (personal or bank sureties). In addition, finance leases may also be secured by commitments to take over the lease or repurchase the asset (sometimes obtained from the supplier of the asset concerned).

Quantitative information

1. Balance Sheet and Income Statement information

Finance leases: see the Explanatory Notes - Part B - Assets, table 4.2 “Financial assets measured at amortised cost: breakdown of loans to customers”.

Interest income on finance leases: see the Explanatory Notes - Part C – Income statement, table 1.1 “Interest and similar income: breakdown”.

Other income from operating leases: see the Explanatory Notes - Part C - Income statement, table 14.2 “Other operating income: breakdown”.

2. Finance leases

2.1 Breakdown by time bands of lease payments receivable and reconciliation with finance leases recognised as assets

Time bands	31.12.2022 Lease payments receivable	31.12.2021 Lease payments receivable
Up to 1 year	618,622	464,694
Over 1 year up to 2 years	522,226	426,195
Over 2 year up to 3 years	451,468	391,364
Over 3 year up to 4 years	399,298	332,317
Over 4 year up to 5 years	323,478	282,566
Over 5 years	1,197,006	1,155,480
Total lease payments receivable	3,512,098	3,052,616
RECONCILIATION WITH FINANCE LEASES		
Unearned finance income (+)	374,647	336,854
Unguaranteed residual value (-)	-	-
Finance leases	3,137,451	2,715,762

“Not accrued gains” derive from unearned interest embedded in lease payments receivable.

2.2 Other information

2.2.1 Other information about finance leases: type and credit quality

	31.12.2022		31.12.2021	
	Performing	Non-performing	Performing	Non-performing
A - Real estate assets	1,959,735	112,375	1,771,642	121,632
Land	-	-	-	-
Buildings	1,959,735	112,375	1,771,642	121,632
B - Operating assets	515,704	4,378	448,269	15,494
C - Movable assets	336,720	678	308,241	1,433
Motor vehicles	184,151	341	144,889	865
Aircraft and rolling stock	152,569	335	163,352	563
Other	-	2	-	5
D - Intangible assets	205,779	2,082	180,765	353
Trademarks	-	-	-	-
Software	-	-	-	-
Other	205,779	2,082	180,765	353
Total	3,017,938	119,513	2,708,917	138,912

2.2.2 Other information about finance leases: unopted assets, assets returned after termination, other assets

	31.12.2022			31.12.2021		
	Unopted assets	Assets returned after termination	Other assets	Unopted assets	Assets returned after termination	Other assets
A - Real estate assets	14	9,436	2,062,184	447	34,737	1,856,182
Land	-	-	-	-	-	-
Buildings	14	9,436	2,062,184	447	34,737	1,856,182
B - Operating assets	-	289	519,991	-	1,260	462,630
C - Movable assets	50	5,241	332,147	50	-	309,662
Motor vehicles	-	4,130	180,354	-	-	145,747
Aircraft and rolling stock	50	1,111	151,793	50	-	163,915
Other	-	-	-	-	-	-
D - Intangible assets	-	-	207,861	-	-	181,119
Trademarks	-	-	-	-	-	-
Software	-	-	-	-	-	-
Other	-	-	207,861	-	-	181,119
Total	64	14,966	3,122,183	497	35,997	2,809,593

3. Operating leases

3.1 Breakdown of lease payments receivable by time bands

Time bands	31.12.2022 Lease payments receivable	31.12.2021 Lease payments receivable
Up to 1 year	12,645	13,159
Over 1 year up to 2 years	12,255	12,011
Over 2 year up to 3 years	11,592	11,498
Over 3 year up to 4 years	10,547	10,789
Over 4 year up to 5 years	9,582	9,754
Over 5 years	55,223	46,101
Total	111,844	103,312

3.2 Other information

No additional information is deemed necessary to meet the disclosure objective specified in paragraph 92 of IFRS 16.

Attachments

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Attachments

Fees for audit and non-audit services	page 402
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Reconciliation between the Consolidated Financial statements and the Reclassified Financial statements as at 31 December 2022	page 410

Fees for audit and non-audit services

Information pursuant to art. 149-duodecies of Consob Issuers' Regulation

This schedule, prepared pursuant to art. 149-duodecies of CONSOB Issuers' Regulation (Resolution 11971 of 14 May 1999 and subsequent amendments), reports the 2022 fees for audit and non-audit services provided by the Independent Auditors and member firms of its network. These fees represent the costs incurred and recorded in the consolidated financial statements, net of expenses, unrecoverable VAT and the CONSOB contribution.

Type of services	Party providing the service	Recipient	(in thousands)	
			Fees	
Audit services	Deloitte & Touche s.p.a.	Parent Company BPER Banca		1,299
	Deloitte & Touche s.p.a.	Subsidiaries in Italy		722
	Deloitte Audit S.à r.l.	Subsidiaries in Luxembourg		124
Certification services	Deloitte & Touche s.p.a.	Parent Company BPER Banca	(1a)	825
	Deloitte & Touche s.p.a.	Subsidiaries in Italy	(1b)	182
Other services	Deloitte & Touche s.p.a.	Parent Company BPER Banca	(2a)	89
	Deloitte & Touche s.p.a.	Subsidiaries in Italy	(2b)	65
	Deloitte Consulting s.r.l.	Parent Company BPER Banca	(2c)	265
Total				3,571

It should be noted that the values include the services rendered over the entire year to the companies of the former Carige Group. However, it is specified that the economic contribution to the aforementioned services is limited to the second quarter of 2022 only, since the business combination took effect on 30 June 2022.

(1a) Certification services rendered to the Parent Company by Deloitte & Touche s.p.a.:

- activities performed in relation to the translation into English of the independent auditors' reports on the condensed consolidated half-year financial statements at 30 June 2022 and the separate and consolidated financial statements at 31 December 2022;
- activities performed as part of the covered bond issue programmes, EMTN programme and securitisation transactions;
- activities to check the GHG Statement that will be attached to the CDP Questionnaire – Reporting on Climate Change;
- activities carried out for the issue of the compliance opinion on the Consolidated Non-Financial Statement (Consolidated Sustainability Report);
- certification of TLTRO3 reports;
- activities carried out for the purpose of issuing the Report pursuant to art. 23, paragraph 7 of the Bank of Italy Regulation of 5 December 2019 - Mifid II.
- activities carried out for the issuing of the opinion on the settlement value of the Banca Carige savings shares in the event of withdrawal pursuant to art. 2437-ter of the Italian Civil Code.

(1b) Certification services rendered to Group Companies by Deloitte & Touche s.p.a.:

- activities carried out in relation to the translation into English of the independent auditors' report on the separate financial statements;
- activities carried out for the purpose of issuing the Report pursuant to art. 23, paragraph 7 of the Bank of Italy Regulation of 5 December 2019 - Mifid II;
- activities carried out for the purposes of the Report on the procedures required on statements containing detailed information on the capital composition of investment funds (LT).

(2a) Other services rendered to the Parent Company by Deloitte & Touche s.p.a.:

- activities carried out to verify the conformity of the 2022 tax returns and the supplementary 2021 tax returns;
- support as part of the contractual activities defined in the transfer of the business unit to Nexi;
- support in document collection for the processing services and merchant acquiring business".

(2b) Other services rendered to Group companies by Deloitte & Touche s.p.a.:

- activities carried out to verify the conformity of the 2022 tax returns and the supplementary 2021 tax returns;
- support as part of the contractual activities defined in the transfer of the business unit to Nexi;

(2c) Other services rendered to the Parent Company by Deloitte Consulting s.r.l.:

- methodological support for benchmarking against best practices as part of the assessment carried out prior to defining the new Client Relationship Management (CRM) ecosystem;
- methodological support with the evolution of the Sales Force platform.

Public Disclosure - Country by country as at 31 December 2022

Information pursuant to Circular 285/2013 of the Bank of Italy

This information is disclosed following the introduction into Italian law, with the 4th update of the Bank of Italy's Circular 285 of 17 December 2013, of the rules laid down in art. 89 of EU Directive 2013/36/EU (CRD IV) on Country by Country Reporting.

Name	Head Office	Nature of the activity	Turnover (a)	Number of employees (FTEs)	Profit (Loss) before tax (b)	Income taxes (c)	Government grants received
BPER Banca s.p.a.	Italy	Banking	2,942,255	13,768	1,112,152	134,331	-
Banco di Sardegna s.p.a.	Italy	Banking	336,138	1,845	76,356	5,204	-
Bibanca s.p.a.	Italy	Banking	203,315	166	77,557	(14,435)	-
Banca Cesare Ponti s.p.a.	Italy	Banking	10,980	29	7,579	(1,983)	-
Sardaleasing s.p.a.	Italy	Leasing	75,795	64	1,309	1,713	-
BPER Factor s.p.a.	Italy	Factoring	32,332	55	18,036	(5,925)	-
Optima s.p.a. S.I.M.	Italy	Asset management	2,076	36	9,263	(2,728)	-
Arca Holding s.p.a.	Italy	Holding company	251,665	88	78,973	(23,881)	-
Finitalia s.p.a.	Italy	Consumer credit	66,059	87	10,380	(3,720)	-
BPER Credit Management s.cons.p.a.	Italy	Debt collection consortium	(1)	6	10	(10)	-
Numera s.p.a.	Italy	IT services	-	55	1,683	(277)	-
BPER Real Estate s.p.a.	Italy	Real estate	(1,005)	-	(5,344)	(1,485)	-
Modena Terminal s.r.l.	Italy	Storage and safekeeping warehouse	(1)	30	406	(98)	-
Carige Reoco s.p.a.	Italy	Real estate	-	-	(2,604)	9	-
Total Italy			3,919,608	16,229	1,385,756	86,715	-

Name	Head Office	Nature of the activity	Turnover (a)	Number of employees (FTEs)	Profit (Loss) before tax (b)	Income taxes (c)	Government grants received
BPER Bank Luxembourg s.a.	Luxembourg	Banking	10,211	26	2,338	(607)	-
Total Luxembourg			10,211	26	2,338	(607)	-
Total			3,929,819	16,200	1,388,094	86,108	-

Key: (a) net interest and other banking income, in thousands of Euro, net of eliminations where necessary; (b) profit (loss) from current operations added to gains (losses) before tax on groups of assets classified as held for sale, in thousands of Euro, net of eliminations where necessary; (c) income taxes on continuing operations for the year and on assets classified as held for sale, in thousands of Euro, net of eliminations where necessary; (d) the government grants not considered in the transactions covered by the State aid schedules in Part A of the Explanatory Notes to the Financial Statements are indicated.

Information on loans to third-party funds

Jessica Sardinian Urban Development Fund

The Autonomous Region of Sardinia and the European Investment Bank (EIB) signed a loan agreement for the creation of the JESSICA Sardinia Investment Fund to manage the resources available under Axes III and V of the ERDF Regional Operational Programme 2007-2013. Banco di Sardegna was selected for lot 1: Urban Renewal (Axis V).

In July 2012, the EIB and Banco di Sardegna signed the operational agreement for a loan of Euro 33.1 million that, based on the performance achieved, was supplemented in 2015 with an additional Euro 6.3 million. Pursuant to art. 2447-*decies* of the Italian Civil Code, a separate fund has been set up as part of the Urban Development Fund (UDF) for the specific purpose of managing JESSICA project loans.

The resources may be made available in the following ways:

- direct loans to authorities and public entities;
- loans to private companies;
- investment in the equity of private companies.

(in Euro)						
	Investment	JESSICA loan	Investment in the capital of JESSICA	Agreement date	Disbursements	
					Loan Outstanding debt as at	Risk capital Paid in and not yet paid back as at 31.12.2022
Purchase of 12 modern trolleybuses Two loans	7,126,000	6,769,700	-	18.12.2013	4,249,501	-
Construction and management of a natural gas distribution network (*)	45,120,239	7,000,000	-	15.04.2014	-	-
Construction and management of a new cruise terminal at the "Molo Rinascita" in Cagliari. Two loans	715,000	534,173	-	18.12.2014	325,087	-
Two projects involving the construction and management of a natural gas distribution network based on two separate catchment areas (*)	38,913,569	8,000,000	4,000,000	16.02.2015	7,742,100	4,000,000
Renovation and expansion of the Municipal Market of Oristano with adjacent parking	4,133,055	1,140,000	-	12.06.2015	608,000	-
Redevelopment of a building owned by the Municipality of Borutta destined to bar diner	265,000	251,750	-	22.06.2015	125,875	-
Construction of a residential and daytime comprehensive rehabilitation centre for the intellectually and relationally disabled in the Municipality of Selargius	2,150,000	1,432,695	-	31.08.2015	1,054,687	-
Redevelopment of Alghero Town Hall	600,000	570,000	-	30.10.2015	304,000	-
Construction of the municipal indoor swimming pool in Alghero	2,100,000	1,915,026	-	30.05.2016	1,085,181	-
Redevelopment of the multi-purpose sports area in the Latte Dolce district of Sassari	560,000	532,000	-	24.06.2016	336,933	-
Redevelopment of the multi-purpose sports area in the Monte Rosello district of Sassari	750,000	712,500	-	24.06.2016	451,250	-
Redevelopment of the multi-purpose sports area in the Carbonazzi district of Sassari	600,000	570,000	-	24.06.2016	361,000	-
Redevelopment of the "Roberta Serradimigni" sports hall in Sassari	4,300,000	4,085,000	-	24.06.2016	2,587,167	-
Total	107,332,863	33,512,844	4,000,000		19,230,781	4,000,000

(*) The capital expenditure indicated only considers the technical costs associated with the project. This excludes the financial costs of the operation (costs associated with working capital, interest, commissions, DSRA etc. which still have to be financed during construction).

The following table shows simplified accounts for the JESSICA Urban Development Fund at 31 December 2022.

Balance Sheet

		(in Euro)
Assets	31.12.2022	31.12.2021
40. Financial assets measured at amortised cost	13,695,161	12,941,990
a) loans to banks	13,695,161	12,941,990
120. Other assets	44,077	-
Total assets	13,739,238	12,941,990

		(in Euro)
Liabilities and shareholders' equity	31.12.2022	31.12.2021
10. Financial liabilities measured at amortised cost	13,890,674	12,444,719
a) due to banks	13,890,674	12,444,719
80. Other liabilities	70,348	73,893
180. Profit (loss) for the year	(221,784)	423,378
Total liabilities and shareholders' equity	13,739,238	12,941,990

Income Statement

		(in Euro)
Captions	31.12.2022	31.12.2021
10. Interest and similar income	154,244	899,811
30. Net interest income	154,244	899,811
50. Commission expense	(376,028)	(476,433)
60. Net commission income	(376,028)	(476,433)
300. Profit (loss) for the year	(221,784)	423,378

Fund of the NOP Research and Innovation Funds of MIUR-EIB

As the Managing Authority for the National Operational Programme (NOP) "Research and Innovation 2014-2020", the Ministry of Universities and Research ("MUR"), signed an agreement with the EIB in December 2016 to manage a Fund of Funds financed by NOP resources. Banco di Sardegna was one of the financial intermediaries that won the EIB selection competition for a total amount of Euro 42 million. Separate equity allocated for a specific purpose was established in order to manage the Financial Instrument, pursuant to art. 2447-*decies* of the Italian Civil Code. After signing the operational agreement in August 2018, Banco di Sardegna started the selection and evaluation of research and innovation projects in areas eligible for loans and equity investments, to which about Euro 12.6 million may be associated under co-financing from Banco di Sardegna or other lenders introduced by that bank.

The Investment Committee has approved 12 loan applications at 31 December 2022 and all of the related contracts have been signed. A further 4 applications are under review.

(in Euro)							
	Investment	R&I Fund Loan		Investment in the capital of the R&I Fund	Agreement date	Disbursements	
		Jessica	Loan			Risk capital	
						Outstanding debt as at 31.12.2022	Paid in and not yet paid back as at 31.12.2022
Construction of a testing platform for advanced materials to be used in the aerospace industry	350,000	70,000	-	31.10.2019	36,068*		
Development of software (SW) for the application of Artificial Intelligence (AI) algorithms to SAR satellite images	1,142,540	799,778	-	03.12.2019	799,778	-	
Development of diagnostic device on robotic platform for microbiological diagnosis	903,000	632,100	-	05.12.2019	632,100	-	
Development of a device for extracting water from emulsions, solutions and granulates	1,731,939	953,516	-	19.12.2019	953,516	-	
Research into new bio-preservation biotechnologies to extend shelf life of baked goods using modern packaging systems	911,303	602,912	-	19.05.2020	50,552	-	
Development of an innovative automatic station to inspect visual quality of industrial products	1,248,028	600,010	-	20.05.2020	529,853*	-	
Enhancement of innovative STEM technology for electricity production from solar sources	6,335,296	4,434,707	-	29.05.2020	114,778	-	
Development of an AI-based hardware and software system to simplify access to corporate information	1,972,000	1,292,911	-	02.09.2020	611,216	-	
Define, design and build an Equipment Testing Laboratory (Modular Iron Bird) to test the flight control equipment of different types of aircrafts	1,548,886	649,750	-	03.09.2020	572,524	-	
Construction of a unique infrastructure with a built-in interactive system to control the most diverse environmental and anthropogenic risks/alerts	1,251,458	814,844	-	12.05.2021	610,413	-	
Providing visually impaired people with a tool able to read any type of paper document, interacting with a smart speaker present in the home environment	501,274	350,892	-	21.01.2022	109,006	-	
The development of ADAL aims to provide a system based on artificial intelligence to automatically classify respiratory illnesses in slaughtered swine	614,443	430,110	-	29.04.2022	413,349	-	
Total	18,510,167	11,631,530	-		5,433,153		

*outstanding debt

The following is a simplified accounting report of the NOP Research and Innovation-MIUR-EIB Fund of Funds at 31 December 2022.

Balance Sheet

		(in Euro)
Assets	31.12.2022	31.12.2021
40. Financial assets measured at amortised cost	9,941,104	11,951,792
a) loans to banks	9,941,104	11,951,792
Total assets	9,941,104	11,951,792

		(in Euro)
Liabilities and shareholders' equity	31.12.2022	31.12.2021
10. Financial liabilities measured at amortised cost	9,849,698	11,929,403
a) due to banks	9,849,698	11,929,403
80. Other liabilities	154,228	85,487
180. Profit (loss) for the year	(62,822)	(63,098)
Total liabilities and shareholders' equity	9,941,104	11,951,792

Income statement

		(in Euro)
Captions	31.12.2022	31.12.2021
10. Interest and similar income	58,735	43,259
30. Net Interest Income	58,735	43,259
50. Commission expense	(121,557)	(106,357)
60. Net commission income	(121,557)	(106,357)
300. Profit (loss) for the year	(62,822)	(63,098)

Sardinia Business Emergency Fund - RAS-EIB

The Sardinia Region and the EIB on 26 May 2020 signed a Financing Agreement for the establishment of a Fund of Funds called "Sardinia Enterprise Emergency Fund" ("Sardinia FoF") for the management of resources relating to the 2014-2020 Regional Operational Program ("POR"), with the aim of addressing market failures further increased by the Covid-19 pandemic effects.

Banco di Sardegna was the winner of the EIB selection tender, due to the largest available ceiling, equal to Euro 66.66 million. Separate equity allocated for a specific purpose was established in order to manage the Financial Instrument, pursuant to art. 2447-*decies* of the Italian Civil Code.

The resources allocated are intended for companies operating in the Sardinian territory that have suffered damage from Covid-19. They will be disbursed in the form of long, medium and short-term loans to support investments and working capital needs, as part of the "Temporary Framework for State aid measures in support of the economy in the current epidemic of Covid-19" of the EC and in particular under Articles 3.1 and 3.3.

Following the stipulation of the Operational Agreement with the EIB, signed on 1 September 2020, Banco di Sardegna, as per the public notice of the Region, received the loan requests from 9 am on 14 September 2020. The applications received were then sorted by priority of arrival time and prioritizing those complete with the required documentation, ensuring that 40% of the ceiling was destined for tourism companies. On 23 February 2021 and 26 July 2022, Banco di Sardegna signed two contractual addenda with the EIB following the Region's allocation of additional funds, bringing the total available ceiling to Euro 112.75 million.

At 31 December 2022, all of the Banco di Sardegna's relevant activities were fully completed. Out of the 159 applications processed, 150 were approved by the Investment Committee for a total of over Euro 110 million. Under these resolutions, 130 loans were stipulated for a total of Euro 92.4 million.

The following is a simplified accounting report of the Enterprise Emergency Fund at 31 December 2022.

Balance Sheet

		(in Euro)
Assets	31.12.2022	31.12.2021
40. Financial assets measured at amortised cost	6,751,936	14,715,032
a) loans to banks	6,751,936	14,715,032
Total assets	6,751,936	14,715,032

		(in Euro)
Liabilities and shareholders' equity	31.12.2022	31.12.2021
10. Financial liabilities measured at amortised cost	7,651,035	15,258,703
a) due to banks	7,651,035	15,258,703
80. Other liabilities	415,312	381,500
180. Profit (loss) for the year	(1,314,411)	(925,171)
Total liabilities and shareholders' equity	6,751,936	14,715,032

Income statement

		(in Euro)
Captions	31.12.2022	31.12.2021
10. Interest and similar income	93,847	60,142
30. Net Interest Income	93,847	60,142
50. Commission expense	(1,408,258)	(985,313)
60. Net commission income	(1,408,258)	(985,313)
300. Profit (loss) for the year	(1,314,411)	(925,171)

Jessica2 Sardinian Urban Development Fund

Following the successful completion of the due diligence by the European Investment Bank (EIB) for the refinancing of the Jessica Fund, the EIB and Banco di Sardegna signed the Euro 21 million loan agreement on 17 June 2021. The Fund's resources are intended to finance projects submitted by private companies or public institutions in the Region of Sardinia in the following areas:

- integrated urban development (urban infrastructure; commercial and retail activities, part of a wider urban regeneration project; sports infrastructure, providing a service to the local community; office buildings if part of a wider urban regeneration project; reclamation and redevelopment of brownfield sites; restoration of environmentally compromised sites);
- energy efficiency (energy efficiency in buildings; public lighting, if the interventions are aimed at improving the energy performance of existing public lighting; cogeneration plants);
- renewable energy (solar energy; hydroelectric energy; biomass energy; biogas energy; onshore wind energy).

As at 31 December 2022, 3 positions were positively approved by the Investments Committee for a total amount of roughly Euro 9.6 million. An additional 2 requests are currently being evaluated.

Sustainable Growth Fund

Banco di Sardegna, in association with Medio Credito Centrale (MCC) and other national banks (after being awarded the previous Contract in 2014), was awarded the new Contract in December 2021 with the Ministry of Enterprises and Made in Italy - MIMIT (former Ministry of Economic Development - MISE) to manage the interventions planned as part of the "Sustainable Growth Fund". The duration of the Agreement is 5 years, with the option of renewal for a further 4 years.

The endowment of the Fund will finance programmes and action that will have a significant impact on the competitiveness of the productive system at national level, with a particular focus on:

- promoting research, development and innovation of strategic importance in order to relaunch the competitiveness of the productive system, not least by consolidating the R&D centres and organisations of firms;
- strengthening the productive system, the reuse of productive plants and the relaunch of areas of national importance hit by complex crises, via the signature of programme agreements;
- promoting the international presence of businesses and attracting investment from abroad, partly in coordination with the actions to be implemented by ICE (Agency for the promotion abroad and internationalisation of Italian businesses).

With its dedicated internal organisational structure, Banco di Sardegna assesses the granting of favourable terms and soft loans made available by the Fund.

The activities of the Fund are based on calls for applications and directives from the Ministry of Economic Development. At 31 December 2022, 31 calls for applications have already been made and the value of the projects examined totals about Euro 14 billion.

[illegible]

Reclassified balance sheet - Liabilities and shareholders' equity																		
(in thousands)	Direct deposits						Macro-hedge accounting			Shareholders' equity								
	Circular no. 262/2005 7 th update - Assets	31.12.2022	Due to banks	a) Due to customers	b) Debt securities issued	c) Financial liabilities designated at fair value	Financial liabilities held for trading	a) Hedging derivatives	b) Change in value of macro-hedged financial liabilities (+/-)	Other liabilities	Minority interests	a) Valuation reserves	b) Reserves	c) Equity instruments	d) Share premium reserve	e) Share capital	f) Treasury shares	g) Profit (Loss) for the year
10. Financial liabilities measured at amortised cost		135,952,323																
a) due to banks		22,000,489	22,000,489															
b) due to customers		107,414,943		107,414,943														
c) debt securities issued		6,536,891			6,536,891													
20. Financial liabilities held for trading		471,598					471,598											
30. Financial liabilities designated at fair value		879,198				879,198												
40. Hedging derivatives		512,981						512,981										
50. Change in value of macro-hedged financial liabilities (+/-)		(281,292)							(281,292)									
60. Tax liabilities		71,562																
a) current		8,174								8,174								
b) deferred		63,388								63,388								
70. Liabilities associated with assets classified as held for sale		1,430,197								1,430,197								
80. Other liabilities		3,679,162								3,679,162								
90. Employee termination indemnities		177,224								177,224								
100. Provisions for risks and charges		1,289,312																
a) commitments and guarantees granted		154,497								154,497								
b) pension and similar obligations		115,987								115,987								
c) other provisions for risks and charges		1,018,828								1,018,828								
120. Valuation reserves		60,681									60,681							
140. Equity instruments		150,000											150,000					
150. Reserves		2,944,603											2,944,603					
160. Share premium reserve		1,237,276													1,237,276			
170. Share capital		2,104,316														2,104,316		
180. Treasury shares (-)		(5,678)															(5,678)	
190. Minority interests (+/-)		180,356									180,356							
200. Profit (Loss) for the year (+/-)		1,448,975																1,448,975
Total liabilities and shareholders' equity		152,302,794	22,000,489	107,414,943	6,536,891	879,198	471,598	512,981	(281,292)	6,647,457	180,356	60,681	2,944,603	150,000	1,237,276	2,104,316	(5,678)	1,448,975

Reclassified Income statement																			
Circular no. 263/2005 7 th update - Assets	31.12.2022	Net interest income	Net commission income	Dividends	Net income from financial activities	Other operating expenses/income	Staff costs	Other administrative expenses	Net adjustments to property, plant and equipment and intangible assets	Net impairment losses to financial assets at amortised cost - loans	Net impairment losses to financial assets at amortised cost - other financial assets	Net impairment losses to financial assets at fair value	Gains (Losses) from contractual modifications without derecognition	Contributions to SRF, DGS, IDPF - VS	Gains (Losses) on investments	Gain on a bargain purchase	Income taxes on current operations for the year	Profit (Loss) for the year pertaining to minority interests	Profit (Loss) for the year pertaining to the Parent Company
10. Interest and similar income	2,259,459	2,259,459																	
20. Interest and similar expense	(433,566)	(433,566)																	
30. Net interest income	1,825,893																		
40. Commission income	2,116,710		2,116,710																
50. Commission expense	(194,910)		(194,910)																
60. Net commission income	1,921,800																		
70. Dividends and similar income	22,124			22,124															
80. Net income from trading activities	78,246				78,246														
90. Net income from hedging activities	(691)				(691)														
100. Gains (Losses) on disposal or repurchase of:	76,815																		
a) financial assets measured at amortised cost	65,728				65,728														
b) financial assets measured at fair value through other comprehensive income	4,254				4,254														
c) financial liabilities	6,833				6,833														
110. Net income on other financial assets and liabilities measured at fair value through profit or loss	5,632																		
a) financial assets and liabilities designated at fair value	66,978		20,280		46,698														
b) other financial assets mandatorily measured at fair value	(61,346)				(61,346)														
120. Net interest and other banking income	3,929,919																		
130. Net impairment losses for credit risk relating to:	(606,501)									(582,815)	(23,244)	(442)							
a) financial assets measured at amortised cost	(606,059)																		
b) financial assets measured at fair value through other comprehensive income	(442)																		
140. Gains (Losses) from contractual modifications without derecognition	(139)											(139)							
150. Net income from financial activities	3,323,179																		
160. Net income from financial and insurance activities	3,323,179																		
190. Administrative expenses:	(3,094,607)																		
a) staff costs	(1,682,286)					(1,682,286)													
b) other administrative expenses	(1,412,321)						(1,128,349)						(172,423)					(11,549)	
200. Net provisions for risks and charges	(132,266)																		
a) commitments and guarantees granted	(42,891)													(42,891)					
b) other net provisions	(89,365)													(89,365)					
210. Net adjustments to property, plant and equipment	(149,025)								(149,025)										
220. Net adjustments to intangible assets	(78,647)								(78,647)										
230. Other operating expenses/income	579,073					326,532		250,541											
240. Operating costs	(2,875,462)																		
250. Gains (Losses) of equity investments	19,145														19,145				
260. Valuation differences on property, plant and equipment and intangible assets measured at fair value	(30,164)														(30,164)				
270. Impairment losses on goodwill	-														-				
275. Gain on a bargain purchase	948,123															948,123			
280. Gains (Losses) on disposal of investments	3,274														3,274				
290. Profit (Loss) from current operations before tax	1,388,095																		
300. Income taxes on current operations for the year	85,785																85,785		
310. Profit (Loss) from current operations after tax	1,473,880																		
320. Profit (Loss) for the year	1,473,880																		
340. Profit (Loss) for the year pertaining to minority interests	(24,505)																	(24,505)	
350. Profit (Loss) for the year pertaining to the Parent Company	1,448,975	1,825,893	1,942,880	22,124	139,722	326,532	(1,682,286)	(677,808)	(227,672)	(682,815)	(23,244)	(442)	(139)	(132,266)	(172,423)	(7,745)	948,123	(25,764)	1,448,975

Certifications and other reports

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Certification of the consolidated financial statements at 31 December 2022 pursuant to art. 81-ter of Consob Regulation no. 11971 dated 14 May 1999 and subsequent additions and amendments

➤ The undersigned

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

of BPER Banca S.p.A., having considered the requirements of paras. 3 and 4 of art. 154-*bis* of Decree no. 58 dated 24 February 1998, confirm:

- the adequacy in relation to the characteristics of the Bank and
- the proper application,

during 2022, of the administrative and accounting procedures adopted for the preparation of the consolidated financial statements.

➤ This assessment of the adequacy of the administrative and accounting procedures adopted for the preparation of the consolidated financial statements at 31 December 2022 is based on a model developed by BPER Banca S.p.A., consistent with the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This framework represents reference standards for systems of internal control that are generally accepted at an international level.

➤ It is also certified that:

- the consolidated financial statements at 31 December 2022:
 - a) have been prepared in accordance with the applicable international accounting standards recognised within the European Union pursuant to European Parliament and Council Regulation (EC) no. 1606/2002 dated 19 July 2002, Decree 38/2005 and the enabling regulations for art. 9 of this Decree;
 - b) agree with the underlying accounting records and entries;
 - c) present a true and fair view of the financial position and results of operations of the Bank and of the companies included within the scope of consolidation;
- the report on operations includes a reliable analysis of performance and the results of operations, as well as of the position of the Bank and of the companies included within the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Modena, 9 March 2023

Signed by
Piero Luigi Montani
Chief Executive Officer

Signed by
Marco Bonfatti
**Manager responsible for preparing
the Company's financial report**

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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
BPER Banca S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of BPER Banca S.p.A. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2022, and the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of BPER Banca S.p.A. (the Bank) in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification of high-risk performing loans to customers measured at amortized cost

Description of the key audit matter

As reported in paragraph "6.1 Balance sheet aggregates" of the Directors' report on Group operations and in the quantitative information relating to credit risk disclosed in Part E – Information on risks and related hedging policies in the explanatory notes as at December 31, 2022, performing loans to customers measured at amortized cost of BPER Banca Group show a gross amount of Euro 90,589 million, reduced by portfolio adjustments of Euro 699 million, to come to a net amount of Euro 89,890 million, resulting in a coverage ratio of 0.77%.

As more widely described in the explanatory notes, during 2022 the general and sectoral macroeconomic framework was still affected by significant uncertainty brought about by the evolution of the Covid-19 pandemic/ and the remaining containment measures, as well as by the Russia-Ukraine conflict and consequent international sanctions. This context is also characterized by a rapid rise in inflation (driven by the "cost of energy") and the sudden rise in market interest rates. The high level of uncertainty leads banks to continuously control and monitor, in particular, credit risk and the related accounting estimates.

As reported in the qualitative information relating to credit risk disclosed in Part E – Information on risks and related hedging policies in the explanatory notes as at December 31, 2022, as part of its policies for managing loans to customers, the Group adopted rules and procedures for monitoring credit exposures, which have entailed, among other things, a structured action of classification into homogeneous risk categories. In particular, on the basis of "rating" and "Early Warning" systems the Group identified, among performing loans to customers measured at amortized cost, those ones with a higher degree of risk.

Given the complexity of the classification process of high-risk performing loans to customers measured at amortized cost into homogeneous risk categories followed by the Group, which took into account also the current geopolitical and macroeconomic scenario, we considered the classification of high-risk performing loans to customers measured at amortized cost, a key audit matter of the consolidated financial statements of BPER Banca Group as at December 31, 2022.

Audit procedures performed

The main procedures carried out as part of our audit work were, among others, as follows:

- gaining an understanding of the internal regulations and processes implemented by the Group for classifying performing loans to customers measured at amortized cost and monitoring their quality, in order to verify the compliance with the regulatory framework and the applicable accounting standards;

- checking the implementation and operating effectiveness of the relevant controls identified in relation to those processes, also supported by IT processes and systems specialists belonging to the Deloitte network;
- drawing qualitative and trend analysis of performing loans to customers measured at amortized cost by calculating appropriate qualitative and quantitative indicators in order to identify possible matters of interest;
- checking, on a sample basis, the classification of high-risk performing loans to customers measured at amortized cost in accordance with the regulatory framework;
- checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Classification and valuation of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans

Description of the key audit matter

As reported in paragraph "6.1 Balance sheet aggregates" of the Directors' report on Group operations and in the quantitative information relating to credit risk disclosed in Part E – Information on risks and related hedging policies of the explanatory notes as at December 31, 2022, non-performing loans to customers measured at amortized cost of BPER Banca Group show a gross amount of Euro 2,991 million, reduced by impairment losses of Euro 1,707 million, resulting in a net amount of Euro 1,284 million.

The Directors' report on Group operations also shows that the coverage ratio of non-performing loans to customers measured at amortized cost as at December 31, 2022 is equal to 57.06%. More specifically, the above-mentioned loans to customers, classified in accordance with IFRS 9 "Financial Instruments" as "Third Stage", include bad loans for a net value of Euro 221 million and a coverage ratio of 77.01% and unlikely to pay loans for a net value of Euro 955 million and a coverage ratio of 48.98%.

Part A – Accounting policies of the explanatory notes describes:

- the rules for classifying non-performing loans to customers measured at amortized cost followed by the Group in compliance with the current instructions of the Supervisory Authorities and the applicable accounting standards;
- the methods for determining their recoverable amount which are based on the estimate of the present value of expected cash flows deriving from an analytical valuation of bad loans and unlikely to pay loans whose exposure is higher than the thresholds established by internal regulations, and from a flat-rate approach for the remaining non-performing loans to customers measured at amortized cost.

Furthermore, the quantification of the recoverable amount of non-performing loans which are included in the Groups's strategy, which envisages the recovery of those loans through disposals, reflects also the estimate of their disposal value, duly weighting the probability of the "workout" and "disposal" scenarios.

Given the complexity of the valuation processes adopted by the Group, which entailed a structured action of classification of non-performing loans to customers measured at amortized cost into homogeneous risk categories, as well as the relevance of the discretionary components linked to the estimate of the related recoverable amount (such as the estimate of expected cash flows, the time of recovery, the value of the collateral if any and the possible recovery strategies), we considered the classification of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans and their valuation a key audit matter of the consolidated financial statements of BPER Banca Group as at December 31, 2022.

Audit procedures performed

The main procedures carried out as part of our audit work were, among others, as follows:

- gaining an understanding of the internal regulations and processes implemented by the Group, for classifying non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans and determining their recoverable amount, in order to verify the compliance with the relevant regulatory framework and applicable accounting standards;
- checking the implementation and operating effectiveness of the relevant controls identified in relation to those processes, also supported by IT processes and systems specialists belonging to the Deloitte network;
- drawing trend analysis of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans;
- checking, on a sample basis, the classification and determination of the recoverable amount of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans in accordance with the regulatory framework, also by obtaining and examining written confirmations by the lawyers appointed for their collection;

- analysis and understanding of the model adopted for the valuation of the recoverable amount of non-performing loans included in the Group's strategy which envisages the recovery of those loans through disposals and checking the reasonableness of such recoverable amount, determined also by taking into account the estimate of their disposal value, duly weighting the probability of the "workout" and "disposal" scenarios, as well as verification of the correct determination and recognition of the relevant impairment losses;
- checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Accounting recognition of the business combination of Banca Carige Group

Description of the key audit matter

As reported in paragraph "3.2 Targets achieved in 2022" of the Directors' report on Group operations and in Part G – Business combinations of the explanatory notes, on February 14, 2022 BPER Banca S.p.A. signed the contract for the acquisition of a controlling interest equal to 79.418% of the share capital of Banca Carige - Cassa di Risparmio di Genova e Imperia S.p.A. (also "Banca Carige"), held by the Interbank Deposit Protection Fund (also "FITD") and by the Voluntary Intervention Scheme. The contract was executed on 3 June 2022 through the payment of a total consideration of Euro 1, subject to prior payment of a capital contribution of Euro 530 million by FITD to Banca Carige.

Together with the acquisition of the majority of the share capital, BPER Banca S.p.A. started the procedure envisaged for a mandatory tender offer on the remaining ordinary shares, at the end of which the Bank held 100% of Banca Carige's ordinary share capital.

The transaction was recognized in the consolidated financial statements, as required by IFRS 3 "Business combinations", applying the purchase method, which provides that the purchase price allocation ("PPA") is based on the fair value of the assets acquired and liabilities (including contingent liabilities) assumed. For the purpose of determining the fair value and applying the purchase method, the Bank, with the support of external advisors, implemented valuation processes and methods that, by their very nature, feature elements of high subjectivity.

At the end of the purchase price allocation, the positive income component arisen from the acquisition is equal to Euro 948.1 million and was recorded in the income statement caption "Gain on a bargain purchase", in compliance with the applicable accounting standard, and on which the Bank obtained a fairness opinion by an independent auditing firm.

Given the subjectivity that characterizes the process of determining the fair value of the assets, acquired and liabilities assumed, as well as the significance of the effects recorded in the consolidated income statement, we considered the accounting recognition of the business combination of Banca Carige Group a key audit matter of the consolidated financial statements of BPER Banca Group as at December 31, 2022.

Audit procedures performed

The main procedures carried out as part of our audit work were, among others, as follows:

- discussing the application of the purchase method for accounting recognition of the business combination with the Bank's management and gaining an understanding of the process and of the relevant controls implemented by the Bank in connection with the accounting recognition of the transaction;
- checking the implementation and operating effectiveness of the relevant controls identified by the Bank with reference to that process;
- performing an analysis of compliance with the applicable accounting standards of the accounting recognition of the business combination in the consolidated financial statements;
- performing an analysis, also supported by specialists belonging to the Deloitte network, of the reasonableness of the main assumptions adopted by the Bank in determining the fair value of the assets acquired and liabilities assumed and of the determination of the "Gain on a bargain purchase", also by obtaining information from the Bank and in-depth analysis with the external advisors appointed by the Bank;
- obtaining and reviewing the fairness opinion issued by an independent auditing firm, also through discussions with the Bank and the professional of that auditing firm;

-
- checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the applicable accounting standard.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or for the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate related threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of BPER Banca S.p.A. has appointed us on November 26, 2016 as auditors of the Bank for the years from December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815**

The Directors of BPER Banca S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the consolidated financial statements as at December 31, 2022, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in XHTML format and has been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of BPER Banca S.p.A. are responsible for the preparation of the Directors’ report on Group operations and the report on corporate governance and ownership structure of BPER Banca Group as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the Directors’ report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the consolidated financial statements of BPER Banca Group as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned Directors’ report on operations and some specific information contained in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of BPER Banca Group as at December 31, 2022 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of BPER Banca S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Benini
Partner

Bologna, Italy
March 31, 2023

This report has been translated into the English language solely for the convenience of international readers.

2022 FINANCIAL STATEMENTS

This document, prepared in PDF format to make the 2022 Financial Statements easier to read, does not constitute compliance with the requirements set out in Directive 2004/109/EC (the “Transparency Directive”) and Delegated Regulation (EU)2019/815 (the - “European Single Electronic Format (ESEF) Regulation”). For these purposes, an XHTML format has been developed and is available on the corporate website of BPER Banca <https://istituzionale.bper.it>.

Directors' report on operations

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1. The Bank in 2022

1.1 Introduction

To avoid repetition, the common disclosure along with the Directors' Report on Group operations is not being repropounded. Reference should be made to it as it is substantially valid for the Parent Company as well.

To be more specific, reference is made to the content of the following paragraphs of the consolidated report:

- "The macroeconomic context";
- "Significant events and strategic transactions" (including, in particular, the "2022-2025 "BPER e-volution" Business Plan" and the associated "Targets achieved in 2022"; these include the "Acquisition and integration of the Banca Carige Group", the "Disposal of the merchant acquiring business", the "Events after the reporting period as at 31 December 2022");
- "Value creation for the stakeholders of the BPER Banca Group";
- "Principal risks and uncertainties" (though some quantitative information that is specific to BPER Banca will be presented below).

1.2 Competitive positioning

Market positioning: deposits and loans

The trend in BPER Banca's market share of direct funding and lending on a national level is shown in the following tables.

Market shares - Direct funding

Period	Total Customers	Consumer households	Corporates	Producer households
30.09.2022	4.11%	3.69%	5.43%	7.36%
31.08.2022	4.14%	3.69%	5.47%	7.39%
31.07.2022	4.17%	3.69%	5.51%	7.41%
30.06.2022	4.12%	3.69%	5.41%	7.42%
31.05.2022	4.15%	3.71%	5.23%	7.43%
30.04.2022	4.19%	3.73%	5.44%	7.45%
31.03.2022	4.12%	3.71%	5.37%	7.44%
28.02.2022	4.12%	3.71%	5.32%	7.39%
31.01.2022	4.12%	3.70%	5.33%	7.40%
31.12.2021	4.20%	3.71%	5.45%	7.48%
30.11.2021	4.24%	3.68%	5.47%	7.30%
31.10.2021	4.32%	3.68%	5.53%	7.35%
30.09.2021	4.22%	3.69%	5.45%	7.28%

Market shares - Lending

Period	Total Customers	Consumer households	Corporates	Producer households
30.09.2022	3.94%	3.86%	5.04%	6.52%
31.08.2022	3.92%	3.85%	5.06%	6.51%
31.07.2022	3.93%	3.77%	5.09%	6.45%
30.06.2022	3.95%	3.76%	5.18%	6.42%
31.05.2022	3.87%	3.73%	5.06%	6.40%
30.04.2022	3.86%	3.73%	5.10%	6.38%
31.03.2022	3.92%	3.83%	5.12%	6.40%
28.02.2022	3.88%	3.84%	5.07%	6.42%
31.01.2022	3.92%	3.84%	5.11%	6.41%
31.12.2021	3.97%	3.85%	5.17%	6.50%
30.11.2021	3.92%	3.83%	5.08%	6.45%
31.10.2021	3.87%	3.84%	4.93%	6.42%
30.09.2021	3.86%	3.85%	4.84%	6.40%

Source: Market shares - Source: Planus Corp. for supervisory reporting.

Branch network

The territorial network of branches increased by 189 branches compared to 2021, as a result of the merger by absorption of Banca Carige and Banca del Monte di Lucca, net of:

- 122 BPER branches subject to rationalisation in 2022;
- 64 Carige branches closed at the date of Carige's migration.

At 31 December 2022 there were 1,603 branches (including 96 limited service branches).

The Bank has a widespread presence of branches in all 20 Italian regions (Emilia-Romagna (277), Abruzzo (74), Campania (97), Lazio (89), Calabria (57), Lombardy (328), Apulia (53), Veneto (59), Basilicata (28), Sicily (57), Molise (8), Marche (104), Tuscany (94), Trentino-Alto Adige (4) Umbria (22), Liguria (143), Friuli Venezia Giulia (2), Piedmont (98), Aosta Valley (1) and Sardinia (8)).

1.3 Relations with customers

Commercial and service policies

Processes

BPER uses a Customer Relationship Management – CRM platform to coordinate customer contact activity by the Distribution Network, the Contact Centre and direct channels.

The commercial planning gets under way at the start of the year and focusses on the quarter. In specific cases, sales initiatives not included in the annual plans can be implemented to meet any needs that arise during the year.

The initiatives, carried out as part of commercial planning, are decided centrally based on a top-down approach to direct corporate priorities and support budget objectives and other commercial and relational priorities. They have a predefined duration, a mono-step or multi-step structure and are of a commercial, relational and management nature based on the intended purpose (e.g. promotion of products/services, improving the customer relationship, managing regulatory obligations, etc.). Provision is also made for the possibility for the Network to independently make contact again with customers to implement additional sales proposition opportunities.

The tasks and responsibilities of the principal functions within the Business Area, as well as the mechanisms for interactions among their managers (horizontal) and between the centre and the network (vertical), are defined in the commercial statement, which describes the methods, timing, tools and objectives for centre-network dialogue focused on the monitoring of performance.

The marketing plans for each Service Model are defined on the basis of a structured commercial planning process, in accordance with the rules and principles of Product Governance, fairness and transparency, in order to ensure that planned initiatives are consistent with the company's positioning and aimed at best satisfying the characteristics and needs of the different customer segments.

In compliance with the European legislation on “Product Governance”, BPER Banca has implemented a structured process to govern the development and approval of new products and services, for entering new markets and signing distribution agreements. The definition of BPER Banca's commercial offer is governed by the “Group Policy for the governance of non-compliance risk on Product Governance” and by the “Group Regulation for Product Governance”.

The objectives of this process are:

- ensuring the improvement and timely evolution of products and services on offer in compliance with the needs of customers and in line with the company's strategy and objectives;
- ensuring the correct mapping, assessment and management of risks deriving from new operations, in line with BPER Banca's risk appetite;
- defining the customer groups to which the company intends to distribute new products and services in relation to their complexity and any existing regulatory constraints;
- assessing the structure of the products, with reference to the extent to which they are comprehensible to customers, their characteristics and risks, particularly for complex forms of remuneration and reimbursement;
- ensuring transparency and fairness in the marketing phase
- ensuring full compliance in the development and approval of products and services on offer, by ensuring respect for the various stages envisaged and the involvement of various corporate functions.

As regards the consultancy and sales relationship between branches and customers, BPER Banca has an advanced sales front-end (called “BStore”), available to all retail and corporate relationship managers in the branches, which guides the user in proposing the principal services available to customers from the Group's computerised product catalogue. (Curiale)

Listening to customers

Customer satisfaction is one of the main levers of the service quality planning and control system and a strategic competitive factor in the market. This principle has spawned a need for the construction of a system to monitor quality perceived by customers across all customer segments and the various points of the bank-customer relationship. Since 2019, the BPER Group has implemented a new customer listening system, which provides for continuous monitoring system of the entire customer base: the metric chosen is the Net Promoter Score (NPS), an indicator that measures the difference between the percentage of “promoters” (customers who would recommend the bank) and the percentage of “detractors”. The main contact channel is e-mail, in order to collect feedback from the greatest number of customers possible with the least effort in terms of costs and time, supported by the use of SMS for customers without e-mail addresses. In 2022, the findings that emerged from previous years referring to BPER Banca and Banco di Sardegna were confirmed: the level of customer satisfaction is substantially aligned between the Family and Personal segments, while it is lower, although still positive, for POE customers (Small Economic Operators). The NPS survey was also introduced in 2022 for Business SME customers, which revealed a healthy level of satisfaction, essentially in line with that of the Family and Personal segments. In 2022, the level of satisfaction was recovered also on customers acquired as a result of the extraordinary transaction in 2021 involving the integration of the Ubi and Intesa San Paolo branches: the customers that joined BPER Banca following this transaction, only interviewed in the last few months of 2021, had caused a decline in the NPS figure at Group level, which however, in 2022, recorded constant improvement, with the indicator registering a total increase of almost 7 points this year.

The “Voice of Customer” project also seeks to capture customers' reaction soon after certain specific activities have taken place. As of today, the active ones regard the subscription of five products (current accounts, payment cards, insurance policies, mortgages and loans) and the interaction with five Bank channels (Contact Centre, branch, ATM, Self-Service cash desk and Smart Web). In 2022, two waves of customer Satisfaction surveys were also taken on business customers and private customers: the first in June and the second in November. A higher level of satisfaction was recorded for business customers compared to 2021, both for BPER Banca and Banco di Sardegna. A slight drop in the level of private customer satisfaction was registered, related to the market performance, although a high level of satisfaction was confirmed.

The contact channels

The Digital Branch

The Digital Branch represents the customer remote contact point, supporting the physical network in managing customers' requirements. The Digital Branch today has a presence at 7 sites located throughout Italy, with a service accessible in extended hours from Monday to Sunday or 24/7 for special urgent needs, to secure the processing of payment instruments.

With a view to offering customers different ways of contacting the Bank, various remote contact channels are in place: from the more traditional like telephone or to the more digital like chat and WhatsApp.

In addition, thanks to the increasingly stronger integration with BPER's digital ecosystem, customers can now contact the Digital Branch more easily and more immediately. The chat service was, for example, also extended to the App in 2022, and to hours covered by an operator, following the feedback received in previous years as a contact point on the website. In 2022, the Digital Branch handled more than 2,400,000 customer contacts on the various channels and provided significant

support in the phase of integrating Carige relating in the migration to the new Smart Web internet banking service and information on the continuity of products and services during transition to the new Bank.

The Digital Branch structure also incorporates a team that manages commercial initiatives in relation to on-line loans. In particular, using a methodology that targets commercial development, it also takes proactive steps to finalise sales to customers who have submitted an application on the internet banking service, and for those who have concluded the on-line process, it carries out a preliminary check relating to the final decision.

The commercial business of the Digital Branch, which is expected to expand significantly in 2023 with the contribution that digital banking will provide to the Bank's targets and the proposition of products to be sold remotely, also witnessed synergy between the physical network through reactive inbound activities, i.e. taking appointments at branches, during a support call, for customers who are interested in subscribing to a product or service for the purpose of boosting cross-selling. All activities also benefit from an application system that enables management of the customer's omni-channel experience, regardless of the physical or remote touchpoint used.

Digital channels

Since September 2019, the Smart Web and the Smart Banking App services have been offering customers a safe and quick way to access their accounts and authorise payments, using either a PIN or biometric recognition. In compliance with the European Payment Services Directive (PSD2), a simple and secure solution has been offered to customers. The latest innovations introduced on our channels were the Instant Money Transfer, allowing transfers to be made in seconds and the processing of F24 forms for tax payment via an app. In addition, the graphical layouts and the user experience of both the Smart Web (desktop site) and the Smart Banking app have been redesigned.

Products and commercial activities

Consumer customers

BPER Banca pays constant and specific attention to the needs of customers segmented in the various service models at every stage of the business. In addition to the routine supervision and development of traditional banking, the Bank has continued to work on the household customer segment by structuring its offer around the principles of simplicity, flexibility and customisation, as reflected in the BPER On Demand solution, which has been further updated and expanded.

In particular, 2022 saw renewed attention on young people. To this end, financial education initiatives continued, enriching the offer of the "GRANDE!" savings account and the rewards related to the TEEN account aimed at developing the talent of young boys and girls. For the under 36s, by also taking advantage of the Consap public fund, Home Mortgages were offered under highly favourable terms, reinforcing the tax concessions provided by the Government.

In the Home Mortgages domain, to help buyers limit the impact of the increase in interest rates, the "Pro-tetto" mortgage was launched, which links the affordability of the floating rate with the peace of mind that a maximum instalment amount cannot be exceeded.

Lastly, at the close of the year, with the goal of supporting family customers to deal with the difficulties generated by the economic context, characterised by a significant increase in the cost of living, various initiatives were prepared ranging from small "interest-free" loans for the payment of bills, to the possibility to restructure instalments and maturities of loans, to the offering of personalised advisory services for needs connected to home mortgages in place.

Wealth Management

In 2022, the BPER Banca Group continued its important expansion plan in the field of Wealth Management, which involves both the production and distribution of products and services with a view to expanding their range and quality on operations and communication.

The integration of Banca Carige bolsters the BPER Group's competitive position thanks to the extensive presence in Liguria and Tuscany and the opportunity to develop Banca Cesare Ponti's role in strengthening Private Banking and Wealth Management services.

On the financial advisory side, the commitment to a complete review of the product range continued in order to adapt the proposition to the market conditions and select the best opportunities for customers.

The growing sensitivity of customers to sustainability-related issues (or, more generally speaking, in the Environmental, Social and Governance - ESG domain), the desire to meet all their needs and comply with the entry into force of the legislation on the transparency of sustainable investments, "SFDR", led to the expansion of the range of sustainable and responsible products in synergy with Arca SGR (the asset management company of the BPER Banca Group), embracing investment areas and strategies that are highly diversified between one another. As at 31 December 2022, the catalogue contains roughly 916 sustainable

strategies, both as funds and Sicavs, and available within the existing insurance solutions.

BPER Banca continued with the process of disclosure on sustainability topics commenced in 2019, producing new “Advisory Tips” training publications for bankers and, indirectly, for customers. Webinars for in-depth analysis were organised in collaboration with third party SGRs (asset management companies), focussing on ESG investments from a regulatory and market perspective and the related strategies adopted by asset management companies. Thanks to collaboration with the Università Cattolica and partner firms, various specialists also took part in meetings dedicated to sustainable finance. A specific sustainability certification course was also offered as part of MIFID training.

The Consulenza Evoluta (Advanced Advisory Service) was launched in 2022 with the objective of offering private customers and businesses an exclusive global advisory service. In fact, the Bank has developed an advanced platform for analysing customers' needs with reference to total assets. In addition, the instrument is at the service of customers through a team of specialists who formulate tailored advisory solutions, which support bankers in high-standing negotiations.

At digital transactions level, the qualified digital signature was introduced to the entire product catalogue (and not just to financial transactions). In addition, the Bank developed its web app and on-line trading services to meet the specific needs of digitalised customers.

The Wealth Advisory service is being expanded; thanks to 13 specialists, it offers constant support to customers and bankers in specific areas such as wealth planning and generational transfer, succession, tax and real estate analysis and art advisory services (via partnerships with external professionals).

Lastly, communication activities dedicated to financial education were expanded, with the goal of making customers aware of asset management and asset planning, and increasing and deepening their knowledge of these topics.

Corporates

In 2022, the Corporate banking segment was affected by the extraordinary transaction involving the acquisition of Banca Carige and Banca Monte Lucca, which led to a considerable increase in the number of customers managed, up from 145,000 to roughly 190,000 units.

The Bank put in place a proactive commercial proposal for Corporate customers, in terms of products/service, which made it possible to retain existing Corporate Customers and expand the range of services offered to all customers.

In particular, in 2022, in line with reference EU and national legislation (Temporary crisis framework and Aid Decree), a number of financial support initiatives were put in place for Businesses in response to expensive energy and the impacts of the Russian-Ukrainian conflict thanks to the proposal of short-, medium- and long-term financial support operations.

The main tools used to support businesses are presented below.

Loans with MCC guarantee

A form of financing used extensively in 2022, as in the past year, was both short and medium/long-term loans, secured by a Guarantee from the Central Guarantee Fund of MCC (Banca del Mezzogiorno-MedioCredito Centrale).

The intention of MCC, started in previous years and continued in 2022, was to significantly widen as much as possible the type of financing eligible for this important form of guarantee, which allows the company to obtain economic benefits in terms of both borrowing conditions and access to credit. The extension concerned both short-term transactions (not envisaged earlier) and transactions involving small amounts.

The availability of this guarantee and the agreements with the Guarantor also benefitted the Bank, in terms of lower capital absorption.

SACE Supportitalia

Thanks to the provisions of Decree Law no. 50 of 17 March 2022, new short - and medium-term loans were introduced by BPER Banca in 2022, backed by the SACE guarantee, in favour of companies that were adversely impacted by the Russian-Ukrainian conflict.

Thanks to constant collaboration with Sace, in 2022, the Sace Green and Sace Green Loans were also introduced to the company's offering, aimed at supporting the Green New Deal.

Fin Next / Fin Next small

As a result of the Agreement between BPER Banca and the European Investment Fund, also in 2022 BPER provided its Corporate

Customers with two innovative loans (Fin Next and Fin Next Small), with differentiated terms of up to 15 years, intended specifically for micro, small and medium enterprises, secured by the European Investment Fund (EIF) Guarantee equal to 70%. The eligible objectives are connected with both the liquidity and investment needs of Companies and the EIF guarantee is explicit, unconditional, irrevocable, direct and on first request.

Life 4 Energy

One of the Group's flagship financial products as part of sustainable development was the "Life 4 Energy" loan, aimed at covering investments in energy efficiency projects and supported by a form of EIB Guarantee (relating in particular to a risk-sharing mechanism with the EIB, characterised by the coverage of the initial losses of a portfolio composed of said loans).

Confidi

In 2022, of particular importance was the disbursement of loans to small market players and SMEs with the assistance of the guarantees provided by the Credit Guarantee Consortia (Confidi), with which the Bank has agreements in the areas in which it is present with its own network of branches.

In 2022, the trends in volumes and operations were also aimed at supporting more complex financial transactions. The bank increased the effectiveness of its offering of financial products in the Corporate Finance, Acquisition Finance, Project Finance (renewable energies, conventional energies and infrastructures) and Shipping Finance segments. In addition, the bank continued to offer qualified advisory services to Business Customers in the Mergers & Acquisitions, Corporate & Institutional Advisory and IPO fields.

BPER 4 NEXT GENERATION

BPER Banca aims to help businesses seize the opportunities deriving from the National Recovery and Resilience Plan (NRRP) and, in particular in 2022, steps were taken to support companies that intend to undertake a process of energy transition, through the preparation of sustainable and customised financing solutions associated with calls for tenders with a "Green" footprint of the NRRP.

With total funding of Euro 235.1 billion, the NRRP forms part of the European Union programme known as Next Generation EU and was approved by Italy in 2021 to kick-start the economy following the Covid-19 pandemic with a view, inter alia, to achieving the country's environmental sustainability. The "Green" calls for tenders focussed on by BPER Banca involve investments that make a substantial contribution to mitigating climate change and are selected by the bank according to a sector-based approach. As in the case of the Tourism sector, where measures relating to the "Financial Incentives for Tourism Operators" were selected, with the objective of redeveloping tourist facilities through diversified initiatives also targeted at sustainability, to which the "FIN Turismo 100%" product was associated, and the "Fondo Rotativo Imprese sezione Turismo" (revolving fund for companies - Tourism section), to which the "FRI Turismo" product was affiliated. In the Agri-food sector, the "FRI Agrifiliera" and "FIN Agrivoltaico" products were prepared, associated respectively to the NRRP calls for tenders "Contratti di Filiera e di Distretto" and "Parco Agrisolare", initiatives targeted at the sector's energy efficiency and energy development. Furthermore, BPER Banca, which has always been committed to promoting a social context where everyone has the same opportunities and the same dignity, seized the opportunities presented by the National Recovery and Resilience Plan to promote social inclusion in Italian companies. The NRRP has set various missions, including social inclusion and cohesion. In the aforementioned context, BPER Banca focussed on investments incorporating a "Social" footprint, hence supporting female empowerment and job prospects for young people. One of the calls for tender focussed on by BPER Banca is "Fondo Impresa Femminile" which concerns investment projects in multiple sectors to restructure the current female entrepreneurs support systems and make it easier to implement new female entrepreneurship projects. In addition, "Smart&Start" calls for tender were selected, for the implementation of projects regarding technological innovation and for enhancing the economic value of the results of public and private research of, inter alia, start-ups and "Oltre Nuove Imprese a Tasso Zero", to support the creation and the development of companies that are predominantly or wholly-owned by young people or women. In order to help companies benefitting from the calls for tender focussed on to implement their projects, BPER Banca prepared the products Fin Business 4 Young & Women, Fin PMI Imprenditoria Femminile and Fin PMI Start Up Innovative e Incubatori Certificati.

Global Transaction Banking - International Banking

Initiatives were completed in 2022 on the structure and the perimeter of the Global Transaction Banking Service to strengthen support for Business Customers belonging to the CIB, Corporate and Small Business segments.

The organisational and process initiatives, as well as those for the enhancement and for specialist qualification of personnel, are targeted at repositioning the bank in the international arena, in a consistent, adequate, effective and efficient manner in respect of all the Bank's external and internal stakeholders.

The main pillars of the new Global Transaction Banking Service are:

- the establishment of a network of International Banking Specialists throughout the country, close to companies and business centres with central coordination and management;
- the creation of International Banking Centres operating throughout the country to offer businesses an efficient local service in support of international trade needs.

They have a dual focus; proposing assistance and support with the structuring and completion of Trade & Export Finance; on the other, supporting the international projection of our customers with specific initiatives and instruments channelled predominantly through the BPERestero.it portal.

Huge emphasis and initiatives have been focussed on the development of digitalisation and the ease of access to Corporate services through the development of advanced Corporate Banking solutions in order to ensure this service is compliant with market best practices.

1.4 Human resources

Key data

During 2022, 639 new employees were hired, including no. 178 apprentices; there were also additional entries of 3,082 resources from Carige, Numera and other Group entities.

Agreements for contract staff (to meet temporary needs) were in place for 808 persons at the end of 2022 (with an average of 516 during the year).

In 2022, BPER Banca offered internships for 2 undergraduates and graduates from three-year bachelor's degree courses and master's degree courses.

During the course of 2022, 742 people terminated their employment with the Bank (including 1 due to intragroup transfer)¹. The number of employees in service at the end of 2022 was 18,302 (excluding 25 who were on leave).

Overall, 189 Bank employees have been seconded to other companies within the Group; conversely, 257 people from other Group companies are on secondment with the Bank.

Industrial relations

In 2022, the methods of discussion and negotiation with the Trade Union Organisations, in continuity with previous years, confirmed a correct system of trade union relations, based on constructive dialogue.

Agreements were reached with the Group's Trade Unions to protect workers in carrying out the various extraordinary transactions set out in the 2022-2025 Business Plan.

Of the main agreements reached at Group level, the following are worthy of mention because of their importance:

- Revision of the Agreement on Sales Policies (30 March 2022): After an appropriate period of activity of the Group Joint Committee for sustainable commercial policies had elapsed, BPER and the Trade Unions updated the Agreement of 2 August 2018 in order to make the content of the Company and National Agreements more enforceable, by disclosing their content, clarifying their areas of conduct deemed non-compliant and evaluating the conduct for the purpose of eventually eradicating it;
- Rationalisation of the Group's Network of Branches - BPER and Banco di Sardegna branches (16 May 2022): for branches identified according to the rationale of distance, profitability, local market potential and improvement of organisational and production efficiency of the sales network, the BPER Banca Group and the Trade Union Organisations identified the measures relating to territorial/professional mobility and other specific safeguards, in order to manage the repercussions on personnel of the aforementioned initiative;
- Process of regulatory and economic harmonisation (1 July 2022): the harmonisation process envisaged in the agreement for the transfer of the UBI/UBISS/ISP business units of 28 December 2021 was concluded with the Trade Unions by inserting, inter alia, new provisions regarding job classifications, scholarships, leaves and flexibility;
- Merger by absorption of Banca Carige and Banca del Monte di Lucca in BPER Banca (5 November 2022): the agreement defined the methods for harmonising and managing the effects on personnel stemming from the plan for merger into BPER Banca;
- Renewal of the protocol governing the trade union relations of the BPER Group (16 November 2022): the BPER Banca Group and the Trade Unions agreed to go ahead with the renewal to provide an updated framework which supports the Group for the duration of its 2022-2025 Business Plan;

¹Including those effective from 1 January 2022, i.e. those for whom 31 December 2021 was their last working day.

- Acquisition by BPER Banca s.p.a. and Banco di Sardegna s.p.a. of two Numera s.p.a. business units (25 November 2022): the BPER Banca Group and the Trade Unions identified the measures for managing the repercussions on the personnel involved;
- Transfer to Nexi Payments of the Merchant acquiring business units respectively by BPER Banca and by Banco di Sardegna on 19 December 2022: the BPER Banca Group and the Trade Unions identified the measures for managing the repercussions on the personnel involved.

At Parent Company level, rules were defined to govern the variable portion of employee remuneration (not least the corporate bonus aimed at incorporating important regulatory changes to companies' welfare system and the special welfare bonus) and access to FBA (Fondo Banche Assicurazioni) contributions to finance Bank's training activities.

Protected categories pursuant to Law 68/1999

As regards the obligations under Law 68/1999, for the years from 2022 to 2024 BPER Banca obtained a suspension of employment obligations linked to the staff reduction plan. An agreement is also in place between the Company and the Province of Modena for the insertion of personnel belonging to the category of art. 1 of Law 68/1999, which guarantees compliance also in the event of uncovered positions. At 31 December 2022 the Bank has 1,240 employees with disabilities or who are in other protected categories.

Welfare Plan

The welfare plan was strengthened and developed in 2022. During the year, the welfare plan was also extended to the employees coming from the merger by absorption of Banca Carige, Banca Monte Lucca and Banca Cesare Ponti, who were able to benefit from services and agreements extended to their areas of origin.

Tools were implemented via the Welfare Portal during the year to enable employees to benefit from the tax concessions set forth in the Aiuti Bis and Aiuti Quarter Decrees which, among other rules, raised the fringe benefit threshold for 2022 to Euro 3,000, also making provision for the reimbursement of domestic utilities to help deal with expensive energy as well as the purchase of Fuel Vouchers up to a limit of Euro 200 (excluded from the fringe benefit threshold). This new feature adds to the benefits that have become established over the last few years:

- benefits paid for by the Company, for which the company bears the costs. The main benefits include the supplementary pension fund, established according to the defined contribution scheme to which the employee also contributes, health and dental policy, long-term care, coverage for risks of injury, meal vouchers, gift vouchers and personnel conditions;
- benefits provided by the company that the employee can purchase for themselves or their family using the so-called Welfare Credit (consisting of the company bonus allocated by the employee to welfare and other welfare payments) such as reimbursement of family education and assistance expenses, purchase of supplementary health backpacks, payments to the pension fund for themselves or their dependents (if included in their own fund), reimbursement of public transport passes, purchase of shopping vouchers and petrol, vouchers for recreational, sports, cultural activities, etc.

Activities continued geared towards reaching agreements with healthcare facilities in order to allow all employees to have a medical check-up and agreements with restaurants and cafeterias for discounted meals during lunch breaks.

In 2022, the "*Nati per Leggere*" (Born to Read) project continued. The National Programme promotes reading in the family from the very first months of life of the newborn with a book being donated to colleagues, mothers and fathers, who experience the birth of a child, as a gesture of good wishes but above all as an invitation to read together with their baby boy or girl from the first months of their life.

BPER Infant Centre

In 2022 the Infant Centre continued its activities, namely as a nursery, which opened in 2008, and as a kindergarten, which was inaugurated in 2009. The two structures work together to maximise the well-being of their little guests.

The educational project and proposal are defined in close collaboration with families.

The structure consists of spacious and bright rooms, with play areas and "soft" furnishings designed specifically for children's safety in the nursery, whereas the kindergarten has separate environments equipped for independence, exploration and research.

The Centre is surrounded by a large garden where the children can play, explore and be involved in outdoor physical activities.

1.5 Environment

In 2022, BPER Banca confirms its attention on the environment with a series of initiatives involving operating assets, which enabled it to reduce energy waste and, at the same time, cut emissions into the atmosphere. More specifically, the actions regard: the automatic switching off of signs during certain hours, adjustment of the temperature in work environments based on new regulatory standards and the automatic switching off of PCs during pre-established times.

These are augmented by the initiatives implemented in collaboration with HR under the “Piantiamola di inquinare-Ed. 2022” (let’s stop polluting - 2022 Ed.) project; two separate activities were launched during the year: one called “Bike to Work”, with the goal of reducing CO₂ emissions caused by polluting vehicles on the home-work commute, to which more than 500 employees signed up, with savings of roughly 12 tCO₂, the other known as “Piantiamola di sprecare carta” (let’s stop wasting paper) with the objective of reducing paper consumption and promoting dematerialisation in workplaces.

Another important initiative implemented in 2022 was “M’illumino di meno”, in which it was possible, on national energy savings day, to turn off the signs of the Management Centre and at 170 branches nationwide.

During the year, the subsidiaries still not compliant adjusted their energy supply contract in line with BPER Banca’s standard, guaranteeing, at Group level, 100% procurement from certified renewable sources through G.O.

The 2022-2030 Energy Plan was also approved by BPER Banca’s Board of Directors in 2022, which sets out initiatives to further boost energy efficiency, with subsequent savings in terms of tCO₂.

The main initiatives concern: the installation of new Bems equipment, the conversion of gas generators to heat pumps, the creation of a centralised platform for detection of climate-altering gas leaks, the installation of a centralised platform for Bems management and the gradual start-up of the conversion of the current company fleet to lower environmental impact vehicles (e.g. electric, hybrid and hybrid-plug-in cars).

For further information, please refer to the consolidated Non-Financial Statement (“consolidated NFS”) of the BPER Banca Group, prepared pursuant to Legislative Decree no. 254/16, as well as to the Directors’ Report on Group operations in relation to the overall ESG objectives (paragraph 4.2 “Sustainability targets of the BPER Banca Group”) and risk control in general, including ESG risks (paragraph 7.1 “Identification of risks, underlying uncertainties and the approach to managing them”).

2. Results of banking activities

2.1 Introduction

This paragraph provides a summary, in thousands of Euro, of the main economic and financial results of the Bank as at 31 December 2022, compared with the figures at 31 December 2021. It should be noted that said comparison is influenced by the increased size of the Bank following the merger by absorption of Banca Carige and Banca del Monte di Lucca in BPER Banca s.p.a..

The Bank closed 2022 with a profit before tax of Euro 1,271.1 million; income tax credits totalled Euro 22.8 million, leading to a profit for the year of Euro 1,293.9 million (Euro 567.2 million at 31 December 2021).

Operating income came to Euro 3,470.8 million, up by 27.41% compared with 31 December 2021 (Euro 2,724.1 million).

Operating costs, amounting to Euro 2,380.5 million, were 15.11% higher than at 31 December 2021 (Euro 2,067.9 million).

Net impairment losses for credit risk amounted to Euro 456.0 million (Euro 644.1 million at 31 December 2021). The cost of credit at 31 December 2022, calculated only on loans to customers, was 54 bps (93 bps at 31 December 2021).

In balance sheet terms, the results at 31 December 2022 can be summarised as follows:

- net loans to customers, just for the portion measured at amortised cost, total Euro 80,376.7 million (+16.18% compared with 31 December 2021);
- direct deposits of Euro 102,208.1 million have increased by 14.92% since 31 December 2021;
- indirect deposits of Euro 120,395.1 million, down by 2.27% on 31 December 2021;
- Shareholders' equity, including profit for the year, amounts to Euro 7,508.5 million, up by 17.09% compared with 31 December 2021.

2.2 Performance ratios²

Financial ratios	31.12.2022	2021 (*)
Structural ratios		
Net loans to customers/total assets	56.26%	54.29%
Net loans to customers/direct deposits from customers	78.64%	77.79%
Financial assets/total assets	19.94%	20.81%
Gross non-performing loans/gross loans to customers	2.65%	4.04%
Net non-performing loans/net loans to customers	1.27%	1.63%
Texas ratio ³	26.20%	36.35%
Profitability ratios		
ROE ⁴	6.67%	9.76%
ROTE ⁵	6.77%	10.41%
ROA ⁶	0.28%	0.45%
Cost to income ratio ⁷	68.59%	75.91%
Cost of credit risk ⁸	0.54%	0.93%
Prudential supervisory ratios		
Own Funds (Phased in)⁹ (in thousands of Euro)		
Common Equity Tier 1 (CET1)	5,183,999	5,947,249
Total Own Funds	7,053,013	7,110,122
Risk-weighted assets (RWA)	44,488,811	38,353,593
Capital and liquidity ratios		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	11.65%	15.51%
Tier 1 Ratio (T1 Ratio) - Phased in	11.99%	15.90%
Total Capital Ratio (TC Ratio) - Phased in	15.85%	18.54%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased	11.22%	14.51%
Leverage Ratio - Phased in ¹⁰	4.0%	4.9%
Leverage Ratio - Fully Phased ¹¹	3.8%	4.6%

(*) The comparative ratios have been calculated on figures at 31 December 2021 as per the financial statements as at 31 December 2021.

² The information provided is consistent with the ESMA document of 5 October 2015 "Guidelines on Alternative performance measures", aimed at promoting the usefulness and transparency of Alternative Performance Measures included in prospectuses or documents containing regulated information. To construct ratios, reference was made to the balance sheet and income statement captions of the reclassified statements providing an operational management view and commented on in chapter "2.3 Balance sheet aggregates and "2.4 "Income statement aggregates" of this Report.

³ The Texas ratio is calculated as total gross non-performing loans on net tangible equity (Group and minority interests) plus impairment provisions for non-performing loans.

⁴ ROE has been calculated as net profit for the year (solely the recurring/current component of Euro 402.3 million) on average shareholders' equity of BPER Banca not including net profit.

⁵ ROTE is calculated as the ratio between the net profit for the year (solely the recurring/current component amounting to Euro 402.3 million) and the BPER Banca's average shareholders' equity i) including net profit for the year (solely the recurring/current component amounting to Euro 402.3 million) stripped of the portion allocated to dividends and ii) excluding intangible assets and equity instruments.

⁶ ROA has been calculated as net profit for the year (solely the recurring/current component of Euro 402.3 million) on total assets.

⁷ The Cost to income ratio is calculated on the basis of the reclassified income statement (operating costs/operating income); when calculated on the basis of the schedules provided by the 7th update of Bank of Italy Circular no. 262, the Cost to income ratio is at 77.48% (82.45% at 31 December 2021 as per the Financial Statements for the year ending 31 December 2021).

⁸ The Cost of credit risk has been calculated as net impairment losses to loans to customers on net loans to customers as at 31 December. At 31 December 2022, the cost of credit rises to 0.57%, if calculated by adding the net value adjustments on loans to Russian banks.

⁹ Items have been calculated according to the provisions of Regulation (EU) 2395/2017, which amends Regulation (EU) 575/2013 (CRR) relating to "Transitional provisions to mitigate the impact of IFRS 9 on Own Funds". The Regulation introduced the transitional (Phase-in) regime offering banks the option to mitigate the impacts of IFRS 9 on Own Funds over a period of 5 years (from March 2018 to December 2022), by neutralising the impact on CET1 with the application of decreasing add-back factors over time. The BPER Banca Group elected to apply the "static approach" to the impact arising from a reconciliation of impairment losses under IAS 39 as at 31 December 2017 to impairment losses under IFRS 9 as at 1 January 2018.

¹⁰ Ratios have been calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by Commission Delegated Regulation (EU) 62/2015.

¹¹ See previous note.

2.3 Balance sheet aggregates

The most important balance sheet aggregates and captions at 31 December 2022 are presented below on a comparative basis with 31 December 2021, in thousands of Euro, indicating the changes between periods in absolute and percentage terms. It should be noted that said comparison is influenced by the increased size of the Bank following the merger by absorption of Banca Carige and Banca del Monte di Lucca in BPER Banca s.p.a..

For greater clarity in the presentation of the results for the year, the accounting schedules envisaged by the 7th update of Bank of Italy Circular no. 262/2005 are presented below on a reclassified basis¹². In particular:

- debt securities measured at amortised cost (under caption 40 "Financial assets measured at amortised cost") have been reclassified to caption "Financial assets";
- loans mandatorily measured at fair value (included in caption 20 c) "Financial assets measured at fair value through profit or loss - other financial assets mandatorily measured at fair value") have been reclassified to the caption "Loans";
- "Other assets" includes captions 100 "Tax assets", 110 "Non-current assets and disposal groups classified as held for sale" and 120 "Other assets";
- "Other liabilities" includes captions 60 "Tax liabilities", 80 "Other liabilities", 90 "Employee termination indemnities" and 100 "Provisions for risks and charges".

Reclassified assets as at 31 December 2022

Assets	31.12.2022	(in thousands)		
		31.12.2021	Change	Chg. %
Cash and cash equivalents	14,279,707	1,338,507	12,941,200	966.84
Financial assets	28,495,795	26,518,765	1,977,030	7.46
a) Financial assets held for trading	737,978	346,279	391,699	113.12
b) Financial assets designated at fair value	2,381	125,098	(122,717)	-98.10
c) Other financial assets mandatorily measured at fair value	389,737	430,577	(40,840)	-9.48
d) Financial assets measured at fair value through other comprehensive income	7,727,554	6,424,261	1,303,293	20.29
e) Debt securities measured at amortised cost	19,638,145	19,192,550	445,595	2.32
- banks	6,607,091	5,810,622	796,469	13.71
- customers	13,031,054	13,381,928	(350,874)	-2.62
Loans	86,609,847	93,445,378	(6,835,531)	-7.32
a) Loans to banks	6,100,318	24,205,255	(18,104,937)	-74.80
b) Loans to customers	80,376,740	69,185,166	11,191,574	16.18
c) Loans mandatorily measured at fair value	132,789	54,957	77,832	141.62
Hedging derivatives	1,808,028	178,108	1,629,920	915.13
Equity investments	2,174,728	2,006,574	168,154	8.38
Property, plant and equipment	1,882,311	1,356,461	525,850	38.77
Intangible assets	349,522	239,546	109,976	45.91
- of which: goodwill	-	-	-	n.s.
Other assets	7,278,631	2,358,386	4,920,245	208.63
Total assets	142,878,569	127,441,725	15,436,844	12.11

¹² For further details on the methods of presentation of the reclassified statements, please refer to the attachment entitled "Reconciliation between the financial statements and the Reclassified financial statements".

Loans to customers

Net loans to customers are made up solely of the loans allocated to asset caption 40 b) "Financial assets measured at amortised cost – loans to customers" in the assets section of the balance sheet.

Captions	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Current accounts	7,167,282	5,923,717	1,243,565	20.99
Mortgage loans	58,412,828	48,617,508	9,795,320	20.15
Repurchase agreements	4,254	71,302	(67,048)	-94.03
Leases and factoring	2,250	5,482	(3,232)	-58.96
Other transactions	14,790,126	14,567,157	222,969	1.53
Net loans to customers	80,376,740	69,185,166	11,191,574	16.18

Loans to customers, net of value adjustments, amount to Euro 80,376.7 million (Euro 69,185.2 million at 31 December 2021), an increase of Euro 11,191.6 million, and include the effect of the Purchase Price Allocation (PPA), amounting to Euro -374.9 million, deriving from the determination of a lower Fair Value of the loans acquired from the merger of Banca Carige and Banca del Monte di Lucca. Among the various technical forms, the increase is general: on mortgage loans the increase was Euro 9,795.3 million (+20.15%), on current accounts Euro 1,243.6 million (+20.99%) and on other transactions Euro 223.0 million (+1.53%). Repurchase agreements with customers fell by Euro 67.0 million (-94.03%) and leasing and factoring transactions by Euro 3.2 million (-58.96%), with no appreciable impact on the trend in the aggregate.

Captions	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Gross non-performing exposures	2,179,899	2,882,857	(702,958)	-24.38
Bad loans	453,215	1,302,165	(848,950)	-65.20
Unlikely-To-Pay loans	1,629,038	1,503,252	125,786	8.37
Past due exposures	97,646	77,440	20,206	26.09
Gross performing exposures	79,940,964	68,409,115	11,531,849	16.86
Total gross exposure	82,120,863	71,291,972	10,828,891	15.19
Impairment losses on non-performing positions	1,162,413	1,758,445	(596,032)	-33.90
Bad loans	333,089	940,160	(607,071)	-64.57
Unlikely-To-Pay loans	798,810	798,668	142	0.02
Past due exposures	30,514	19,617	10,897	55.55
Impairment losses on performing exposures	581,710	348,361	233,349	66.98
Total impairment losses	1,744,123	2,106,806	(362,683)	-17.21
Net non-performing exposures	1,017,486	1,124,412	(106,926)	-9.51
Bad loans	120,126	362,005	(241,879)	-66.82
Unlikely-To-Pay loans	830,228	704,584	125,644	17.83
Past due exposures	67,132	57,823	9,309	16.10
Net performing exposures	79,359,254	68,060,754	11,298,500	16.60
Total net exposure	80,376,740	69,185,166	11,191,574	16.18

At 31 December 2022, the provisions relating to non-performing loans amounted to Euro 1,162.4 million (Euro 1,758.4 million at 31 December 2021; -33.90%), for a coverage ratio of 53.32% (61.00% at 31 December 2021), while the provisions for performing loans amounted to Euro 581.7 million (Euro 384.4 million at 31 December 2021; 66.98%) and give a coverage ratio of to 0.73% (0.51% at 31 December 2021).

Considering the write-offs of bad loans still outstanding, Euro 34.1 million (Euro 287.4 million at 31 December 2021), the coverage ratio is 54.04% (vs. 64.53% at 31 December 2021).

The total coverage ratio is therefore 2.12%, versus 2.96% at 31 December 2021. Based on the same considerations made above concerning direct write-offs, the total effective coverage of loans comes to 2.16% (3.34% at 31 December 2021).

Net non-performing loans amount to Euro 1,017.5 million, equal to 1.27% of total net loans to customers (1.63% at 31 December 2021), whereas on a gross basis, the ratio between non-performing loans and loans to customers is 2.65% (3.96% at 31 December 2021). The level of coverage (53.32%) is down from the 61.00% level registered at the end of 2021.

The reduction in the gross and net incidence of the NPL portfolio on total loans is attributable to the characteristics of the portfolios acquired with the mergers of Banca Carige and Banca del Monte di Lucca, as well as the de-risking measures implemented by the Bank in the course of 2022; the change in the corresponding coverage ratio, on the other hand, is attributable not only to the afore-mentioned transactions, but also to the adjustments made during the period on the NPL portfolio (both individual and collective), as explained in greater detail below in the commentary on the cost of credit for 2022.

Net bad loans amount to Euro 120.1 million (-66.82% compared with 31 December 2021), accounting for 0.15% of total net loans to customers (0.52% at 31

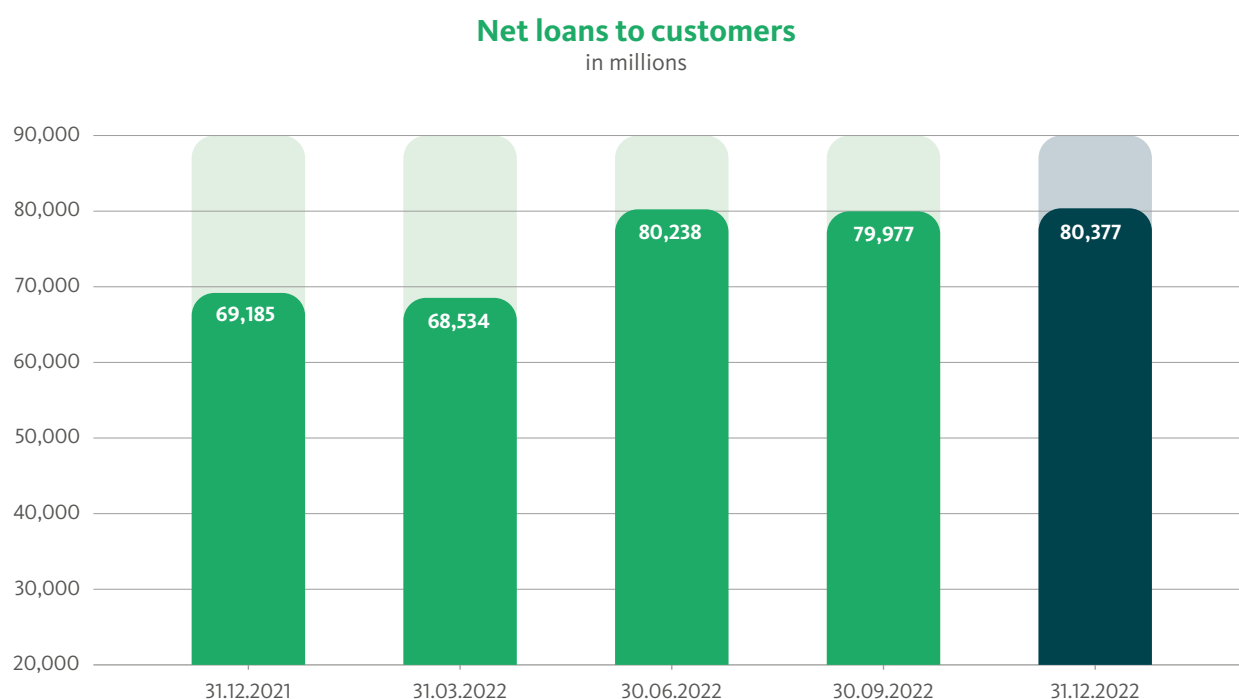
December 2021), whereas, on a gross basis, the bad loans on total loans to customers ratio comes to 0.55% (1.83% at 31 December 2021). The coverage of bad loans is 73.49% (72.20% at 31 December 2021).

Net unlikely-to-pay loans total Euro 830.2 million (+17.83% compared with 31 December 2021), representing 1.03% of total net loans to customers (1.02% at 31 December 2021), while on a gross basis the ratio is 1.98% (2.11% at 31 December 2021). The coverage of unlikely-to-pay loans has settled at 49.04%, compared with 53.13% at 31 December 2021.

The net amount of past due loans of Euro 67.1 million (+16.10% compared with 31 December 2021) represents 0.08% of total net loans to customers (unchanged compared to 31 December 2021), whereas, on a gross basis, the past due loans on total loans to customers ratio is 0.12% (0.11% at 31 December 2021). The coverage of past due loans is 31.25%, up from 25.33% at 31 December 2021.

Provisions for performing loans total Euro 581.7 million (Euro 384,4 million at 31 December 2021) and correspond to 0.73% coverage (0.51% at the end of the previous year).

The chart shows the dynamics of loans in the last five quarters:



The table below shows the amount of loan disbursements to non-financial companies at the year-end, broken down by the debtors' industry sector according to the Bank of Italy's ATECO classification. The sectors that received the most funding were manufacturing (14.54%), followed by the wholesaling and retailing of cars and motorcycles (7.96%), real estate (4.14%) and construction (3.73%).

Breakdown of loans to non-financial corporates	31.12.2022	(in thousands)
		%
A. Agriculture, forestry and fishing	946,229	1.18
B. Mining and quarrying	59,970	0.07
C. Manufacturing	11,675,337	14.54
D. Provision of electricity, gas, steam and air-conditioning	775,076	0.96
E. Provision of water, sewerage, waste management and rehabilitation	735,625	0.92
F. Construction	3,001,631	3.73
G. Wholesaling and retailing, car and motorcycle repairs	6,396,923	7.96
H. Transport and storage	1,224,230	1.52
I. Hotel and restaurants	1,502,615	1.87
J. Information and communication	914,311	1.14
K. Financial and insurance activities	217,684	0.27
L. Real estate	3,330,114	4.14
M. Professional, scientific and technical activities	1,661,338	2.07
N. Rentals, travel agencies, business support services	1,708,362	2.13
O. Public administration and defence, compulsory social security	26,668	0.03
P. Education	42,060	0.05
Q. Health and welfare	524,745	0.65
R. Arts, sport and entertainment	201,625	0.25
S. Other services	208,738	0.26
Total loans to residential non-financial corporates	35,153,281	43.74
Individuals and other not included above	33,166,517	41.26
Financial companies	9,567,830	11.90
Governments and other public entities	77,944	0.10
Insurance	2,411,168	3.00
Total loans	80,376,740	100.00

Financial assets and equity investments

Among financial assets, debt securities measured at amortised cost solely consist of bonds allocated to balance sheet (assets) captions 40 a) and b) "Financial assets measured at amortised cost – loans to banks and loans to customers".

Captions	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Financial assets measured at fair value through profit or loss	1,130,096	901,954	228,142	25.29
- of which derivatives	609,348	149,455	459,893	307.71
Financial assets at fair value through other comprehensive income	7,727,554	6,424,261	1,303,293	20.29
Debt securities measured at amortised cost	19,638,145	19,192,550	445,595	2.32
a) banks	6,607,091	5,810,622	796,469	13.71
b) customers	13,031,054	13,381,928	(350,874)	-2.62
Total financial assets	28,495,795	26,518,765	1,977,030	7.46

Financial assets totalled Euro 28,495.8 million (+7.46% compared with 31 December 2021), of which Euro 26,978.9 million (94.68% of the total) are represented by debt securities: with respect to the latter, Euro 13,442.7 million relates to sovereign States and Central Banks (up 11.75% on 31 December 2021, mainly due to

sales in the portfolio measured at amortised cost (AC) and new purchases in the portfolio measured at fair value through other comprehensive income (FVOCI) and Euro 9,492.6 million relates to Banks (unchanged compared with 31 December 2021).

Equity instruments come to Euro 604.3 million (2.12% of total), inclusive of Euro 525.2 million of stable equity investments classified in the FVOCI portfolio, Euro 58.9 million in securities held for trading (FVTPL) and Euro 20.2 million in other equity instruments (SICAV and UCITS), mandatorily measured at FVTPL.

"Financial assets held for trading" include derivatives for an amount of Euro 609.3 million, up from 31 December 2021 (+307.71%), consisting of interest rate, currency and commodity derivatives traded with customers, derivatives relating to securitisation transactions, and forward currency trading (with customers and/or used in the management of the foreign exchange position).

Captions	31.12.2022	31.12.2021	in thousands	
			Change	Chg. %
Equity investments	2,174,728	2,006,574	168,154	8.38

"Equity investments", which comprise holdings in banks, subsidiaries and companies over which the Bank has significant influence, amount to Euro 2,174.7 million, up by Euro 168.2 million on 31 December 2021.

The increases mainly refer to:

- The equity interests deriving from the acquisition of control of Banca Carige including:
 - 16,753,750 Autostrada dei Fiori shares for a value of Euro 114.0 million;
 - 14,000,000 Banca Cesare Ponti shares for a value of Euro 11.9 million;
 - 8,326,160 Carige Reoco shares for a value of Euro 2.5 million.
 - 2,271,264 Sardaleasing s.p.a. shares for a value of Euro 31.8 million, for the subscription of the share capital increase;
 - 130,882 BPER Real Estate shares for a consideration of Euro 17.8 million, for the subscription of the share capital increase;
 - 1 share of Società di Reskilling s.r.l., for a consideration of Euro 3.3 million;

The decreases refer primarily to impairment tests which determined write-downs of equity investments in Sardaleasing s.p.a. (Euro 27.5 million), Italiana Valorizzazioni Immobiliari s.r.l. (Euro 0.3 million) and Immobiliare Oasi nel Parco s.r.l. (Euro 0.2 million).

Fixed assets

Captions	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Property, plant and equipment	1,882,311	1,356,461	525,850	38.77
<i>of which owned land and buildings</i>	<i>1,267,784</i>	<i>849,723</i>	<i>418,061</i>	<i>49.20</i>
<i>of which rights of use acquired through leases</i>	<i>395,757</i>	<i>345,500</i>	<i>50,257</i>	<i>14.55</i>

Captions	31.12.2022	31.12.2021	(in thousands)	
			Change	Chg. %
Intangible assets	349,522	239,546	109,976	45.91
<i>of which goodwill</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>n.s.</i>

The increase in tangible and intangible assets mainly reflects the expansion of the perimeter due to the merger by absorption of Banca Carige and Banca del Monte di Lucca.

Interbank and liquidity position

The values of loans to banks only include the component of “Loans” allocated to caption 40 a) “Financial assets measured at amortised cost – loans to banks” and “Current accounts and demand deposits” allocated to caption 10 “Cash and cash equivalents” in the assets section of the balance sheet. The balance at 31 December 2021 reported in the table below was restated, with respect to that published in the financial statements as at 31 December 2021, to take account of the aforementioned better representation of the aggregate under analysis.

		(in thousands)		
Net interbank position	31.12.2022	31.12.2021	Change	Chg. %
A. Loans to banks	19,677,985	24,952,824	(5,274,839)	-21.14
- Loans	6,100,318	24,205,255	(18,104,937)	-74.80
1. Current accounts and deposits	2,214,967	1,124,614	1,090,353	96.95
2. Repurchase agreements	1,524,103	1,795,681	(271,578)	-15.12
3. Compulsory reserve	1,341,909	20,310,134	(18,968,225)	-93.39
4. Other	1,019,339	974,826	44,513	4.57
- Current accounts and demand deposits	13,577,667	747,569	12,830,098	--
1. with Central Banks	12,706,014	-	12,706,014	n.s.
2. with Banks	871,653	747,569	124,084	16.60
B. Due to banks	26,792,583	28,355,383	(1,562,800)	-5.51
Total (A-B)	(7,114,598)	(3,402,559)	(3,712,039)	109.10

The net interbank position as at 31 December 2022 worsened by Euro 3,712.0 million compared to 31 December 2021. In a context of rising interest rates, as at 31 December 2022, priority is given to “overnight” deposits at Central Banks for an amount of Euro 12,706.0 million, financed mostly by the Compulsory reserve which recorded a decrease of Euro 18,968.2 million compared to 31 December 2021.

		(in millions)	
Refinancing operations with the European Central Bank	Currency	Principal	Maturity
1. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	9,700	28.06.2023
2. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	3,710	27.09.2023
3. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	1,670	27.03.2024
4. Targeted Long Term Refinancing Operation (TLTRO-III) - BPER Banca	eur	800	29.03.2023
Total		15,880	

As at 31 December 2022, refinancing operations in place at the European Central Bank (TLTRO-III) amounted to Euro 15,880 million. On 21 December 2022, the take-up coming to maturity on 28 June 2023 was partially repaid, for a nominal amount of Euro 6 billion.

Reclassified liabilities as at 31 December 2022

Liabilities and shareholders' equity	31.12.2022	31.12.2021	in thousands)	
			Change	Chg. %
Due to banks	26,792,583	28,355,383	(1,562,800)	-5.51
Direct deposits	102,208,104	88,941,024	13,267,080	14.92
a) Due to customers	94,718,824	84,129,452	10,589,372	12.59
b) Debt securities issued	6,706,368	4,811,572	1,894,796	39.38
c) Financial liabilities designated at fair value	782,912	-	782,912	n.s.
Financial liabilities held for trading	500,555	132,079	368,476	278.98
Macro-hedge accounting	217,271	241,370	(24,099)	-9.98
a) Hedging derivatives	498,563	241,370	257,193	106.56
b) Change in value of macro-hedged financial liabilities (+/-)	(281,292)	-	(281,292)	n.s.
Other liabilities	5,651,583	3,359,086	2,292,497	68.25
Shareholders' equity	7,508,473	6,412,783	1,095,690	17.09
a) Valuation reserves	(136,557)	(11,327)	(125,230)	--
b) Reserves	2,865,230	2,375,590	489,640	20.61
c) Equity instruments	150,000	150,000	-	-
d) Share premium reserve	1,237,276	1,240,428	(3,152)	-0.25
e) Share capital	2,104,316	2,100,435	3,881	0.18
f) Treasury shares	(5,672)	(9,546)	3,874	-40.58
g) Profit (Loss) for the year	1,293,880	567,203	726,677	128.12
Total liabilities and shareholders' equity	142,878,569	127,441,725	15,436,844	12.11

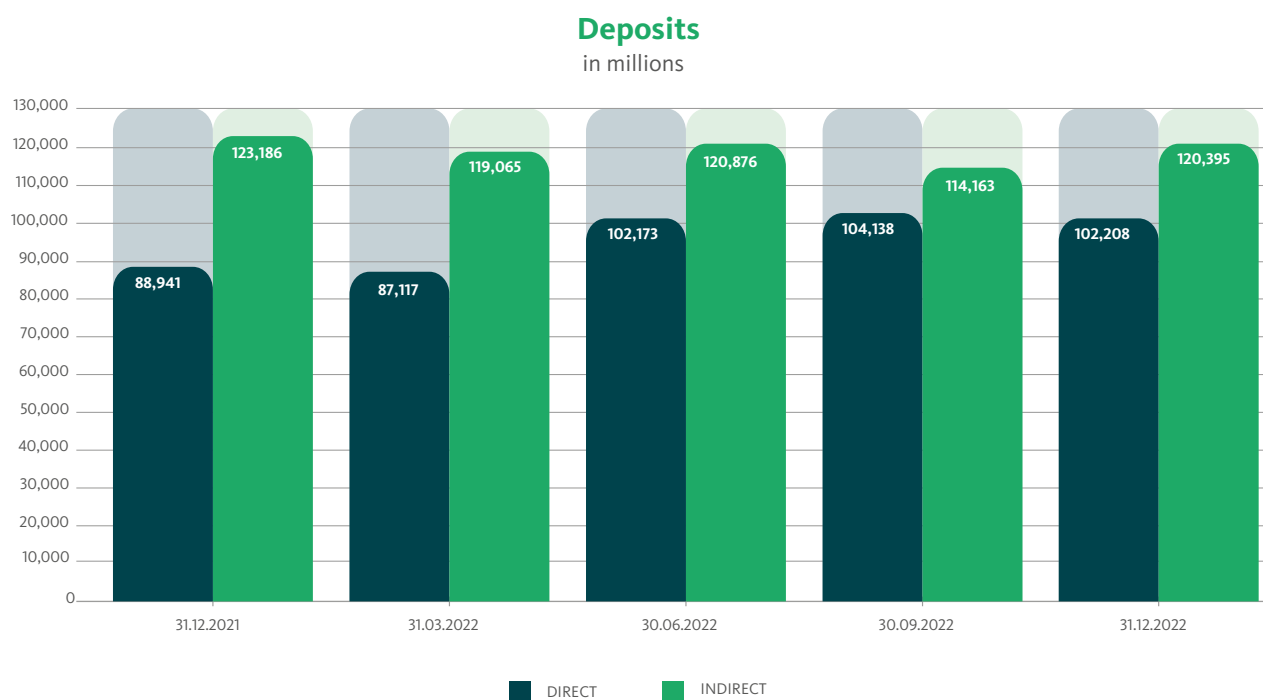
Deposits

Captions	31.12.2022	31.12.2021	in thousands)	
			Change	Chg. %
Current accounts and demand deposits	90,320,810	79,937,861	10,382,949	12.99
Time deposits	1,195,602	71,365	1,124,237	--
Repurchase agreements	-	1,360,188	(1,360,188)	-100.00
Lease liabilities	380,248	333,285	46,963	14.09
Other short-term loans	2,822,164	2,426,753	395,411	16.29
Bonds	6,499,362	4,742,045	1,757,317	37.06
- subscribed for by institutional customers	6,133,336	3,894,023	2,239,313	57.51
- subscribed for by ordinary customers	366,026	848,022	(481,996)	-56.84
Certificates	782,912	-	782,912	n.s.
Certificates of deposit	207,006	69,527	137,479	197.73
Direct deposits from customers	102,208,104	88,941,024	13,267,080	14.92
Indirect deposits (off-balance sheet figure)	120,395,078	123,185,847	(2,790,769)	-2.27
- of which under management	43,878,050	42,385,971	1,492,079	3.52
- of which under administration	76,517,028	80,799,876	(4,282,848)	-5.30
Customer funds under administration	222,603,182	212,126,871	10,476,311	4.94
Deposits from banks	26,792,583	28,355,383	(1,562,800)	-5.51
Funds under administration or management	249,395,765	240,482,254	8,913,511	3.71

Direct deposits from customers of Euro 102,208.1 million have increased by 14.92% since 31 December 2021, mainly due to the business combination with Banca Carige and Banca del Monte di Lucca. Among the various technical forms, the main ones to register a significantly positive change of balance compared to 31 December 2021 were current accounts and demand deposits, for Euro 10,382.9 million (+12.99%), term deposits for Euro 1,124.2 million, bonds for Euro 1,757.3 million (+37.06%), the latter due to new issues of BPER bonds to institutional customers in 2022, in addition to the inclusion of new instruments as a result of the merger of Banca Carige. During 2022, certificate issued totalled Euro 782.9 million. As at 31 December 2022, there were no repurchase agreements (these amounted to Euro 1,360.2 million as at 31 December 2021).

Indirect deposits, marked to market, amounted to Euro 120,395.1 million, down by Euro 2,790.8 million (-2.27%) compared to 31 December 2021, despite the contribution provided by the acquisition of Banca Carige and Banca del Monte di Lucca, given the negative market trend recorded from the beginning of the period. Total funds under administration or management by the Bank, including deposits from banks (Euro 26,792.6 million) amount to Euro 249,395.8 million.

The chart shows the dynamics of direct and indirect deposits in the last five quarters:



Direct deposits also include subordinated liabilities:

Captions	31.12.2022	(in thousands)		
		31.12.2021	Change	Chg. %
Non-convertible subordinated liabilities	1,646,723	926,447	720,276	77.75
Total Subordinated liabilities	1,646,723	926,447	720,276	77.75

Subordinated loans outstanding, with a book value of Euro 1,646.7 million, have increased by 77.75% compared with 31 December 2021 (when they amounted to Euro 926.4 million). The increase recorded during the year relates to new BPER Banca issues for a nominal Euro 1,012.0 million, together with the entry of new instruments as a result of the merger of Banca Carige and Banca del Monte di Lucca for a nominal Euro 210.8 million; said increase was only partially offset by reimbursements and partial repurchases of liabilities for a nominal value of Euro 514.8 million.

As was the case in December 2021, there are no convertible subordinated liabilities at 31 December 2022.

Indirect deposits do not include the placement of insurance policies; the stock of customer assets invested in insurance products has increased by 26.15% since 31 December 2021, mainly due to the entry of new life insurance policies resulting from the acquisition of the former Carige Group.

Bancassurance	31.12.202	(in thousands)		
		31.12.2021	Change	Chg. %
Insurance premiums portfolio	23,338,767	18,500,262	4,838,505	26.15
- of which life	23,138,330	18,221,380	4,916,950	26.98
- of which non-life	200,437	278,882	(78,445)	-28.13

If life insurance premiums are added to indirect deposits, the total comes to Euro 67,016.4 million, which accounts for 46.69% of the overall total of indirect deposits (assets under administration and assets under management) and life insurance premiums (Euro 143,533.4 million).

2.4 Income statement aggregates

Summary data from the income statement at 31 December 2022 is presented below in thousands of Euro, appropriately compared with the amounts at 31 December 2021. Note that the comparison is influenced by the increase in size of the Bank resulting from the acquisition of the business units from Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a.

The accounting schedules envisaged by the 7th update of Bank of Italy Circular no. 262/2005 are presented below on a reclassified basis¹³. The principal reclassifications relate to the following captions:

- “Net commission income” includes Euro 19.6 million in placement fees for Certificates, allocated to caption 110 “Net income on other financial assets and liabilities measured at fair value through profit or loss” of the accounting schedule;
- “Net income from financial activities” includes captions 80, 90, 100 and 110 in the accounting statement, net of the Certificates placement fees under the item above;
- indirect tax recoveries, allocated for accounting purposes to caption 200 “Other operating expense/income”, have been reclassified as a reduction in the related costs under “Other administrative expenses” (Euro 214.2 million at 31 December 2022 and Euro 199.7 million at 31 December 2021);
- “Net adjustments to property, plant, equipment and intangible assets” include captions 180 and 190 in the standard reporting format;
- “Gains (Losses) on investments” include captions 220, 230, 240 and 250 of the accounting schedule;
- “Income taxes on current operations for the year” includes the commission for the conversion of the tax losses of Carige into DTAs (Euro 111.5 million), allocated in the accounts to caption 160b) “Other administrative expenses”;
- “Contributions to the SRF, DGS and IDGF-VS funds” have been shown separately from the specific accounting technical forms to give a better and clearer representation, as well as to leave the “Other administrative expenses” as a better reflection of the trend in the Bank's operating costs. In particular, at 31 December 2022, this caption represents the component allocated for accounting purposes to administrative expenses in relation to:
 - the 2022 regular contribution to the SRF (European Single Resolution Fund) of Euro 42.7 million;
 - the 2022 contribution to the DGS (Deposit Guarantee Schemes) for Euro 111.7 million.

¹³ For further details on the methods of presentation of the reclassified statements, please refer to the attachment entitled “Reconciliation between the Consolidated financial statements and the Reclassified consolidated financial statements”.

Reclassified Income Statement as at 31 December 2022

Captions		(in thousands)			
		31.12.2022	31.12.2021	Change	Chg. %
10+20	Net interest income	1,409,057	1,167,289	241,768	20.71
40+50	Net commission income	1,553,518	1,259,923	293,595	23.30
70	Dividends	56,612	60,201	(3,589)	-5.96
80+90+100+110	Net income from financial activities	145,671	174,159	(28,488)	-16.36
200	Other operating expense / income	305,956	62,491	243,465	389.60
	Operating income	3,470,814	2,724,063	746,751	27.41
160 a)	Staff costs	(1,435,212)	(1,258,751)	(176,461)	14.02
160 b)	Other administrative expenses	(740,386)	(555,134)	(185,252)	33.37
180+190	Net adjustments to property, plant and equipment and intangible assets	(204,876)	(254,051)	49,175	-19.36
	Operating costs	(2,380,474)	(2,067,936)	(312,538)	15.11
	Net operating income	1,090,340	656,127	434,213	66.18
130 a)	Net impairment losses to financial assets at amortised cost	(455,507)	(643,997)	188,490	-29.27
	- <i>loans to customers</i>	(436,634)	(645,470)	208,836	-32.35
	- <i>other financial assets</i>	(18,873)	1,473	(20,346)	--
130 b)	Net impairment losses to financial assets at fair value	(418)	2,107	(2,525)	-119.84
140	Gains (Losses) from contractual modifications without derecognition	(29)	(2,162)	2,133	-98.66
	Net impairment losses for credit risk	(455,954)	(644,052)	188,098	-29.21
170	Net provisions for risks and charges	(111,572)	(71,066)	(40,506)	57.00
###	Contributions to SRF, DGS, IDPF - VS	(154,437)	(117,933)	(36,504)	30.95
220+230+240+250	Gains (Losses) on investments	(45,402)	(259,207)	213,805	-82.48
245	Gain on a bargain purchase	948,123	1,127,847	(179,724)	-15.94
260	Profit (Loss) from current operations before tax	1,271,098	691,716	579,382	83.76
270	Income taxes on current operations for the year	22,782	(124,513)	147,295	-118.30
300	Profit (Loss) for the year	1,293,880	567,203	726,677	128.12

Reclassified income statement by quarter as at 31 December 2022

Captions	(in thousands)							
	1st quarter 2022	2nd quarter 2022	3rd quarter 2022	4th quarter 2022	1st quarter 2021	2nd quarter 2021	3rd quarter 2021	4th quarter 2021
Net interest income	288,928	311,181	367,684	441,264	261,729	301,766	303,635	300,159
Net commission income	361,163	370,891	403,109	418,355	244,169	317,923	345,083	352,748
Dividends	286	50,167	3,228	2,931	1,680	52,255	676	5,590
Net income from financial activities	59,973	46,546	28,985	10,167	53,653	39,599	51,708	29,199
Other operating expense / income	16,095	3,497	25,765	260,599	16,664	4,012	17,069	24,746
Operating income	726,445	782,282	828,771	1,133,316	577,895	715,555	718,171	712,442
Staff costs	(299,289)	(308,056)	(311,369)	(516,498)	(250,247)	(300,245)	(265,246)	(443,013)
Other administrative expenses	(129,669)	(148,979)	(197,934)	(263,804)	(161,427)	(125,254)	(120,684)	(147,769)
Net adjustments to property, plant and equipment and intangible assets	(40,961)	(43,416)	(55,520)	(64,979)	(45,236)	(47,583)	(47,868)	(113,364)
Operating costs	(469,919)	(500,451)	(564,823)	(845,281)	(456,910)	(473,082)	(433,798)	(704,146)
Net operating income	256,526	281,831	263,948	288,035	120,985	242,473	284,373	8,296
Net impairment losses to financial assets at amortised cost	(103,003)	(49,816)	(83,954)	(218,734)	(362,394)	(131,700)	(100,571)	(49,332)
- loans to customers	(87,142)	(43,855)	(84,459)	(221,178)	(360,758)	(133,609)	(99,519)	(51,584)
- other financial assets	(15,861)	(5,961)	505	2,444	(1,636)	1,909	(1,052)	2,252
Net impairment losses to financial assets at fair value	12	(234)	(1)	(195)	761	915	(218)	649
Gains (Losses) from contractual modifications without derecognition	(1,122)	72	537	484	(551)	(784)	(214)	(613)
Net impairment losses for credit risk	(104,113)	(49,978)	(83,418)	(218,445)	(362,184)	(131,569)	(101,003)	(49,296)
Net provisions for risks and charges	(20,426)	(17,315)	(10,908)	(62,923)	(35,507)	(8,515)	(3,215)	(23,829)
Contributions to SRF, DGS, IDPF - VS	(32,170)	(10,565)	(109,016)	(2,686)	(28,250)	(14,248)	(70,048)	(5,387)
Gains (Losses) on investments	(180)	(530)	184	(44,876)	(242,483)	(4,967)	233	(11,990)
Gain on a bargain purchase	-	1,188,433	(17,111)	(223,199)	1,077,869	72,053	(22,075)	-
Profit (Loss) from current operations before tax	99,637	1,391,876	43,679	(264,094)	530,430	155,227	88,265	(82,206)
Income taxes on current operations for the year	(22,480)	(61,067)	(89,562)	195,891	(137,773)	(46,250)	(23,340)	82,850
Profit (Loss) for the year	77,157	1,330,809	(45,883)	(68,203)	392,657	108,977	64,925	644

Net interest income

Net interest income amounts to Euro 1,409.1 million, up 20.71% (Euro 1,167.3 million at 31 December 2021) due to the increase in the size of the Bank as a result of the merger by absorption of Banca Carige and Banca del Monte di Lucca and higher interest rates.

In addition to recalling the dynamics of loans and interest-bearing deposits, already highlighted in paragraph 2.3 "Balance sheet aggregates", an indication of the trend in average lending/funding rates is given below for a better understanding of the trend in net interest income:

- the average interest rate for the year, based on the Bank's lending rates to customers was 2.02% (performing and non-performing), an increase of about 0.25% compared with the average rate of the prior year;
- the average yield on the securities portfolio is 0.69%, up by 28 bps year on year, as a consequence of the rise in interest rates;
- the average cost of direct deposits from customers was 0.29%, up by about 10 bps compared to 2021 (0.19%);
- total interest-bearing liabilities involved a cost of 0.28% (practically zero at 31 December 2021);
- the spread between lending and deposit rates of the Bank's relationships with customers came to 1.73% (1.58% at 31 December 2021);
- the overall spread between the average annual rate of return on interest-bearing assets and the average annual cost of interest-bearing liabilities amounts to 1.10% (it was 1.05% at 31 December 2021).

Net commission income

Net commission income, amounting to Euro 1,553.5 million, was +23.30% higher than at 31 December 2021 (Euro 1,259.9 million). The positive performance was driven by the acquisition of Banca Carige and Banca del Monte di Lucca, which resulted in an increase in the commission income earned on assets under management, insurance premiums and payment services.

Net income from financial activities

Net income from financial activities (including dividends of Euro 56.6 million) amounted to a positive Euro 202.3 million, down from last year (Euro 234.4 million), as a consequence of the increased volatility registered in the financial markets since the end of February 2022, following the breakout of the Russia-Ukraine war.

This net result was brought about in particular by:

- gains on the disposal of financial assets for an amount of Euro 142.4 million;
- net profit from disposal of loans for an amount of Euro 38.0 million;
- net capital losses on financial assets of Euro 55.6 million;
- other positive elements for Euro 20.9 million.

Other operating expense/income

The caption Other operating expense/income, amounting to Euro 306.0 million (Euro 62.5 million as at 31 December 2021), includes various significant components that impacted the result for the year:

- the capital gain originating from the transfer to Nexi s.p.a. of the business unit dealing with merchant acquiring and POS management activities for Euro 227.1 million;
- Euro 3.4 million positive adjustments to the cost incurred for the personnel manoeuvre in 2019;
- the capital gain from the disposal of Banca Carige and Banca del Monte di Lucca business units operating in pledge loans for Euro 7.6 million;
- the recognition of one-off charges for an amount of Euro 18.5 million for the refund of fast-track loan approval process fees (CIV) to customers for the years 2012 - 2015.

Operating income amounted to Euro 3,470.8 million (+27.41% compared to the previous year).

Operating costs

Operating costs amount to Euro 2,380.5 million, which is 15.11% higher than the comparative figure at 31 December 2021 due to the increase in the size of the Bank as a result of the afore-mentioned mergers.

The main components of operating costs are reported below.

Staff costs amounted to Euro 1,435.2 million, up compared to the previous year (+14.02%); in addition to the increase in the size of the Bank, non-recurring expenses were allocated for Euro 132.1 million relating to the extension of the workforce optimisation effort, as set forth in the Business Plan, Euro 9.2 million for the disbursement of a one-off allowance to employees to cover the high cost of living and Euro 20.9 million attributable to the adjustment of the cost of the workforce optimisation manoeuvre, communicated in December 2021. With reference to the extension of the workforce optimisation effort, on 10 June 2022, the Bank presented the 2022/2025 Business Plan to the market. Among the other initiatives, the Business Plan provides for the voluntary exit of roughly 3,300 staff, clarifying that there will be an "additional manoeuvre" in addition to the one formalised with the Trade Union Organisations on 28 December 2021 (with entitlements, criteria and provisions remaining the same) so as to reflect the amount already expensed and contractually agreed by Banca Carige and by the merger of Banca Carige into BPER Banca, while defining additional resources to be managed with the activation of the Solidarity Fund. These additional resources are to be identified from the surplus applications received in excess of the funds available under the agreement entered into with the Trade Union Organisations on 28 December 2021.

Other administrative expenses, shown net of indirect taxes recovered (Euro 214.2 million), of the contributions paid to the Resolution fund (Euro 154.4 million) and the fee paid for the conversion of DTAs in relation to Carige's tax losses into tax credits (Euro 111.5 million), amount to Euro 740.4 million, up 33.37% on the previous year. This item is likewise affected by one-off charges relating to the acquisition of Banca Carige and its subsidiaries (approx. Euro 55 million), in particular for IT migration, consultancy, advertising, rebranding and reimbursement of staff expenses.

Net adjustments to property, plant and equipment and intangible assets totalled Euro 204.9 million (Euro 254.1 million at 31 December 2021).

Depreciation of assets owned amounted to Euro 122.0 million (Euro 119.9 million as at 31 December 2021); write-downs of Euro 7.0 million were registered on assets owned (software), in addition to write-backs on previous impairment for Euro 1.9 million.

The depreciation of rights of use related to leased assets amounted to Euro 74.2 million (Euro 67.3 million at 31 December 2021), while adjustments due to early termination of contracts totalled Euro 3.6 million (Euro 2.0 million at 31 December 2021).

Net operating income therefore amounts to Euro 1,090.3 million (Euro 656.1 million at 31 December 2021).

Net impairment losses for credit risk

Net impairment losses for credit risk stood at Euro 456.0 million (Euro 644.1 million as at 31 December 2021), relating mainly to net adjustments on financial assets measured at amortised cost for Euro 455.5 million (Euro 644.0 million as at 31 December 2021), including adjustments of Euro 19.5 million on on-balance sheet exposures to banks resident in Russia.

The overall cost of credit at 31 December 2022, calculated only on loans to customers, was 54 bps (93 bps at 31 December 2021). If adjustments on exposures to Russian banks are taken into account, the cost of credit stands at 57 bps on an annualised basis.

Net provisions for risks and charges

Net provisions for risks and charges total Euro 111.6 million (Euro 71.1 million at 31 December 2021). Net impairment adjustments on guarantees and commitments amount to Euro 36.2 million and include Euro 7.8 million in write-downs on financial guarantees on exposures to Russian banks, whereas "Other provisions for risks and charges" amount to Euro 75.3 million.

Contributions to SRF, DGS, IDPF - VS

The total amount of contributions paid during the year was Euro 154.4 million (Euro 117.9 million at 31 December 2021). This amount comprises the ordinary contribution for 2022 paid to the SRF (European Single Resolution Fund), equal to Euro 42.7 million (Euro 32.1 million at 31 December 2021) and the ordinary contribution paid to the DGS (Deposit Guarantee Scheme) of Euro 111.7 million (Euro 75.4 million at 31 December 2021). In 2022, no additional contributions were requested from the SRF (Euro 10.4 million as at 31 December 2021).

Gains (Losses) on investments

This caption shows a negative balance of Euro 45.4 million (Euro 259.2 million negative at 31 December 2021), mainly deriving from:

- Euro 20.0 million in write-downs due to the fair value measurement of properties;
- write-down of the equity investments in Sardaleasing s.p.a. (Euro 27.5 million), Italiana Valorizzazioni Immobiliari s.r.l. (Euro 0.3 million) and Immobiliare Oasi nel Parco s.r.l. (Euro 0.2 million);
- Euro 2.7 million positive result from disposal of investments.
-
-

Gain on a bargain purchase

Reported under "Gain on a bargain purchase" is the "Badwill" - i.e. the difference between the purchase price and the fair value of the assets and liabilities - arising from the merger of Banca Carige and Banca del Monte di Lucca into BPER Banca. The amount determined at the end of the Purchase Price Allocation (PPA) process amounted to Euro 948.1 million. For more details, please refer to the information provided in Part G of the Explanatory Notes "Business combinations".

Net profit

Profit from current operations before tax amounted to Euro 1,271.1 million (Euro 691.7 million at 31 December 2021).

"Income taxes for the year", amounting to Euro 22.8 million, were determined by applying the regulations in force as at 31 December 2022, including the provisions contained in article 1, paragraphs 233 et seq. of Law no. 178 of 30 December 2020 which, in the case of business combinations carried out through mergers, demergers and business transfers that took place

between approved independent parties or resolved upon between 1 January 2021 and 30 June 2022, enable the entity resulting from the merger or the merging entity, beneficiary and the transferee, to arrange for the conversion into tax credits of the DTAs relating to tax losses and surplus ACE (Allowance for Corporate Equity) accrued until the tax period prior to the one in progress at the date of legal effectiveness of the transaction. The regulation is also applied where the transaction has taken place between entities among which there is a relationship of control, if said control has been acquired between 1 January 2021 and 30 June 2022 and within two years of the date of acquisition of said control, a transaction took legal effect involving a merger, demerger or business transfer; in said case, the convertible DTAs are those relating to the tax losses and the surplus ACE accrued up to the tax period prior to the one in progress at the date on which the control was acquired. In particular, the Bank exercised the conversion option following the business combination concluded with the merger by absorption of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. completed on 28 November 2022. Due to said option, in 2022, DTAs amounting to Euro 111.5 million were converted into tax credits, equal to one quarter of the total amount convertible; therefore, the item 'taxes' was negatively impacted by the cancellation of the DTAs converted and positively by the recognition of the tax credit. For the remaining three quarters of the convertible DTAs (Euro 334.6 million), the conversion was carried out on 1 January 2023.

No deferred tax assets have been recognised on temporary differences due to reverse after the five-year time horizon considered for the probability test (2023-2027). In addition, following the test, deferred tax assets were recognised on tax losses and ACE (Allowance for Corporate Equity) for an amount of Euro 173.1 million.

The profit for the year after tax amounted to Euro 1,293.9 million (Euro 567.2 million at 31 December 2021).

2.5 Shareholders' equity and capital ratios

2.5.1 Shareholders' equity

At the end of the previous year the Bank's shareholders' equity, excluding the profit (loss) for the year, amounted to Euro 5,845.6 million. It increased by Euro 369 million during the year, due to the following changes:

- Euro +482.4 million following the allocation of 2021 profit;
- Euro +41.2 million to adjust the reserve for actuarial gains or losses, net of the tax effect;
- Euro +10.3 million for the net changes in the valuation reserve, net of the tax effect, created in connection with property, plant and equipment measured at fair value;
- Euro +5 million following the execution of the reserved cash increase in capital for the merger by absorption of Banca Carige s.p.a. - Cassa di Risparmio di Genova e Imperia and Banca del Monte di Lucca s.p.a.;
- Euro -142.4 million for the net changes in the valuation reserve, net of the tax effect, created in connection with financial assets measured at fair value through other comprehensive income;
- Euro -3.1 million on the disposal of financial assets measured at fair value through other comprehensive income;
- Euro -24.4 million, for the recognition of other changes.

Shareholders' equity therefore comes to Euro 6,214.6 million, up by 6.31% on 31 December 2021. Taking into account the profit for the year 2022 (Euro 1,293.9 million), shareholders' equity comes to Euro 7,508.5 million (increased by 17.09% compared to shareholders' equity at 31 December 2021).

At 31 December 2022, the share capital amounted to Euro 2,104,315,691.40 corresponding to 1,415,850,518 shares; of these, 1,714,504 are allocated to the owned portfolio, changed from December 2021 as BPER Banca shares have been assigned with reference to the "Long-Term Incentive Plan 2019-2021 intended for strategic personnel" and to the MBO 2021 Incentive System. The ordinary treasury share buyback programme - launched on 7 December 2022 and announced to the market in the press release of 6 December 2022 - was concluded on 15 December 2022, as part of the 2022 MBO incentive plan and any severance payments due. In the course of the year, treasury shares were also granted free of charge to employees upon their termination of employment, in line with the provisions of the Remuneration Policies.

As regards the profits from unrealised capital gains (net of tax) as per art. 6 of Legislative Decree 38/2005, which in 2021 amounted to Euro 15,478.7 thousand, they were assigned to the "Non-distributable reserve pursuant to art. 6, paragraph 1, letter a) of Legislative Decree 38/2005". This non-distributable reserve at 31 December 2022 comes to Euro 13,239.9 thousand.

2.5.2 Own funds and capital ratios

		(in thousands)		
	31.12.2022 Phased in	31.12.2021 Phased in	Change	Chg. %
Common Equity Tier 1 (CET1)	5,183,999	5,947,249	(763,250)	-12.83
Additional Tier 1 capital (AT1)	150,000	150,000	-	-
Tier 1 capital (Tier 1)	5,333,999	6,097,249	(763,250)	-12.52
Tier 2 capital (Tier 2 - T2)	1,719,014	1,012,873	706,141	69.72
Total Own Funds	7,053,013	7,110,122	(57,109)	-0.80
Total Risk-weighted assets (RWA)	44,488,811	38,353,593	6,135,218	16.00
CET1 Ratio (CET1/RWA)	11.65%	15.51%	-550 bps	
Tier 1 Ratio (Tier 1/RWA)	11.99%	15.90%	-566 bps	
Total Capital Ratio (Total Own Funds/RWA)	15.85%	18.54%	-661 bps	
RWA/Total assets	31.14%	30.10%	-194 bps	

3. Principal risks and uncertainties

3.1 Identification of risks, underlying uncertainties and the approach to manage them

Please refer to the consolidated financial statements for information on risk management and related uncertainties, because, being an activity that is coordinated at Group level, the same considerations made in the relevant section of the Directors' report on Group operations are also valid for the Bank.

3.2 Disclosure of exposures to sovereign debt held by listed companies

As required by CONSOB Communication DEM/11070007 of 5 August 2011 (and in the letter sent to listed Banking Issuers dated 31 October 2018), details are provided below about the holdings of bonds issued by Central and Local Governments and by Government entities, as well as about the loans granted to them.

Debt securities

(in thousands)							
Issuer	Rating	Cat	Nominal value	Book Value	Fair Value	OCI Reserves	%
Governments (*):			13,904,483	13,063,877	12,179,580	(27,437)	97.18%
Italy	BBB		9,253,178	8,957,577	8,416,126	(19,713)	66.64%
		FVTPLT	4,374	3,829	3,829	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	2,307,804	2,305,582	2,305,582	(19,713)	
		AC	6,941,000	6,648,166	6,106,715	#	
Spain	A-		1,667,900	1,524,555	1,444,564	(1,775)	11.34%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	11,000	9,236	9,236	(1,775)	
		AC	1,656,900	1,515,319	1,435,328	#	
U.S.A.	AAA		890,000	820,345	663,632	-	6.10%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	890,000	820,345	663,632	#	
Germany	AAA		664,501	604,042	514,781	-	4.49%
		FVTPLT	1	2	2	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	-	-	-	-	
		AC	664,500	604,040	514,779	#	
European Stability Fund	AA		334,500	299,535	291,234	(102)	2.23%
		FVTPLT	1,000	1,010	1,010	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	105,000	89,047	89,047	(102)	
		AC	228,500	209,478	201,177	#	

							(in thousands)
Issuer	Rating	Cat	Nominal value	Book Value	Fair Value	OCI Reserves	%
China	A+		224,000	183,387	187,773	(4,294)	1.36%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	49,000	43,882	43,882	(4,294)	
		AC	175,000	139,505	143,891	#	
Other	-		870,404	674,436	661,470	(1,553)	5.02%
		FVTPLT	3,804	3,425	3,425	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	5,000	3,453	3,453	(1,553)	
		AC	861,600	667,558	654,592	#	
Other public entities:			434,400	378,820	360,079	(5,461)	2.82%
Italy	-		20,000	18,381	18,381	(103)	0.14%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	6,000	5,980	5,980	(103)	
		AC	14,000	12,401	12,401	#	
France	-		355,400	305,302	286,562	(5,209)	2.27%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	83,000	71,289	71,289	(5,209)	
		AC	272,400	234,013	215,273	#	
Other	-		59,000	55,137	55,136	(149)	0.41%
		FVTPLT	-	-	-	#	
		FVO	-	-	-	#	
		FVTPLM	-	-	-	#	
		FVOCI	59,000	55,136	55,136	(149)	
		AC	-	1	-	#	
Total debt securities			14,338,883	13,442,697	12,539,659	(32,898)	100.00%

(*) The individual percentages shown in the above table may not agree with the total because of roundings.
Figures are expressed in thousands of Euro. The ratings indicated are those of Fitch Ratings at 31 December 2022.

Loans

(In thousands)							
Issuer	Rating	Cat	Nominal value	Book Value	Fair Value	OCI Reserves	%
Governments (*):			1,952,605	1,952,605	1,935,520	-	80.98%
Italy	BBB+		1,952,605	1,952,605	1,935,520	-	80.98%
		FVTPLT				#	
		FVO				#	
		FVTPLM				#	
		FVOCI				-	
		AC	1,952,605	1,952,605	1,935,520	#	
Other public entities:			458,563	458,563	484,385	-	19.02%
Italy	-		458,563	458,563	484,385	-	19.02%
		FVTPLT				#	
		FVO				#	
		FVTPLM				#	
		FVOCI				-	
		AC	458,563	458,563	484,385	#	
Total loans			2,411,168	2,411,168	2,419,905	-	100.00%

(*) The individual percentages shown in the above table may not agree with the total because of roundings.

Figures are expressed in thousands of Euro. The ratings indicated are those of Scope Ratings at 31 December 2022.

Based on their book value, repayment of these exposures is broken down as follows:

(In thousands)					
	on demand	Up to 1 year	1 to 5 years	over 5 years	Total
Debt securities	-	748,455	5,673,499	7,020,743	13,442,697
Loans	193,927	5,920	42,538	2,168,783	2,411,168
Total	193,927	754,375	5,716,037	9,189,526	15,853,865

Control over the risks inherent in the portfolio is maintained by the directors who monitor the effects on profitability, liquidity and the Bank's capital base, also through sensitivity analyses. No critical elements have been identified on the basis of these analyses.

4. Other information

4.1 Corporate events

Shareholders' Meeting of 20 April 2022

Allocation of the Parent Company's profit for 2021

The Ordinary Shareholders' Meeting of BPER Banca s.p.a. of 20 April 2022, held according to the emergency methods set forth in article 106, paragraph 4 of Law Decree no. 18 of 17 March 2020, approved the draft financial statements for the year ended as at 31 December 2021 and acknowledged the consolidated financial statements for 2021. The Shareholders' Meeting further approved the allocation of the profit for the year 2021 and the distribution of a dividend of Euro 0.06 per share, for each of the 1,413,263,512 shares representing the share capital (net of those held in the Bank's portfolio on the ex-coupon date), for a maximum total amount of Euro 84,795,810.72, allocating Euro 15,478,691.00 to the restricted reserve pursuant to Legislative Decree 38/2005 (art. 6, paragraph 1, letter a), Euro 27,586,225.17 to the legal reserve and Euro 439,342,467.53 to the extraordinary reserve.

The ordinary Shareholders' Meeting of 20 April 2022 also:

- approved the amount of total annual compensation of the members of the Board of Directors for 2022 and 2023;
- approved the 2022 remuneration policies for the BPER Banca Group, as described in the first section of the "2022 Report on the Remuneration Policy and Compensation Paid";
- cast a favourable vote on the second section of the "2022 Report on the Remuneration Policy and Compensation Paid" relating to the compensation paid in 2021.
- approved the short-term (2022 MBO Plan) and long-term (2022-2024 LTI Plan) incentive plans based on financial instruments;
- authorisation to purchase and dispose of treasury shares to service the 2022-2024 Long-Term Incentive (LTI) Plan, the MBO incentive scheme for 2022 and subsequent years, and any severance payments;
- approved the integration of fees paid to independent auditors Deloitte & Touche s.p.a.

Ordinary Shareholders' Meeting of 27 July 2022

On 27 July 2022, another ordinary shareholders' meeting was therefore held, again according to the emergency methods set forth in article 106, paragraph 4 of Law Decree no. 18 of 17 March 2020, to resolve on the integration of the Board of Statutory Auditors, as a result of the resignation tendered by the standing auditor Paolo De Mitri, with immediate effect, on 6 June 2022. The shareholders' meeting therefore appointed Carlo Appetiti as standing auditor, who will remain in office, the same as the other members of the Board of Statutory Auditors, until the Shareholders' Meeting called to approve the financial statements for the year 2023.

Ordinary Shareholders' Meeting of 5 November 2022

Lastly, the Shareholders' Meeting was held again on 5 November 2022, in an ordinary face-to-face setting, approving:

- a) In the extraordinary session:
 - the plan for the merger by absorption of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. into BPER Banca s.p.a.¹⁴, with:
 - (i) determination of the relevant share swap ratio, according to the terms below:
 - n. 11,234 BPER Banca s.p.a. ordinary shares, with regular dividend entitlement, for each Banca Carige s.p.a. savings share or, alternatively and at the discretion of the holders of Banca Carige s.p.a. savings shares¹⁵, n. 10,785 BPER Banca s.p.a. privileged shares, with regular dividend entitlement, for each Banca Carige s.p.a. savings share;

¹⁴ For more information about the merger, please refer to the additional documentation relating to the transaction published on the institutional website of BPER Banca (<https://istituzionale.bper.it/>)

¹⁵ To holders of Banca Carige s.p.a. savings shares the following was also attributed alternatively:

- pursuant to article 2505, bis of the Italian Civil Code, the right to have BPER Banca s.p.a. purchase, wholly or partially, the savings shares held by them; or
- the right of withdrawal as provided by art. 2437, paragraph 1, letter g) of the Italian Civil Code, on the basis of the different rights inherent in BPER Banca s.p.a. ordinary shares as compared to the rights inherent in Banca Carige s.p.a. savings shares.

None of the savings shareholders of Banca Carige s.p.a. availed themselves of said right, nor of the option to request the conversion of savings shares to preferred shares of BPER Banca s.p.a.: therefore, all savings shares outstanding at the date of the merger were swapped for ordinary shares of BPER Banca s.p.a.

Following the merger, the share capital of BPER Banca s.p.a. increased by Euro 3,880,509.00, through the issuing of 2,587,006 ordinary shares, with no indication of nominal value. The final amount of post-merger share capital, including (i) the ordinary shares issued in exchange for the special category shares held by the savings shareholders of Banca Carige s.p.a. other than BPER Banca s.p.a. (134,808 ordinary shares, for an amount of Euro 202,212.00) and (ii) the ordinary shares of Banca del Monte di Lucca s.p.a. other than those already held indirectly by BPER Banca s.p.a. (2,452,198 ordinary shares for an amount of Euro 3,678,297.00), amounts to Euro 2,104,315,691.40 and is represented by 1,415,850,518 registered ordinary shares, with no par value.

- n. 0.045 BPER Banca s.p.a. ordinary shares, with regular dividend entitlement, for each ordinary share of Banca del Monte di Lucca s.p.a., equal to 9 BPER Banca s.p.a. ordinary shares for every 200 ordinary shares of Banca del Monte di Lucca s.p.a., and
 - (ii) approval of the amendments to the Articles of Association of BPER Banca connected with the merger
 - certain amendments of the Articles of Association not connected with the merger involving, in particular: (i) amendments to articles 1, 5, 10, 11, 13, 17, 20, 22, 25, 26, 27, 29, 31, 35, 38, 39 of the Articles of Association; (ii) deletion of articles 36 and 44 and (iii) renumbering of articles 37 to 43 of the Articles of Association, as indicated in the Explanatory report by the Board of Directors published in view of the Shareholders' Meeting.
- b) In the ordinary session:
- the appointment as Board member of Monica Cacciapuoti, replacing the Director Gian Luca Santi, who resigned on 8 September 2022; the new Director will remain in office, the same as the other members of the Board of Directors, until the Shareholders' Meeting called to approve the financial statements for 2023¹⁶;
 - approve the amendment to the 2022 Remuneration Policy approved by the Shareholders Meeting on 20 April 2022, for the part concerning the Long-Term Incentive Plan and consequent update of Section I of the "2022 Report on Remuneration Policy and Compensation Paid" approved by the Shareholders' Meeting on 20 April 2022, with a view to aligning the policy to the new 2022-2025 Business Plan approved by the Board of Directors in June 2022;
 - the amendment of the 2022-2024 Long-Term Incentive Plan (LTI) based on financial instruments, already approved by the Shareholders' Meeting on 20 April 2022, likewise in order to bring it into line with the new 2022-2025 business plan approved by the Board of Directors in June 2022.

4.2 Information on intercompany and related-party transactions

Relations between the various companies included within the scope of consolidation and with associates and related parties were all of a routine nature and were conducted properly.

For details, as required by art. 2497 *bis* of the Italian Civil Code and by CONSOB Communication DEM 6064293 of 28 July 2006, reference should be made to Part H of the consolidated Explanatory Notes.

In accordance with CONSOB's Regulation 17221/10 and subsequent amendments, issued on the subject of related-party transactions, the BPER Banca Group has adopted specific internal rules to ensure transparency and substantial and procedural correctness of transactions with related parties.

In this context, the Parent Company BPER Banca adopted the "Group policy for the governance of non-compliance risk concerning conflicts of interest with related parties and risk activities with associated persons", which was also implemented by the other Group banks and companies. This Policy also complies with the Bank of Italy's requirements in terms of "Risk activities and conflict of interest versus related parties and associated persons" as contained in Circular 285 dated 17 December 2013 - 34th update made on 22 September 2020.

The document is published on BPER Banca's website (<https://istituzionale.bper.it>, section "Informativa e normativa" / "Soggetti collegati") and on the websites of the other Group banks.

Without prejudice to the disclosure requirements of IAS 24 (explained in Part H of the consolidated Explanatory Notes, in relation to the scope of application of the international accounting standard), the following is a summary of transactions with related parties, for which information is provided under Regulation 17221/10.

At 31 December 2022, the only company belonging to the BPER Banca Group issuing listed shares is BPER Banca.

¹⁶ Monica Cacciapuoti's candidature was submitted on 11 October 2022 by the shareholder Unipol Gruppo s.p.a., then holder of a 10.552% stake in the share capital. Upon submission of her candidature, Monica Cacciapuoti confirmed the absence of grounds for ineligibility or incompatibility and the existence of the requisites provided for by current regulations and the Articles of Association for the role, declaring that she holds the independence requirements envisaged by art. 148, paragraph 3 of the Consolidated Law on Finance, as referenced by art. 147-ter, paragraph 4 of the same Law; she did not, however, declare that she holds the independence requirements envisaged by art. 13 of Decree no. 169 of 23 November 2020 of the Italian Ministry of the Economy and Finance, nor the independence requirements envisaged by the Corporate Governance Code. Subsequently, on 24 November 2022, the Board of Directors ascertained that the Director Monica Cacciapuoti met the requirements for office set out in the legislation in force and the company's Articles of Association. With reference, more specifically, to the requirements of independence, the Board of Directors ascertained that the Director Cacciapuoti meets the independence requirements set out in the Consolidated Law on Finance, but also verified that said person cannot be considered independent pursuant to article 17, paragraph 4 of the company's Articles of Association, lacking the independence requirements envisaged in the aforementioned Ministerial Decree no. 169/2020 and the Code of Corporate Governance.

a) Most significant individual transactions concluded during the reporting period:

No.	Company that initiated the transaction	Name of the counterparty	Nature of the relationship with the counterparty	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
1	BPER Banca s.p.a.	Alba Leasing s.p.a.	Directly associated company	Credit line	645,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
2	BPER Banca s.p.a.	BPER Factor s.p.a.	Direct subsidiary	Credit line	1,200,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
3	BPER Banca s.p.a.	BiBanca s.p.a.	Direct subsidiary	Loan portfolio disposal	510,900	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
4	BPER Banca s.p.a.	Finitalia s.p.a.	Direct subsidiary	Credit line	619,800	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
5	BPER Banca s.p.a.	Sardaleasing s.p.a.	Direct subsidiary	Credit line	1,200,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
6	BPER Banca s.p.a.	Sardaleasing s.p.a.	Direct subsidiary	Credit line	402,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
7	BPER Banca s.p.a.	Sardaleasing s.p.a.	Direct subsidiary	Credit line	715,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
8	BPER Banca s.p.a.	BiBanca s.p.a.	Direct subsidiary	Credit line	2,200,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
9	BPER Banca s.p.a.	Banco di Sardegna s.p.a.	Direct subsidiary	Credit line	400,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
10	BPER Banca s.p.a.	BPER Factor s.p.a.	Direct subsidiary	Credit line	1,300,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
11	BPER Banca s.p.a.	Banca Carige s.p.a. Banca Monte di Lucca s.p.a.	Direct subsidiary Indirect subsidiary via Banca Carige	Merger by absorption	-	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221

No.	Company that initiated the transaction	Name of the counterparty	Nature of the relationship with the counterparty	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
12	BPER Banca s.p.a.	BPER Factor s.p.a.	Direct subsidiary	Credit line	1,750,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
13	BPER Banca s.p.a.	Banco di Sardegna s.p.a.	Direct subsidiary	Treasury transaction	600,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
14	BPER Banca s.p.a.	Sardaleasing s.p.a.	Direct subsidiary	Credit line	450,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
15	BPER Banca s.p.a.	Banco di Sardegna s.p.a.	Direct subsidiary	Treasury transaction	560,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
16	BPER Banca s.p.a.	Banco di Sardegna s.p.a.	Direct subsidiary	Treasury transaction	560,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221
17	BPER Banca s.p.a.	Banco di Sardegna s.p.a.	Direct subsidiary	Treasury transaction	700,000	Transaction exempt from market disclosure pursuant to art. 14 para. 2 of Regulation 17221

The most relevant transactions also include the transaction concluded by BPER Banca s.p.a. with UnipolSai Assicurazioni s.p.a., Arca Vita s.p.a. regarding the renewal of the Bancassurance agreement relating to the distribution of life and non-life insurance policies of the companies “Arca Vita”, “Arca Assicurazioni” and “Arca International”, as well as of the “healthcare” products of the company UniSalute, as detailed in the Information Document drafted in accordance with the aforementioned CONSOB Regulation no.17221/10.

Pursuant to said regulation, the transaction was approved by BPER Banca’s Board of Directors, based on the prior favourable opinion of the Related Parties Committee on the existence of the company’s interest in concluding said transaction and the convenience and substantive fairness of the relevant terms and conditions. The Committee - which for the activities within its competence, availed itself of the support of independent experts appointed by the latter, both for their legal and strategic-financial profiles - was promptly involved in the negotiations and preliminary phase by receiving a complete and updated flow of information with the right to ask for information and to make observations to the delegated bodies and to those in charge of carrying out the negotiations.

The value of said transaction was estimated at an amount exceeding Euro 1 billion⁷.

Further information is presented in the “Significant events and strategic transactions” section of the Directors' report on Group operations accompanying the consolidated financial statements.

b) other individual transactions with related parties entered into in the reporting period, that have materially impacted the financial position and results of the company

As required by CONSOB Regulation 17221/10 with regard to other transactions with related parties, it is confirmed that no transactions have had a significant effect on the balance sheet or results of the Bank.

c) changes or developments in related-party transactions disclosed in the last Annual report that have had a material effect on the financial position or results of the companies during the period

During the period, there have been no changes or developments in the related-party transactions described in the last annual report that would have an effect on the financial position or results of the Company.

⁷ The total value of fees and commissions deriving from the New Distribution Agreements was calculated by assuming that they have a 5-year term.

4.3 Information on atypical, unusual or non-recurring transactions

In the course of 2022 there were no atypical or unusual transactions, as defined by CONSOB Communication DEM 6064293 dated 28 July 2006.

Where considered significant, the information on the impacts that the non-recurring events or transactions have had on the economic and financial situation of the Bank is provided in the specific sections of the Explanatory Notes.

4.4 Information on the ownership structure - (art. 123-bis of Legislative Decree 58/1998))

The information required by article 123-bis of the Consolidated Law on Finance is detailed in a specific report issued by the Board of Directors ("Report on corporate governance and ownership structure"). This report, pursuant to the aforementioned art.123-bis, paragraph 3, together with the separate financial statements, is made available to the public on the Bank's website www.istituzionale.bper.it in the Governance - Documents section, as well as on the website of the authorised storage system1info storage (www.1info.it).

4.5 Treasury shares in portfolio

Portions of the variable component of remuneration are planned to be paid by free-of-charge assignment of ordinary shares of BPER Banca s.p.a. as part of the 2022-2025 "Long-Term Incentive (LTI) Plan"¹⁸ (formerly "2022-2024 LTI Plan"), the MBO incentive scheme for 2022 and beyond, and any severance payments due. For this reason, on 19 January 2022, an application was submitted to the European Central Bank (ECB) for authorisation to purchase and dispose of treasury shares in service of the above¹⁹.

On 5 November 2022, BPER Shareholders' Meeting approved the amendment to the 2022-2024 Long-Term Incentive (LTI) Plan approved by the Shareholders Meeting of 20 April 2022, whose key changes can be summarised as follows:

- the 4-year extension of the term of the LTI Plan and the associated targets, in line with the 2022-2025 Strategic Plan, keeping the percentage bonus that can be accrued based on each Plan year unchanged;
- the consequent adjustment of the disclosure contained in the Information Document, regarding the maximum number of shares to service the Plan and the relevant costs;
- the renaming of the LTI Plan, according to the elements already outlined, as the "2022-2025 Long-Term Incentive Plan".

Purchases of treasury shares will be carried out within the limits of distributable profits and available reserves, as determined in the financial statements (annual report) most recently approved. The market value of the shares, calculated on the basis of their closing price on the trading day prior to the date of the European Central Bank's authorisation, will be deducted from regulatory capital from the date of the authorisation, irrespective of the shares actually purchased. After submission of the application, the BPER Banca Group obtained authorisation from the ECB to purchase and dispose of treasury shares on 11 April 2022.

In light of the economic-financial results achieved by the Group, stock grants for a total of 1,714,223 BPER Banca s.p.a. shares were approved by BPER Banca's Board of Directors on 10 March 2022 as part of the 2019-2021 LTI Plan. The determination of the short-term variable remuneration referred to 2021 involves the assignment of 678,698 BPER Banca s.p.a. shares.

In the course of the year, treasury shares were also granted free of charge to employees upon their termination of employment, in line with the provisions of the Remuneration Policies.

No quotas or shares in Group companies are held through trust companies or other third parties.

Shares of BPER Banca s.p.a.	Number of shares	Book value
Total as at 31.12.2022	1,714,504	5,671,809
Total as at 31.12.2021	2,176,328	9,546,273

4.6 Application of MiFID

On 3 February 2022, the Italian National Commission for Companies and the Stock Exchange (CONSOB) published the "Notice regarding the revocation of Communications no. 9019104 of 2 March 2009 and no. 0097996 of 22 December 2014", whereby it informed that, given the recent evolution of the European regulations on the provision of investment services and the

¹⁸ In the meeting of the Board of Directors of BPER Banca on 16 June 2022, the duration of the LTI plan was extended from three to four years to comply with the duration of the new Business Plan presented to the market on 10 June.

¹⁹ In -depth discussions with the competent authorities revealed that it is not necessary for BPER Banca to submit a supplementary application to the Supervisory Authority for the extension of the authorisation to purchase treasury shares.

consequent strengthening of investor protection measures, the guidelines provided by the Authority within the scope of Communication no. 9019104 of 2 March 2009 ("The intermediary's duty to behave with fairness and transparency when distributing illiquid financial products") and Communication no. 0097996 of 22 December 2014, ("Communication on the distribution of complex financial products to retail customers") have been withdrawn. In the context of the evolution of current regulations, the revocation was deemed necessary by CONSOB because the guidelines, interpretative/application clarifications and recommendations which it had sent to the intermediaries for the distribution of illiquid and complex financial products to customers, have now been directly or indirectly absorbed by the broader and more complex rules prescribed by the current regulatory framework.

On 28 July 2022, CONSOB also published Resolution no. 22430, which made several amendments to Regulation no. 20307 of 15 February 2018 (the "Intermediaries' Regulation"), concerning:

- the aspects regarding disclosure to customers on the costs and charges of financial instruments and investment services, periodic reports to customers, the suitability assessment and the provisions applicable to qualified counterparties;
- the integration of sustainable finance into the provision of investment services, the distribution of insurance investment products and collective asset management;
- the knowledge and expertise requirements of staff at intermediaries, in order to provide certain instructions on document storage obligations for operators;
- the register and the rules applicable to financial advisors authorised for "out-of-branch" offers.

With specific reference to the inclusion of sustainability in investment decisions, ESMA also clarified, through specific guidelines, the new developments in sustainability envisaged by Commission Delegated Regulation (EU) 2021/1253, which amended Commission Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms. Specifically, the document proposes several integrations for:

- collection of information from customers on their sustainability preferences;
- assessment of sustainability preferences in the context of the suitability assessment;
- integration of sustainability factors into organisational requirements.

To allow for the inclusion of sustainability preferences into the provision of investment services, the BPER Banca Group will launch specific multi-functional project initiatives to achieve compliance with the above regulatory requirements.

In the final quarter of 2022, ESMA published a communication on its website called "Public Statement to investment firms on the impact of inflation in the context of investment services to retail clients", namely a declaration in which the Authority drew operators' attention to the impact of inflation within the context of the provision of investment services to retail clients. In fact, ESMA notes how the increase in inflation has a significant impact on customers and, in particular, on their savings and their investment decisions. This tendency could represent a risk for retail investors, who may not fully understand the impacts of inflation and, in particular, in taking their own investment decisions. For said reason, the Authority reminds companies that provide investment services that they should take inflation and the risk of inflation into consideration when applying the requirements of the MiFID II Directive aimed at protecting retail investors.

On 15 November 2021, following an inspection, the Bank received from CONSOB a letter of convocation of the Chief Executive Officer and the Head of the Compliance function, as well as a technical memorandum containing the areas of attention highlighted by the Supervisory Authorities with reference to the following areas: (i) the procedures defined regarding product governance, also in relation to the application of sales policies; (ii) procedures for assessing the adequacy of customer transactions.

Following receipt of the Technical Memorandum, analyses were launched by the Bank targeted at satisfying the requirements of the Supervisory Authorities and which have been carried out in 2022 as part of a dedicated project.

4.7 Establishment of the VAT Group

The BPER Banca VAT Group has been operational since 1 January 2019 as a VAT payer regulated by the EU legislation introduced into Italian law (Law 232 of 11 December 2016). This taxpayer replaces the individual participants, limited to the scope of application of value added tax, which otherwise retain distinct legal status from a legal, accounting and fiscal standpoint.

Effective from 1 January 2020, the companies Arca Holding s.p.a., Arca Fondi SGR s.p.a. and Finitalia s.p.a. and effective from 1 January 2023 the companies Banca Cesare Ponti s.p.a., Carige Reoco s.p.a., Carige Covered Bond s.p.a. and Commerciale Piccapietra s.r.l. joined the BPER Banca VAT Group. BPER Banca had acquired control over these companies, as defined in art. 2359, para. 1, of the Italian Civil Code during 2019 and 2022. They were able to join the VAT Group because the constraints envisaged in art. 70-bis of D.P.R. 633/1972 were jointly satisfied.

Moreover, the VAT Group has been changed following the mergers by absorption that took place in 2020 and 2021, which resulted in the cessation of the subsidiaries Cassa di Risparmio di Bra and Cassa di Risparmio di Saluzzo and Tholos. In addition, note should be taken of the exit from the VAT Group of the company Numera s.p.a. effective from 1 January 2023, the control over which was lost, pursuant to article 2359 of the Italian Civil Code, following the extraordinary transaction completed with the Nexi Group. The option is valid for three years; on expiry, it is automatically renewed from year to year, unless revoked.

5. Remuneration of the Board of Directors

We bring to your attention the topic of the determination of the amount of Directors' emoluments, as provided for by art. 11 of the Articles of Association.

The Shareholders' Meeting held on 20 April 2022 established that the amount of fees payable to Directors, in accordance with art. 11 of the Articles of Association, for the financial years 2022 and 2023 was a total of Euro 1,700 thousand and that this amount was for the payment of emoluments of the members of the Board of Directors as well as additional emoluments payable to the other internal Committees. The shareholders' meeting also established attendance fees of Euro 500 for the Directors, based on their participation in the meetings of the Board of Directors. Excluded were additional emoluments payable to Directors appointed to particular positions in compliance with the Articles of Association (specifically Chair, Deputy Chair and Chief Executive Officer); pursuant to art. 11 of the Articles of Association, this remuneration is established, in fact, by the Board of Directors, on the proposal of the Remuneration Committee and after hearing the opinion of the Board of Statutory Auditors. The total amount of fees, determined as indicated and charged to the income statement of the year on an accrual basis, in compliance with IAS 19 under "Staff costs – Directors and Statutory Auditors", was Euro 1,626.9 thousand (Euro 1,623.7 thousand at 31 December 2021), below the set limit of Euro 1,700 thousand. In detail, this amount includes the fees due to members of the Board of Directors of Euro 1,113.3 thousand (1,118.2 thousand at 31 December 2021), the fees for participation in various Internal Committees set up to meet the obligations of Corporate Governance of Euro 513.6 thousand (Euro 505.5 thousand at 31 December 2021).

In addition to these amounts, there were also attendance fees for Directors taking part in meetings of the Board of Directors of Euro 216 thousand (Euro 177.7 thousand at 31 December 2021), additional emoluments payable to the Chair and Deputy Chair of Euro 365 thousand (the same as at 31 December 2021) and to the Chief Executive Officer of Euro 1,200 thousand (Euro 1,033.3 thousand at 31 December 2021).

The total amount is therefore Euro 3,407.9 thousand, compared with Euro 3,199.7 thousand for 2021.

6. Proposal for the allocation of profit for the year

Having completed our presentation of the results of operations and the various events that took place in the year just ended, we now submit to you the proposed allocation of profit, Euro 1,293,880,150.98, which follows the criteria of prudence and attention to the strengthening of capital, in line with the guidance provided by the Supervisory Authorities. The proposed allocation of profit envisages the preliminary allocation, pursuant to art. 42 (paragraph 2) of the Articles of Association, of Euro 5,800,437.70, to the non-allocatable reserve under Legislative Decree 38/2005 (art. 6, paragraph 1.a) for unrealised gains, net of the related tax effects.

Accordingly, there is a residual balance of Euro 1,288,079,713.28 to be allocated, comprising an allocation of Euro 64,403,985.66 to the legal reserve in line with the minimum requirements of law (5%).

Taking account of the capital adequacy of the Parent Company and the Group, in accordance with parameters established by prudential supervision regulations and decisions made by the European Central Bank, we submit to you the proposed payment of a dividend of Euro 0.120 for each of the 1,415,850,518 shares representing the share capital, excluding those held in portfolio at the ex-dividend date (there were 1,714,504 at 31 December 2022). The total amount allocated for dividends therefore comes to Euro 169,902,062.16, i.e. 13.13% of the profit for the year.

The residual amount of profits, equal to Euro 1,053,773,665.46, is allocated to the extraordinary reserve.

On the basis of the foregoing, the share of profit for the year to be allocated to equity, net of the portion to be distributed to the shareholders, amounts to Euro 1,123,978,088.82.

Trusting that you will grant your consent, we therefore present in accordance with the Articles of Association the following proposed allocation of the profit for the year:

	(in Euro)	
Profit for the year	Euro	1,293,880,150.98
Preliminary allocation (art. 42, paragraph 2, of the Articles of Association):		
- to the non-allocatable reserve - art. 6, para. 1, letter A of Legislative Decree 38/05	Euro	5,800,437.70
Residual profit to be distributed	Euro	1,288,079,713.28
- to the legal reserve (5%)	Euro	64,403,985.66
- to the extraordinary reserve	Euro	1,053,773,665.46
- to the Shareholders as a dividend of Euro 0.120 for the 1,415,850,518 shares making up the share capital	Euro	169,902,062.16

According to Borsa Italiana s.p.a.'s calendar, the dividend will be paid as of 24 May 2023 (payment date), with date of detachment of coupon (ex-date) on Monday, 22 May 2023 and date of entitlement to payment under art. 83-terdecies of the Consolidated Law on Finance (record date) on Tuesday, 23 May 2023.

It is important to note that the dividend is subject to withholding tax or forms part of taxable income to a varying extent depending on the status of the recipients. It should be noted that pursuant to the Ministerial Decree of 26 May 2017, for taxation purposes, the dividend is to be considered made up of profits generated between 1 January 2008 and 31 December 2016.

7. Outlook for operations

Economic activity in the euro area, still affected by high inflation and geo-political tensions due to the war in Ukraine, remained broadly stable in the fourth quarter compared to the prior period.

Inflationary pressures still remained high, albeit declining since November.

The energy component, although decelerating, continued to pass through to the prices of other goods and services.

Economic projections continue to be surrounded by high uncertainty, stemming above all from the ongoing conflict in Ukraine.

The most recent economic indicators for the euro area point to a slowdown in GDP growth in 2023, due to a weaker global business cycle and the continuation of sustained price dynamics, with growth expected to strengthen again in the following two years.

With regard to the economic activity in Italy, after an increase by almost 4% in 2022, Italian GDP growth, based on the Bank of Italy's latest projections²⁰, is expected to weaken to 0.6% in 2023, under a baseline scenario assuming that the war-induced tensions will continue in the first months of 2023, before gradually subsiding over time.

Growth is projected to strengthen again in the following two years due to increased exports and domestic demand.

At the same time, inflation, which rose to almost 9% in 2022, is expected to fall linearly in 2023 and continue its downward trajectory, settling at 2.0% by 2025. Against this backdrop, our Group's profitability will continue to be underpinned by the resilience of net commissions, actions to offset inflationary pressure on costs, and growing revenues that will still benefit from higher interest rates despite the worsening conditions of ECB funding in the form of TLTROs.

On the cost side, efforts to improve efficiency and rationalise spending will continue, with a view to mitigating the impacts of the spike in inflation and offsetting the cost of the investments earmarked in the new Business Plan.

Derisking will likewise continue, with the expected disposal of two UTP loan portfolios. Maintaining resilient coverage levels and a conservative provisioning approach will continue to be a key feature of our credit quality. Nonetheless, the capital position is expected to remain robust.

Modena, 9 March 2023

The Board of Directors
The Chair
Flavia Mazzarella

²⁰ Bank of Italy – Economic Bulletin no. 1, 20 January 2023.

Financial statements

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Balance sheet as at 31 December 2022

		(in Euro)	
Assets	31.12.2022	31.12.2021	
10. Cash and cash equivalents	14,279,707,315	1,338,507,305	
20. Financial assets measured at fair value through profit or loss	1,262,885,550	956,910,545	
a) financial assets held for trading	737,978,464	346,278,608	
b) financial assets designated at fair value	2,381,110	125,098,096	
c) other financial assets mandatorily measured at fair value	522,525,976	485,533,841	
30. Financial assets measured at fair value through other comprehensive income	7,727,554,084	6,424,260,753	
40. Financial assets measured at amortised cost	106,115,203,457	112,582,971,474	
a) loans to banks	12,707,408,963	30,015,877,140	
b) loans to customers	93,407,794,494	82,567,094,334	
50. Hedging derivatives	1,808,027,716	178,107,687	
70. Equity investments	2,174,728,306	2,006,573,800	
80. Property, plant and equipment	1,882,311,424	1,356,460,525	
90. Intangible assets	349,522,220	239,545,876	
100. Tax assets	2,624,102,773	1,473,022,219	
a) current	550,442,780	387,987,782	
b) deferred	2,073,659,993	1,085,034,437	
110. Non-current assets and disposal groups classified as held for sale	940,312,734	4,898,001	
120. Other assets	3,714,213,437	880,467,084	
Total assets	142,878,569,016	127,441,725,269	

		(in Euro)	
Liabilities and shareholders' equity	31.12.2022	31.12.2021	
10. Financial liabilities measured at amortised cost	128,217,775,477	117,296,407,108	
a) due to banks	26,792,583,363	28,355,382,758	
b) due to customers	94,718,823,868	84,129,451,892	
c) debt securities issued	6,706,368,246	4,811,572,458	
20. Financial liabilities held for trading	500,555,397	132,079,449	
30. Financial liabilities designated at fair value	782,911,608	-	
40. Hedging derivatives	498,563,387	241,369,571	
50. Change in value of macro-hedged financial liabilities (+/-)	(281,292,022)	-	
60. Tax liabilities	39,326,066	37,811,425	
a) current	-	1,955,242	
b) deferred	39,326,066	35,856,183	
70. Liabilities associated with assets classified as held for sale	1,218,693,234	-	
80. Other liabilities	3,139,102,812	2,475,348,693	
90. Employee termination indemnities	152,928,804	174,109,611	
100. Provisions for risks and charges	1,101,531,261	671,816,779	
a) commitments and guarantees granted	132,147,596	81,380,577	
b) pension and similar obligations	115,166,014	139,744,113	
c) other provisions for risks and charges	854,217,651	450,692,089	
110. Valuation reserves	(136,557,032)	(11,327,095)	
130. Equity instruments	150,000,000	150,000,000	
140. Reserves	2,865,229,865	2,375,590,004	
150. Share premium reserve	1,237,276,126	1,240,427,621	
160. Share capital	2,104,315,691	2,100,435,182	
170. Treasury shares (-)	(5,671,809)	(9,546,273)	
180. Profit (Loss) for the year (+/-)	1,293,880,151	567,203,194	
Total liabilities and shareholders' equity	142,878,569,016	127,441,725,269	

Income Statement as at 31 December 2022

Captions	(in Euro)	
	31.12.2022	31.12.2021
10. Interest and similar income	1,855,697,087	1,425,207,258
of which: interest income calculated using the effective interest method	1,787,120,215	1,415,690,835
20. Interest and similar expense	(446,639,556)	(257,917,775)
30. Net interest income	1,409,057,531	1,167,289,483
40. Commission income	1,650,684,209	1,352,547,978
50. Commission expense	(116,741,309)	(92,624,964)
60. Net commission income	1,533,942,900	1,259,923,014
70. Dividends and similar income	56,611,693	60,200,631
80. Net income from trading activities	75,539,137	65,618,862
90. Net income from hedging activities	(1,284,631)	(2,254,670)
100. Gains (Losses) on disposal or repurchase of:	72,153,164	81,371,616
a) financial assets measured at amortised cost	62,138,532	66,441,300
b) financial assets measured at fair value through other comprehensive income	3,181,607	15,397,537
c) financial liabilities	6,833,025	(467,221)
110. Net income on other financial assets and liabilities measured at fair value through profit or loss:	18,837,658	29,423,542
a) financial assets and liabilities designated at fair value	61,592,112	1,576,392
b) other financial assets mandatorily measured at fair value	(42,754,454)	27,847,150
120. Net interest and other banking income	3,164,857,452	2,661,572,478
130. Net impairment losses for credit risk relating to:	(455,924,801)	(641,890,106)
a) financial assets measured at amortised cost	(455,507,053)	(643,997,282)
b) financial assets measured at fair value through other comprehensive income	(417,748)	2,107,176
140. Gains (Losses) from contractual modifications without derecognition	(28,911)	(2,161,851)
150. Net income from financial activities	2,708,903,740	2,017,520,521
160. Administrative expenses:	(2,655,738,734)	(2,131,469,219)
a) staff costs	(1,435,212,045)	(1,258,750,709)
b) other administrative expenses	(1,220,526,689)	(872,718,510)
170. Net provisions for risks and charges	(111,572,324)	(52,469,419)
a) commitments and guarantees granted	(36,236,179)	(14,638,364)
b) other net provisions	(75,336,145)	(37,831,055)
180. Net adjustments to property, plant and equipment	(131,586,494)	(147,775,853)
190. Net adjustments to intangible assets	(73,289,850)	(106,275,022)
200. Other operating expense/income	520,111,494	243,547,464
210. Operating costs	(2,452,075,908)	(2,194,442,049)
220. Gains (losses) of equity investments	(28,065,551)	(5,004,470)
Valuation differences on property, plant and equipment and intangible assets measured at fair value	(20,012,087)	(24,370,418)
240. Impairment losses on goodwill	-	(230,366,046)
245. Gain on a bargain purchase	948,123,149	1,127,846,548
250. Gains (losses) on disposal of investments	2,675,758	532,562
260. Profit (Loss) from current operations before tax	1,159,549,101	691,716,648
270. Income taxes on current operations for the year	134,331,050	(124,513,454)
280. Profit (Loss) from current operations after tax	1,293,880,151	567,203,194
300. Profit (Loss) for the year	1,293,880,151	567,203,194

	Earnings per share (Euro)	
	31.12.2022	31.12.2021
Basic EPS	0.916	0.402
Diluted EPS	0.891	0.392

Statement of other comprehensive income

	(in Euro)	
	31.12.2022	31.12.2021
10. Profit (loss) for the year	1,293,880,151	567,203,194
Other comprehensive income, after tax, that will not be reclassified to profit or loss	112,392,282	76,742,851
20. Equity instruments measured at fair value through other comprehensive income	57,612,982	38,114,002
30. Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)	3,294,667	-
40. Hedge of equity instruments measured at fair value through other comprehensive income:	57,180	85,818
50. Property, plant and equipment	10,260,569	41,110,708
70. Defined benefit plans	41,166,884	(2,567,677)
Other comprehensive income, after tax, that may be reclassified to profit or loss	(209,491,243)	(33,270,472)
120. Cash flow hedges	(9,867,723)	314,187
140. Financial assets (no equity instruments) measured at fair value through other comprehensive income	(199,623,520)	(33,584,659)
170. Total other comprehensive income after tax	(97,098,961)	43,472,379
180. Total other comprehensive income (Captions 10+170)	1,196,781,190	610,675,573

Statement of changes in shareholders' equity

	Balance as at 31.12.21	Changes in opening balances	Allocation of prior year results					Changes during the year					Shareholders' equity as at 31.12.22	
			Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity			Other comprehensive income as at 31.12.22					
						Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends						
										Changes in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:	2,100,435	-	2,100,435	-	-	-	3,881	-	-	-	-	2,104,316		
a) ordinary shares	2,100,435	-	2,100,435	-	-	-	3,881	-	-	-	-	2,104,316		
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-		
Share premium reserve	1,240,428	-	1,240,428	-	-	-	(3,152)	-	-	-	-	1,237,276		
Reserves:	2,375,590	-	2,375,590	482,536	-	5,936	1,168	-	-	-	-	2,865,230		
a) from profits	1,893,124	-	1,893,124	482,536	-	(10,339)	-	-	-	-	-	2,365,321		
b) other	482,466	-	482,466	-	-	16,275	1,168	-	-	-	-	499,909		
Valuation reserves	(11,327)	-	(11,327)	-	-	(28,132)	-	-	-	-	(97,098)	(136,557)		
Equity instruments	150,000	-	150,000	-	-	-	-	-	-	-	-	150,000		
Treasury shares	(9,546)	-	(9,546)	-	-	-	5,315	(1,441)	-	-	-	(5,672)		
Profit (Loss) for the year	567,203	-	567,203	(482,536)	(84,667)	-	-	-	-	-	1,293,880	1,293,880		
Shareholders' equity	6,412,783	-	6,412,783	-	(84,667)	(22,196)	7,212	(1,441)	-	-	1,196,782	7,508,473		
	Balance as at 31.12.20	Changes in opening balances	Balance as at 1.1.20	Allocation of prior year results	Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity				Shareholders' equity as at 31.12.21		
								Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Other comprehensive income as at 31.12.21
Share capital:	2,100,435	-	2,100,435	-	-	-	-	-	-	-	-	-	-	2,100,435
a) ordinary shares	2,100,435	-	2,100,435	-	-	-	-	-	-	-	-	-	-	2,100,435
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	1,241,197	-	1,241,197	-	-	-	(769)	-	-	-	-	-	-	1,240,428
Reserves:	2,342,238	-	2,342,238	81,041	-	(47,689)	-	-	-	-	-	-	-	2,375,590
a) from profits	1,860,213	-	1,860,213	81,041	-	(48,130)	-	-	-	-	-	-	-	1,893,124
b) other	482,025	-	482,025	-	-	441	-	-	-	-	-	-	-	482,466
Valuation reserves	(54,799)	-	(54,799)	-	-	-	-	-	-	-	-	-	(11,327)	43,472
Equity instruments	150,000	-	150,000	-	-	-	-	-	-	-	-	-	-	150,000
Treasury shares	(7,253)	-	(7,253)	-	-	-	1,130	(3,423)	-	-	-	-	-	(9,546)
Profit (Loss) for the year	137,554	-	137,554	(81,041)	(56,513)	-	-	-	-	-	-	-	-	567,203
Shareholders' equity	5,909,372	-	5,909,372	-	(56,513)	(47,689)	361	(3,423)	-	-	-	-	-	6,412,783

Statement of cash flows as at 31 December 2022

Indirect method

	(in thousands)	
A. OPERATING ACTIVITIES	31.12.2022	31.12.2021
1. Operations	1,469,386	1,008,723
- profit (loss) for the year (+/-)	1,293,880	567,203
- gains/losses from financial assets held for trading and financial assets/liabilities measured at fair value through profit and loss (-/+)	5,148	(66,957)
- Gains (Losses) from hedging activities (-/+)	1,285	2,256
- Net impairment losses for credit risk (+/-)	566,604	940,436
- net impairment losses/write-backs to property, plant and equipment and intangible assets (+/-)	224,888	278,422
- net provisions for risks and charges and other expense/income (+/-)	276,729	227,971
- unsettled taxes (+/-)	14,141	182,238
- other adjustments (+/-)	(913,289)	(1,122,846)
2. Cash generated/absorbed by financial assets	18,362,626	(9,378,313)
- financial assets held for trading	(389,162)	116,093
- financial assets designated at fair value	122,378	(152)
- other financial assets mandatorily measured at fair value	24,456	73,985
- financial assets at fair value through other comprehensive income	1,018,488	(445,841)
- financial assets measured at amortised cost	19,788,582	(11,792,146)
- other assets	(2,202,116)	2,669,748
3. Cash generated/absorbed by financial liabilities	(6,831,981)	9,703,254
- financial liabilities measured at amortised cost	(7,759,924)	9,269,245
- financial liabilities held for trading	324,148	(52,787)
- financial liabilities designated at fair value	866,062	-
- other liabilities	(262,267)	486,796
Net cash generated/absorbed by operating activities	13,000,031	1,333,664
B. INVESTMENT ACTIVITIES	31.12.2022	31.12.2021
1. Cash generated by:	62,855	56,026
- disposal of equity investments	-	-
- dividends collected on equity investments	34,780	40,229
- disposal of property, plant and equipment	28,075	15,797
2. Cash absorbed by:	(42,550)	(719,679)
- purchase of equity investments	(179,091)	(3,286)
- purchase of property, plant and equipment	(149,031)	(102,242)
- purchase of intangible assets	(165,520)	(93,809)
- purchase of business branches	451,092	(520,342)
Net cash generated/absorbed by investment activities	20,305	(663,653)

C. FUNDING ACTIVITIES	31.12.2022	31.12.2021
- issue/purchase of treasury shares	5,771	(3,062)
- distribution of dividends and other scopes	(84,667)	(56,513)
Net cash generated/absorbed by funding activities	(78,896)	(59,575)
Net cash generated/absorbed in the year	12,941,440	610,436

Key: (+) generated (-) absorbed

Reconciliation

Captions	31.12.2022	31.12.2021
Cash and cash equivalents at the beginning of the year	1,338,507	728,420
Total net cash generated/absorbed in the year	12,941,440	610,436
Cash and cash equivalents: effect of change in exchange rates	(240)	(349)
Cash and cash equivalents at the end of the year	14,279,707	1,338,507

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Explanatory notes

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Explanatory notes

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Key to abbreviations in tables:

FV: Fair value

FV* = fair value calculated excluding value adjustments due to changes in the creditworthiness of the issuer since the issue date.

NV: Nominal or notional value

BV: Book value

L1: Fair value hierarchy – Level 1

L2: Fair value hierarchy – Level 2

L3: Fair value hierarchy – Level 3

X: not applicable

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Part A – Accounting policies

A.1 – General information

Section 1 - Declaration of compliance with international financial accounting standards

The consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Commission, as provided by EU Regulation no. 1606 dated 19 July 2002, and currently in force, including the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

Reference was also made, where necessary, to the "Conceptual Framework for Financial Reporting" and to the documents prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).

In the absence of a standard or interpretation specifically applicable to a particular transaction, the Parent Company makes use of the professional opinion of its own staff, in particular the Administration and Reporting Department, to develop a rule for accounting recognition that makes it possible to provide reliable financial information and to ensure that the financial statements give a true and fair view of the financial position, result of operations and cash flows of the Bank, reflecting the economic substance of the transaction and its key aspects.

In formulating these accounting rules, reference is made as far as possible to International Accounting Standards and interpretations dealing with similar or comparable matters.

As part of its guidance and coordination activity, the Bank requires the other Group Banks and Companies to apply the Group's own accounting recognition rules, in the right circumstances.

As required by IAS 8, the following table shows the new international accounting standards or amendments to standards already in force, with the related Approval Regulations, whose application is mandatory from 2022.

EC Approval Regulation	Title	In force from years beginning
1080/2021	Commission Regulation (EU) no. 2021/1080 of 28 June 2021, amending Regulation (EC) no. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 16, 37 and 41 and International Financial Reporting Standards (IFRS) 1, 3 and 9, was published in the Official Journal of the European Union on 2 July 2021 (L 234).	1 January 2022

The following table shows the new international accounting standards or amendments to standards already in force, whose application is mandatory from 1 January 2023 or later date.

EC Approval Regulation	Title	In force from years beginning
2036/2021	Commission Regulation (EU) no. 2021/2036 of 19 November 2021 adopting IFRS17 Insurance Contracts was published in the Official Journal of the European Union L 416 on 23 November 2021. The Regulation gives companies the possibility not to apply the requirement laid down in paragraph 22 of the principle (i.e. grouping into annual cohorts) to contracts characterised by intergenerationally-mutualised and cash flow matched contracts.	1 January 2023
357/2022	Commission Regulation (EU) no. 2022/357 of 2 March 2022, adopting amendments to IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting policies, changes in accounting estimates and errors, was published in the Official Journal of the European Union L 68 on 3 March 2022. The amendments clarify the differences between accounting policies and accounting estimates in order to ensure consistent application of accounting policies and comparability of financial statements.	1 January 2023
1392/2022	Commission Regulation (EU) no. 2022/1392 of 11 August 2022 adopting IAS 12 Income Taxes was published in the Official Journal of the European Union L 211 on 12 August 2022. These amendments specify how companies must account for deferred tax liabilities on operations such as leasing and disposal obligations and seek to reduce the diversity in recognising deferred tax assets and liabilities on leasing and disposal obligations in the financial statements.	1 January 2023
1491/2022	Commission Regulation (EU) no. 2022/1491 of 08 September 2022 adopting IFRS 17 Insurance Contracts was published in the Official Journal of the European Union L 234 on 09 September 2022. The amendment to the transitional provisions of IFRS 17 allows companies to overcome the one-off classification differences of comparative information from the previous financial year upon first-time application of IFRS 17 and IFRS 9 Financial Instruments.	1 January 2023

The Bank has not availed itself of the option of early application of the Regulations in force from 1 January 2023, given that these amendments are not expected to have significant impacts on the Bank's balance sheet and income statement.

The 2004/109/EC Directive (the "Transparency" Directive) and Delegated Regulation (EU) 2019/815 (Regulation ESEF) introduced the obligation for issuers of securities listed on regulated markets of the European union to prepare their annual financial reports in XHTML language, based on the ESEF (European Single Electronic Format), approved by ESMA.

On 30 December 2022, Commission Delegated Regulation (EU) 2022/2553 of 21 September 2022 was published in the Official Journal of the European Union, amending the regulatory technical standards laid down in Delegated Regulation (EU) 2019/815 as regards the 2022 update of the taxonomy for the single electronic reporting format. The entry into force was set as 1 January 2023.

The documents for which, at the date of these financial statements, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of said amendments, are reported below.

- On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and on 31 October 2022 published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants". The documents aim to clarify how to classify debt and other short and long-term liabilities.
- On 22 September 2022, the IASB published an amendment called "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires a seller-lessee to measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The directors do not expect the adoption of these amendments to have a significant impact on the Group's financial statements.

Section 2 - Basis of preparation

In terms of the schedules presented and its technical form, these financial statements have been prepared on the basis of the Bank of Italy's Circular no. 262/2005, as amended (most recently by the 7th amendment dated 29 October 2021, effective for annual reporting periods beginning on or after 31 December 2021) – issued in implementation of art. 9 of Legislative Decree 38/2005 – and the additional instructions provided in separate communications not yet incorporated into the main document²¹.

During preparation, account has been taken of the interpretative and support documents for the application of the accounting standards in relation to the impacts of Covid-19, issued by the Italian and European regulatory and supervisory bodies and by the standard setters, to the extent applicable²². In particular, the most recent ones provided guidelines for better management of “Uncertainties in the use of accounting estimates”, better highlighted in the next paragraph dedicated to the topic.

Where not already included in these documents mentioned above, Italian laws on the financial statements of companies²³ and the Italian Civil Code have been taken into consideration.

The Financial Statements consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flow and the Explanatory Notes. They are accompanied by the Directors' Report on Operations.

The currency used in the financial statements is the Euro. Figures are expressed in thousands of Euro²⁴.

The general criteria underlying the preparation of the financial statements are presented below:

- **Going Concern**²⁵: assets, liabilities and off-balance sheet transactions are measured in the context of continuity over time.
- **Accrual Basis of Accounting**: costs and revenues are recognised on the accrual basis, regardless of when they are settled.
- **Materiality and Aggregation**: each material class of similar items is presented separately in the financial statements. Items that are dissimilar in terms of their nature or use are only aggregated if they are individually immaterial.
- **Offsetting**: assets and liabilities, income and expenses are not offset unless required or permitted by a standard or an interpretation, or by the Bank of Italy's regulations for the preparation of financial statements.
- **Frequency of disclosures**: information must be prepared annually or more frequently; if an entity changes its accounting reference date, the reason must be indicated together with the fact that the information provided is not comparable.
- **Comparative Information**: comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements, unless required otherwise by a standard or an interpretation.
- **Consistency of Presentation**: the presentation and classification of items is maintained over time to ensure that information is comparable, unless specified otherwise in new accounting standards or their interpretations, or unless a change is required to improve the meaningfulness and reliability of the amounts reported. The nature of changes in account presentation or classification is described, together with the related reasons; where possible, the new criterion is applied on a retroactive basis.

Uncertainties in the use of estimates

The preparation of the financial statements requires recourse to estimates and assumptions that may affect the amounts recorded in the balance sheet and the income statement, as well as the information about contingent assets and liabilities. The development of such estimates involves the use of available information and the adoption of subjective assessments, partly based on historical experience, in order to make reasonable assumptions for the recognition of operating events. By their nature, the estimates and assumptions used may change from period to period and, accordingly, it may be that the actual amounts recorded in the financial statements in subsequent periods are significantly different as a consequence of changes in the

²¹ These include the indications contained in communication no. 1817260/21 of 22/12/2021 (repealing previous communication of 15 December 2020) with provisions concerning the impacts of Covid-19 and the measures to support the economy and amendments to IAS/IFRS.

²² Amongst others, the following are worth mentioning: the communication from the EBA of 25 March 2020 “Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid 19 measures”, the communication of ESMA of 25 March 2020 “Public Statement. Accounting implications of the Covid 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9”, the document of the IFRS Foundation of 27 March 2020 “IFRS 9 and Covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic”, the letter from the ECB dated 1 April 2020 “IFRS 9 in the context of the coronavirus (Covid 19) pandemic” addressed to all significant institutions, the EBA guidelines of 2 April 2020 “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid19 crisis”, the communication of ESMA of 20 May 2020 “Implications of the Covid-19 outbreak on interim financial reports”, the EBA guidelines of 2 June 2020 “Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid 19 crisis”, the EBA guidelines of 2 December 2020 “Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid 19 crisis”, the letter from the ECB dated 4 December 2020 “Identification and measurement of credit risk in the context of the coronavirus (Covid 19) pandemic” addressed to all significant institutions, CONSOB warning notice no. 1/21 of 16/02/2021 - Covid 19 - measures to support the economy, the ESMA public statement of 13 May 2022 “Implications of Russia's invasion of Ukraine on half-yearly financial reports”, ESMA public statement of 29 October 2021 “European Common Enforcement Priorities for 2021 Annual Financial Reports” and ESMA public statement of 28 October 2022 “European Common Enforcement Priorities for 2022 Annual Financial Reports”.

²³ In particular, Legislative Decree 136 of 18 August 2015 - Implementation of Directive 2013/34 / EU relating to financial statements, consolidated financial statements and related reports of certain types of companies, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Directives 78/660/EEC and 83/349/EEC, for the part relating to the annual accounts and consolidated accounts of banks and other financial institutions, as well as the publication of the accounting documents of branches, established in a Member State, of credit institutions and financial institutions with registered offices outside that Member State, which repeals and replaces Legislative Decree 87 of 27 January 1992.

²⁴ As regards roundings, reference has been made to the instructions given in Bank of Italy's Circular 262/2005 and subsequent updates, entering the amount due to rounding in “Other assets/other liabilities” in the balance sheet and “Other operating expense/income” in the income statement.

²⁵ Please refer to the paragraph below, dedicated to the going concern principle, for more information on the assessment conducted.

subjective assessments made.

The principal situations in which management is required to make subjective assessments include:

- quantification of the losses arising from the impairment of loans and, in general, other financial assets;
- determination of the fair value of financial instruments, in particular, the use of measurement models to determine the fair value of financial instruments that are not listed in active markets and those that are not routinely measured at fair value;
- the determination of the fair value of owned properties;
- quantification of the provisions for employee benefits and the provisions for risks and charges;
- estimates and assumptions about the recoverability of deferred tax assets;
- measurement of other intangible assets.

In relation to the “reasonableness and sustainability” of the information used for the accounting estimates, certain valuation areas were impacted in particular by: the Covid-19 pandemic, the war between Russia and Ukraine, the awareness acquired of climate risk and the relevant containment measures implemented at international level, the associated consequences on the macroeconomic context, already affected by the rapid rise in inflation (driven by the “cost of energy”) and the sudden rise in market interest rates. In relation to said areas, reference should also be made to the information better detailed in “Section 4 – Other aspects” of Part A of the Notes to the Financial Statements”.

With reference *inter alia* to the IASB document dated 27 March 2020²⁶, the usual measurement models adopted by the BPER Banca Group (in particular, the models used to estimate the ECL and determine the Significant Increase in Credit Risk (SICR) within the framework of IFRS 9 impairment) cannot be applied “mechanically” in highly exceptional situations, i.e. when the related input information needed does not satisfy the “reasonable and supportable” requirements. Given that this situation persisted in 2022, due to the uncertainty caused by the afore-mentioned events, the balance sheet valuations as at 31 December 2022 were carried out using alternative approaches (also known as the “Overlay approach”) as long as they also comply with the relevant IAS/IFRS.

Going concern²⁷

In preparing the financial statements for the year ended 31 December 2022, the Directors considered the going-concern assumption to be appropriate because they did not find any uncertainties related to events or circumstances that, individually or collectively, could give rise to doubts about the going concern. This assessment took account of the capitalisation of the Bank, which has significant buffer capital with respect to the minimum requirement established by the European Central Bank for 2022, as well as the liquidity position and related buffer with respect to the regulatory threshold, and the likely outlook for operations despite the uncertainties linked to the current macroeconomic context.

Inspections and audits

Directors believe that the observations arising from the various inspection areas to which the Bank is subject will not have a significant impact on the income, balance sheet and cash flows of the Bank. Nevertheless, in all cases, suitable action plans are prepared by the Group in order to ensure a timely response to the recommendations made by the Supervisory Authorities²⁸.

Section 3 - Events after the reporting period

These separate financial statements were approved on 9 March 2023 pursuant to IAS 10 by BPER Banca's Board of Directors, which authorised their publication.

Information about the events that took place after the reporting date of these Financial Statements is presented and described in the section of the Directors' Report on Operations entitled "Outlook for operations". These events did not affect the financial statements for the purposes of IAS 10.

²⁶ IASB 27 March 2020: “IFRS 9 and Covid-19 – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of the current uncertainty resulting from the Covid-19 pandemic”.

²⁷ As required by document no. 2 issued with joint signature by the Bank of Italy, Consob and ISVAP (now IVASS) on 6 February 2009.

²⁸ For the update of events occurred in 2022 in relation to the inspection areas in which the BPER Banca Group is involved, please refer to paragraph 8.5 - “Inspections and audits” of the Directors' Report on Group Operations.

Section 4 – Other aspects

Risks, uncertainties and impacts from: remaining restrictions linked to the Covid-19 pandemic, Russia-Ukraine war, climate risk, macroeconomic context

As already outlined in the comments of the Report on Operations²⁹, the general and sectoral macroeconomic framework is still affected by significant uncertainty brought about by the evolution of the Covid-19 pandemic and the remaining containment measures (hoped to be in its final phase), as well as by the Russia-Ukraine conflict and consequent international sanctions, and the awareness acquired at international level of climate risk and the associated measures to tackle it. It is, moreover, affected by a rapid rise in inflation (driven by the “cost of energy”) and the sudden rise in market interest rates. Said elevated uncertainty prompts banks to continuously control and monitor, in particular, credit risk and the related balance sheet assessments.

In this regard, even in 2022 the Bank carried out dedicated analyses, aimed at identifying the best methods of intervention on the credit risk measurement and forecasting systems, later aligning them with the prevailing context and trying to avoid being excessively pro-cyclical in the definition of collective provisions, as indicated by the Regulators (among others especially ESMA and the ECB).

The Bank had already implemented the various instructions issued by the Italian government (including the suspension of loan instalment payments - the “Covid-19 moratoria”), affirming its commitment to supporting business and retail customers, not least with its own dedicated initiatives, while at the same time identifying the best methods of recognition and presentation of these measures in the financial statements, in accordance with its accounting policies and instructions from the Regulators.

Summarised below are the criteria for the recognition, classification, measurement and derecognition of “Financial assets measured at amortised cost”, represented by loans disbursed, adopted for the preparation of the financial statements as at 31 December 2022, to which reference was made to address the uncertainty arising from the foregoing factors. An explanation is also provided of the method of application of the Overlay approach, already introduced in the previous paragraph “Uncertainties in the use of estimates” in Section 2.

For the other methods used in the recognition, classification, measurement and derecognition of income statement items, please refer to Part A.2 of the Explanatory Notes. In fact, the Bank did not feel the need for further interventions on the valuation methods for the items in the financial statements regulated, in particular, by IFRS 16 (also based on what is discussed below in relation to the contractual modifications), by IAS 19, IAS 28, IAS 36, IFRS 2 and by IFRS 5, deeming the effects deriving from the above-mentioned uncertainties of the context to be immaterial.

Contractual modifications resulting from Covid-19

1) Contractual modifications and accounting derecognition (IFRS 9)

The accounting treatment adopted by the Bank for contractual modifications made to financial assets already recognised in the financial statements generally requires reflection of the amendments made to exposures known to be in financial difficulty (classified as forbore exposures) in the value of the loan, with an impact on income statement caption 140. “Gains (Losses) from contractual modifications without derecognition” (“modification accounting”).

As stated by the EBA in the “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis” dated 4 April 2020, moratoria granted to customers pursuant to the law and sector agreements (ABI agreements), are not considered indicators of financial difficulty for the purpose of classifying the individual positions concerned as forbore exposures (with consequent inclusion in Stage 2).

More specifically, as regards implementation of the EBA’s guidelines on moratoria in the light of the Covid-19 crisis, the Group has regulated internally, with appropriate circular letters, the methods of analysing counterparties requesting a moratorium or its renewal, with timely updates of EBA’s publications, which took place in April, September and December 2020.

Consequently, the processes needed for case-by-case identification of forbearance measures, suspended only for the legislative and sector-wide moratoria between March and September 2020, were then reinstated and kept in place in 2021 and in 2022.

In line with the assessments already carried out on previous moratorium extensions, new moratoria until December 2022 were considered for potential classification as forbearance measures. An analysis of exposures was carried out by sector, and hence by rating, based on the sectors that had already been identified as vulnerable as they were more heavily exposed to the pandemic.

In application of the BPER Banca Group policy, Covid-19 moratoria that do not qualify as forbearance measures have not been recognised in accordance with modification accounting.

²⁹ Please refer to Chapter 7 - “Main risks and uncertainties” of the Directors’ Consolidated Report on operations.

2) Amendment of IFRS 16

The amendment to IFRS 16 concerning contractual modifications of rent concessions made to take into account the situation caused by the Covid-19 pandemic, extended until 30 June 2022, did not have significant effects on the BPER Banca Group, as it did not make any Covid-related rent concessions.

Accounting estimates - Overlay approach applied in credit risk assessment

1) Assessment of a significant increase in credit risk (SICR)

The Bank made some 'expert' Stage 2 classifications in relation to direct exposures to parties that are in different ways affected by the ongoing conflict between Russia and Ukraine and related sanctions imposed at international level.

The adjustments to the SICR model adopted by the Bank, initially qualifying as Overlay, were essentially embedded in the model as at 31 December 2022.

2) Measurement of expected losses

As part of the application of the ECL model used by the Bank in preparing the financial statements as at 31 December 2022, as regards the macroeconomic scenarios adopted at Group level, reference was made to the up-to-date forecasts made available by the specialised infoprovder usually consulted by the Group which duly make it so that the forecasts of the economic, financial and physical variables include the repercussions at national and sectoral level of the new business context, including the Russian-Ukrainian conflict, inflationary pressure and climate change.

In order to exclude pro-cyclical effects o, a number of "top-down" adjustments have been applied, including:

- the "expert" attribution of the probability of occurrence of the macroeconomic scenarios considered by the model (so-called "multi-scenario") of ECL, in particular by intervening on the choice of the adverse scenario considered (so-called "extreme adverse" scenario as the most pessimistic macroeconomic scenario, drawn up by the provider used by BPER Banca), and increasing the relative probability of occurrence to 50% (same approach as adopted for the period ending 31 December 2021). The probability of occurrence of the "baseline" scenario was also set at 50% (same approach as for the reporting period ended 31 December 2021), leading to the absence of impact of the remaining "best" scenario - probability of occurrence equal to 0% (same approach as for the reporting period ended 31 December 2021); the increase in ECL attributable to said correction factor stands at roughly Euro 57.3 million, compared to the results of the ordinary model adopted by the Bank;
- the application of a prudential correction factor to the ECL, downstream of the model's results, which pays special attention to the "energy-intensive" economic sectors, in order to take account of the probability of the customer encountering financial difficulties, also considering fears of negative effects on the economy stemming from the explosion of energy costs and raw materials, as well as the correlated increase in inflation; the latter also fuelled by the ongoing conflict between Russia and Ukraine. Similarly, the adjusting provisions of direct exposures to banks resident in Russia were booked to the same overlay. The increase in ECL attributable to said correction factors amounts to approximately Euro 164.8 million, compared to the ECL already integrated by the previous correction factor (of which Euro 19.5 million relating to exposures to Russian banks);
- The application of an "expert" and prudential correction factor to take account of the impact of climate-environmental factors on credit risk. It is based on the adoption of an adverse climate scenario, characterised by the inertial conduct of the economic system with respect to the energy transition and an increase in temperature well above the limits agreed in the Paris Agreement ³⁰ («Current Policy» scenario). This scenario is to be considered adverse with respect to alternative climate scenarios, like that of the «Orderly Transition», which assume that the climate policy is able to contain the long-term increase in temperatures; the increase in ECL attributable to said correction factor amounts to approximately Euro 17.7 million, compared to the ECL already integrated by the previous two correction factors.

The "top down" overlays described above, aimed at including in the Bank's ECL calculation model specific safeguards against the still widespread market uncertainty, were applied to the results of the Bank's ECL 'standard' model which, in the first half of 2022, underwent some additional parameter finetuning (mainly LGD), described in greater detail in the paragraph *Methods for determining the extent of impairment and in Part E, Section 1, para. 1.1 Credit Risk* of these Explanatory Notes.

The initiatives put in place by the Bank on the analytically evaluated non-performing portfolio in previous years (mainly

³⁰ Reference is made to the Paris Agreement, negotiated by the 197 member states of the United Nations framework convention on climate change (UNFCCC) and adopted on 12 December 2015.

attributable to the review of the haircuts applied to the value of collateral for the exposures classified as non-performing and unlikely to pay) were fully reflected in its valuation policies, thereby losing the characteristics of contingency “correction factors” linked to the uncertainties stemming from the Covid-19 pandemic.

Domestic tax group election

BPER Banca has elected to establish a Domestic Tax Group, which was introduced by Legislative Decree 344/2003 and subsequent amendments and is governed by arts. 117-129 of the Consolidated Income Tax Law.

Under this optional arrangement, which is binding for three years, the member companies under joint control transfer their results to the parent, for fiscal purposes only, which then calculates the consolidated taxable income or tax loss.

The option for Bper Factor s.p.a., Finitalia s.p.a., Arca Fondi SGR spa and Arca Holding spa expired on 31 December 2022 and will be renewed for the three-year period 2023-2025 when the consolidating company submits its tax return.

Consolidated companies	2021	2022	2023	2024	2025
Bibanca s.p.a.	X	X	X		
Banco di Sardegna s.p.a.		X	X	X	
Optima s.p.a. SIM		X	X	X	
BPER Factor s.p.a.			X	X	X
Sardaleasing s.p.a.	X	X	X		
SIFA' - Società Italiana Flotte Aziendali s.p.a.	X	X	X		
BPER Trust Company s.p.a.		X	X		
BPER Real Estate s.p.a.		X	X		
Finitalia s.p.a.			X		X
Arca Fondi SGR s.p.a.			X		X
Arca Holding s.p.a.			X		X

Information on public disbursements pursuant to art. 1, paragraph 125 of Law 124 of 4 August 2017 ("Annual market and competition law")

It has to be said by way of introduction that Law 124 of 4 August 2017 "Annual law for the market and competition" (hereafter Law 124/2017) introduced a series of measures designed to ensure transparency in the public disbursements system (art. 1, paragraphs 125³¹ to 129). In particular, this law states that companies must provide in the Explanatory Notes to the financial statements and in any consolidated Explanatory Notes, information relating to "grants, contributions, remunerated offices and economic advantages of any type" (hereinafter referred to as "public disbursements") received from public administrations and other subjects indicated by the said law. Non-compliance with the disclosure requirement results in an administrative penalty of 1% of the amount received, with a minimum of Euro 2,000. At a later stage, the law requires return of the public disbursement³².

In order to avoid the accumulation of insignificant information, there is no disclosure requirement for public disbursements of less than Euro 10,000 received by the same party.

Since August 2017, the National State Aid Register has been active in the Executive Board for incentives to companies of the Ministry of Economic Development, in which State aid and *de minimis* aid payments to any company by subjects that grant or manage such aid have to be published. For individual aid granted to the Bank, please refer to the "Transparency of the Register" section, whose access is publicly available.

That said, in compliance with the provisions of art. 1, paragraph 125, of law 124 of 4 August 2017, the amounts collected during 2022 by the Parent Company and by the subsidiaries by way of "grants, contributions, remunerated offices and economic advantages of any type" are listed below.

Companies	Type of grants	Amounts received in 2022
BPER Banca s.p.a.	Regulation for inter-professional funds for continuing education for the granting of exempted State aid pursuant to EC regulation 651/2014 and under a <i>de minimis</i> aid scheme pursuant to EC regulation 1407/2013	1,424
BPER Banca s.p.a.	Grants for photovoltaic incentives	23
BPER Banca s.p.a.	Company nursery/kindergarten contributions	3

Audit

The financial statements of BPER Banca s.p.a. have been audited by Deloitte & Touche s.p.a., which was appointed for the period 2017-2025 at the Shareholders' Meeting held on 26 November 2016, as required by Legislative Decree 39 of 27 January 2010.

³¹ Paragraph expanded by art. 35 of Law Decree 34/2019. Paragraphs 126 to 129 not amended.

³² As stated in Assonime Circular no. 32 dated 23 December 2019.

A.2 – Main captions in the financial statements

Classification of Financial assets - Business Model and SPPI test (captions 20, 30 and 40)

IFRS 9 requires financial assets represented by loans and receivables and debt securities to be classified into three accounting categories, using the following criteria:

- the business model used to manage them;
- the contractual characteristics of the cash flows of financial assets (or SPPI tests).

The classification of financial assets depends on a combination of these two criteria, as indicated below:

- Financial assets measured at amortised cost (AC): assets that include the "Hold to collect" business model (HTC) and pass the SPPI test;
- Financial assets measured at fair value through other comprehensive income (FVTOCI): assets that include the "Hold to Collect & Sell" business model (HTCS) and pass the SPPI test;
- Financial assets measured at fair value through profit or loss (FVTPL): assets that provide for an "Other" business model or, on a residual basis, assets that cannot be classified in the previous categories due to the negative outcome of the SPPI test.

Business Model

The Bank has identified its own Business Models taking into consideration the core business sectors in which it operates, the strategies adopted to date in order to realise the cash flows of the assets in portfolio, as well as the strategic forecasts of business development.

The Bank's core business is related to the generation and management of credit relationships for the Retail and Corporate sectors (including Large Corporate) and, therefore, follows a logic of holding them presumably until they expire in order to collect the contractual cash flows. According to IFRS 9, this operation is attributable to a "Hold to Collect" type Business Model.

Another sector of activity for the Bank, supporting the pursuit of banking objectives, is the Finance sector which includes the balance sheet and income statement items of the Bank deriving from treasury activities, management of proprietary portfolios, access to financial markets and specialist operational support to the sales network.

For the purpose of identifying the Business Model in the Finance sector, the analysis linked the relevant activities carried on by the finance department to management of the proprietary portfolios. It is therefore possible to identify the following proprietary portfolios:

- Investment Banking Book, consisting of the set of instruments managed collectively in order to reduce volatility on the interest margin. This type of portfolio mainly pursues a strategy of holding financial instruments to maturity, thereby sterilising market risk.

The strategy of this portfolio therefore involves management of the principal risks such as credit risk, interest rate risk and sovereign risk.

In application of IFRS 9, this portfolio has been included in the "Hold to Collect" Business Model.

- Liquidity Banking Book, consisting of a set of financial instruments whose strategy is aimed at holding them in order to manage liquidity and optimise the risk-return profile at Group level. This type of portfolio pursues investment strategies in order to:

- optimise net interest income;
- increase the amount of assets that can be readily liquidated to mitigate the Group's exposure to liquidity risk;
- diversify credit risk.

The strategy of this portfolio therefore involves management of the principal risks such as liquidity risk, credit risk, interest rate risk, market risk and sovereign risk.

In application of IFRS 9, this portfolio has been included in the "Hold to Collect and Sell" Business Model.

- Trading portfolio, consisting of a set of financial instruments for trading purposes (government securities, ETFs, structured securities, UCITS units, ABS, etc.), guaranteeing the management of market risk. The profit purpose of this portfolio is mainly pursued through the change in the fair value of the instruments.

The strategy of this portfolio therefore involves management of the principal risks such as market risk, credit risk, interest rate risk and sovereign risk.

In application of IFRS 9, this portfolio has been included in the "Other" Business Model.

- Customer Trading Portfolio, consisting of financial assets repurchased from customers, or held to offer an investment service to them (residual portfolio).

In application of IFRS 9, this portfolio has been included in the "Other" Business Model.

- Capital Market, consisting of financial instruments held for market making on securities (government, supranational, corporate, covered bond and government guaranteed debt securities), guaranteeing the management of market risk. The profit purpose of this portfolio is mainly pursued through the change in the fair value of the instruments. The strategy of this portfolio therefore involves management of the principal risks such as market risk, credit risk, interest rate risk and sovereign risk.

In application of IFRS 9, this portfolio has been included in the "Other" Business Model.

IFRS 9 envisages the possibility of modifying the Business Model, highlighting that the situations that lead to this change are "very infrequent", to be attributed to significant events (internal or external) that affect the management strategy (and therefore derive from decisions of Senior Management of the Entity); in addition, they must be adequately supported by resolutions and linked to events or objective facts evidenced also towards third parties.

The change in business model must also take place before the consequent reclassification of the assets affected by that change, which is possible only on the first day of the next reporting period.

Regarding the combination of frequency and significance thresholds, the Bank has defined quantitative limits (both in relative terms with respect to the portfolio size, and in absolute terms) to be applied to sales made on the "Hold to Collect" portfolio. It also defines the concepts of "proximity to maturity", identifying the 12 months prior to the repayment date, and "increasing credit risk" in line with the staging criteria described below (classification in Stage 2 allows the sale of instruments).

SPPI Test

In order to analyse the characteristics of the contractual cash flows deriving from financial assets (loans and receivables, and debt securities), BPER Banca has defined an SPPI test based on 12 decision-making trees, so as to consider all the contractual characteristics relevant to the test.

BPER Banca has also adopted some assumptions regarding both the loan portfolio and the debt securities portfolio. The main choices are shown below.

- In relation to the debt securities portfolio, the mutual fund units, both open and closed-end, fail the SPPI test. In relation to the securities issued as part of securitisation transactions, for the purposes of credit risk assessment it has been assumed that the mezzanine and junior tranches generally bear a higher credit risk than the average risk of the underlying portfolio of instruments and, consequently, fail the test.
- in relation to the Benchmark Cash Flow Test (BCFT) required in situations of mismatch between "tenor" and periodicity of the "refixing" of interest rates, it was agreed that the change in the "time value of money element" should be considered significant for instruments indexed to parameters with a tenor higher than a year and, consequently, these fail the SPPI test.

The following are references to the accounting policies applied for the main items in the financial statements or transactions, where applicable, in preparing the financial statements.

1. Financial assets measured at fair value through profit or loss

Recognition

Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while derivative contracts are recognised on the date of signature.

In particular, any changes in the fair value of the asset to be received between the settlement date and the earlier arrangement date are recognised at the time of settlement, in the same way in which the asset acquired is recorded.

Financial assets measured at fair value through profit or loss are initially recorded at fair value; unless stated otherwise, this is represented by the consideration paid for the transaction, without considering any related costs or income attributable to them, which are recorded directly in the income statement.

Classification

a) financial assets held for trading

Financial assets held for trading comprise those whose business model is defined as "Other". This business model applies to financial assets whose cash flows will be generated from their sale.

This also includes equity securities held for trading, for which it is not possible to exercise the irrevocable choice to present subsequent changes in fair value in the statement of other comprehensive income.

Additionally, the model includes investments in mutual funds that are held for trading.

b) financial assets designated at fair value

This category comprises the financial assets for which the fair value option has been exercised.

c) other financial assets mandatorily measured at fair value

This category includes financial assets whose business model is defined as "Hold to Collect" or "Hold to Collect & Sell", but which fail the SPPI test and therefore do not satisfy the requirements for classification therein.

It also includes equity instruments not held for trading for which no irrevocable election was made to recognise subsequent changes in fair value in the statement of other comprehensive income.

Additionally, the category includes investments in mutual funds that are not held for trading.

Measurement

Subsequent to initial recognition, these assets continue to be measured at fair value. If the fair value of derivatives classified as "financial assets held for trading" becomes negative, this caption is recognised as a financial liability.

The methods used to determine the fair value are reported in part A.4 "Information on fair value" of these Explanatory Notes.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows deriving from them expire, when substantially all the risks/benefits associated with them are assigned, or when substantial changes are made to them.

If the Bank sells a financial asset classified among the *"Financial assets measured at fair value through profit or loss"*, it is derecognised on the transfer date (settlement date).

Criteria for the recognition of income

The positive components of income, represented by the interest income deriving from financial assets classified as *"Financial assets measured at fair value through profit or loss"*, are recognised on an accruals basis in the "interest" captions of the income statement.

Gains and losses deriving from changes in the fair value of *"Financial assets measured at fair value through profit or loss – financial assets held for trading"* are recognised in income statement caption *"Net income from trading activities"*.

Gains and losses deriving from changes in the fair value of financial assets designated at fair value are recognised in income statement caption *"Net income on other financial assets and liabilities measured at fair value through profit or loss – financial assets and liabilities designated at fair value"*, while the other financial assets mandatorily measured at fair value are recognised in caption *"Net income on other financial assets and liabilities measured at fair value through profit or loss – other financial assets mandatorily measured at fair value"*.

2. Financial assets measured at fair value through other comprehensive income

Recognition

Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while loans are recognised on the pay-out date.

On initial recognition, these financial assets are recorded at their fair value, which usually corresponds to the consideration paid, inclusive of the transaction costs or income directly attributable to the instruments concerned.

Classification

This category comprises:

- financial assets whose defined business model is "Hold to Collect & Sell" (HTC&S) and whose contractual terms pass the SPPI test;
- investments in equity instruments, held for purposes other than trading, for which an irrevocable election was made on initial recognition to record subsequent changes in fair value in the statement of other comprehensive income.

Measurement

Subsequent to initial recognition, these financial assets continue to be measured at fair value. Changes in the fair value of financial assets included in the HTC&S business model (debt securities) are classified in a specific equity reserve, net of Expected Credit Losses and the related tax effect. Changes in the fair value of investments in equity instruments for which the above irrevocable election was made are also classified in a specific equity reserve, net of the related tax effect.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows deriving from them expire, when substantially all the risks/benefits associated with them are assigned, or when substantial changes are made to them.

If the Bank sells a financial asset classified among the *"Financial assets measured at fair value through other comprehensive income"*, it is derecognised on the transfer date (settlement date).

Recognition of components affecting the income statement

The components of income deriving from *"Financial assets measured at fair value through other comprehensive income"*, excluding investments in equity instruments for which the above irrevocable election has been made, are recognised as described below:

- interest is calculated using the effective interest rate, i.e. the rate that exactly discounts cash flows over the expected life of the instrument (IRR rate). The IRR is determined taking into account any discounts or premiums on the acquisition, costs or commissions that are an integral part of the carrying amount;
- Expected Credit Losses recognised during the period are recorded in the caption *"Net impairment losses for credit risk relating to: b) financial assets measured at fair value through other comprehensive income"*;

- on derecognition, the amount accumulated in the specific equity reserve is released to the income statement caption "*Gains/Losses on disposal or repurchase of: b) financial assets measured at fair value through other comprehensive income*".

With regard to investments in equity instruments for which the above irrevocable election has been made, only the related dividends are recognised in the income statement, in the caption "*Dividends and similar income*". Changes in fair value subsequent to initial recognition are recorded in a specific equity reserve; on derecognition, the amount accumulated in the above reserve is not released to the income statement, but is reclassified among the profit reserves.

3. Financial assets measured at amortised cost

Recognition

Financial assets represented by debt instruments are initially recognised on the settlement date, while loans are recognised on the pay-out date; this caption includes:

- loans to banks³⁹;
- loans to customers.

The initial value reflects the fair value of the financial instrument, generally representing the amount of the loan granted inclusive of the costs/income directly attributable to each instrument, or the subscription price in the case of debt instruments. Factoring operations give rise to exposures to assignors representing loans disbursed for with-recourse assignments and exposures to assigned debtors representing the fair value of the receivables purchased versus without-recourse assignments. The first registration of a loan takes place on the date of sale following the signing of the contract (in the case of without-recourse assignment) and coincides with the disbursement date for with-recourse assignments.

For the assignor and factor, this activity entails an assessment of the presence or not of the conditions required by IFRS 9 for derecognition (a company can cancel a financial asset from its financial statements only if, as the result of a sale, it has transferred the risks and benefits connected with the instrument sold, or if and only if: a) the financial asset is transferred and with it substantially all the contractual risks and rights to the cash flows deriving from the asset expire; b) the benefits connected to its ownership cease to apply and consequent recognition on the factor's side.

To assess effective transfer of risks and benefits, it is necessary to compare the assignor's exposure to the variability of the current value or of the cash flows generated by the financial asset transferred, before and after the sale. The assignor essentially maintains all the risks and benefits when its exposure to the 'variability' of the present value of the net future cash flows of the financial asset does not change significantly following its transfer. Instead, transfer occurs when the exposure to this 'variability' is no longer significant.

The most frequently used forms of transfer of a financial instrument may have profoundly different accounting effects:

- in the case of a without-recourse assignment (without any guarantee obligation), the assets transferred can be cancelled from the transferor's financial statements;
- in the case of a with-recourse transfer, it is to be assumed that in most cases the risk associated with the asset sold remains with the seller and therefore the sale does not meet the requirements for derecognition of the instrument in question; only the amounts paid to the assignor as an advance of the consideration will be recorded.

Verification of the derecognition criteria, in the context of the without-recourse assignments underlying the factoring activity, also takes into consideration the risk mitigation clauses adopted by the Bank through specific contractual provisions agreed with the assignors. These are clauses aimed at defining the limits on the individual debtors transferred, absolute and relative deductibles, so-called "*bonus-malus*" clauses and late payment.

Loans to customers also include receivables for finance leases (as lessor), including finance lease transactions involving assets under construction and those waiting to "earn income" in the case of contracts with transfer of risks (or in the event that the risks are transferred to the lessee prior to the taking over of the asset and the start of the lease contract).

Classification

This category comprises the financial assets whose defined business model is "Hold to Collect" and whose contractual terms pass the SPPI test.

The "*Financial assets measured at amortised cost*" caption includes loans to customers and loans to banks.

These captions comprise commercial loans, repurchase agreements, loans originated by finance leases (recognised using the "financial method" pursuant to IFRS 16) and debt securities.

The Bank has classified financial instruments (loans) purchased without recourse as "*Financial assets measured at amortised cost*", after checking that no contractual clauses prevent the transfer of substantially all risks and benefits. Advances paid to the assignor of portfolios purchased with recourse are also classified in that category.

Measurement

After initial recognition, loans are valued at their amortised cost, corresponding to the initially recognised amount less principal

³⁹ Following the 7th update of Bank of Italy Circular 262, all on demand loans to banks and central banks in the technical forms of deposits and current accounts, are recognised in item 10 "Cash and cash equivalents", despite continuing to respect the criteria for the recognition, measurement and derecognition of income statement items of the category "Assets at amortised cost".

repayments, net adjustments and amortisation - calculated using the effective interest method – of the difference between the amount paid out and the amount repayable on maturity, which is generally attributable to the costs/income directly allocated to the individual loans.

The effective interest rate is the rate that discounts the flow of estimated payments over the expected duration of the loan back to its initial net book value, inclusive of directly-related costs and revenues. In financial terms, this method of recognition distributes the economic effect of these costs and revenues over the expected residual life of the loan.

The amortised cost method is not used in relation to short-term loans (up to 12 months), since the effect of discounting would be negligible. These loans are stated at historical cost.

Costs and revenues relating to loans without a fixed term or repayable on demand are recorded directly in the income statement. At each reporting date, financial assets measured at amortised cost are adjusted for impairment by recognising any Expected Credit Losses. Any adjustments are recorded in the income statement.

The following items fall within this sphere, with specific assessment methods:

- Non-performing loans (in "Stage 3") which have been assigned the status of bad, unlikely to pay or past due loans in compliance with the current rules of the Bank of Italy's supervisory regulations, in line with IAS/IFRS and European supervisory regulations³⁴. The amount of the adjustment of each balance is equal to the difference between its book value at the time of measurement (amortised cost) and the present value of expected future cash flows. The estimate of expected cash flows, also formulated in relation to possible recovery scenarios, comes from assessing analytically the position of bad loans and unlikely-to-pay loans with exposures above the thresholds set by internal procedures. The expected losses on UTP loans below the thresholds established by internal regulations and on past due loans are determined using statistical impairment methodologies. For further details on the models adopted by the BPER Banca Group to estimate the Expected Credit Losses (ECL) on non-performing loans, please refer to paragraph 23 below, entitled "Methods for determining impairment losses - Impairment". Any adjustments are recorded in the income statement.
- The original value of loans is reinstated in subsequent periods, to the extent that the reasons for the provisions made cease to apply, on condition that this assessment is objectively linked with events that took place subsequent to such impairment loss. Possible write-backs, also recognised in the income statement, may not exceed the amortised cost that the loan would have had if no impairment losses had been recognised previously.
- Ordinary loans, classified as performing loans, feed "Stage 1" and "Stage 2"; the measurement is carried out periodically in a differentiated manner, according to ECL model adopted by the BPER Banca Group, at 12 months or lifetime, respectively, the characteristics of which are summarised in the following paragraph "Method for determining the extent of impairment".

Forborne exposures, which by their nature can be classified as either non-performing or performing, are subject to the same valuation methods described above. If these are performing loans, the classification is in Stage 2. In the case of forborne exposures, contractual modifications made subsequent to initial recognition generally result in a change in the amount of the loan, with an impact on income statement caption 140. "Gains (Losses) from contractual modifications without derecognition". With regard to the procedures for identifying forborne loans, please refer to the indications provided in Part E - Credit risk of these Explanatory Notes.

As stated by the EBA in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers pursuant to the law and sector agreements (ABI agreements), are not considered indicators of financial difficulty for the purpose of classifying the individual positions concerned as forborne exposures (with consequent inclusion in Stage 2). The internal moratoria, granted to customers on the initiative of the BPER Banca Group, were agreed in a "standardised" manner on simple receipt of their applications. In this sense, the characteristics of the internal moratoria are similar to those of the law and, therefore, are not deemed to represent the provision of assistance for financial difficulties.

In line with the assessments already carried out on previous moratorium extensions, new moratoria until December 2021 were considered for potential classification as forbearance measures. An analysis of exposures was carried out by sector, and hence by rating, based on the sectors that had already been identified as vulnerable as they were more heavily exposed to the pandemic.

In application of the BPER Banca Group policy, the Covid-19 moratoria that do not qualify as forbearance measures have not been recognised in accordance with modification accounting.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows deriving from them expire, when they are

³⁴ The scope of non-performing loans (or those in default) defined in art.178 of EU Reg. 575/2013 (CRR) has been updated with reference to the EBA Guidelines for applying the definition of default and the subsequent EU Reg. 1845/2018. The BPER Banca Group has applied the "New Definition of Default – NDoD" using the "2-step approach" as of October 2019, which has involved:

- necessary alignment of internal classifications within the Group;
- application of the new materiality thresholds to credit obligations past due, without any offset between lines of credit;
- application of the new concept of "unlikely to pay", in relation to which a change in NPV of more than 1% following contractual modifications is considered substantial;
- application of the new "classification contagion" rules to counterparties that are associated with or belong to groups of connected customers;
- application of rules for managing the cure period that, in addition to an observation period of 12 months for forborne positions, envisages a minimum period of 3 months for other UTP positions.

assigned with transfer of substantially all the risks/benefits associated with them, or when substantial changes are made to them (including, for example, change of the debtor, modification of the reference currency, modification of the technical form of disbursement, or introduction of clauses that could modify the positive outcome of the SPPI test).

If the Bank sells a financial asset classified among the "*Financial assets measured at amortised cost*", it is derecognised on the transfer date (settlement date).

Recognition of components affecting the income statement

The interest on instruments measured at amortised cost (loans to banks and loans to customers) is calculated using the effective interest method, i.e. using the rate (IRR) that discounts the related cash flows exactly over the expected life of the instrument concerned. The IRR and, therefore, the amortised cost are determined having regard for any acquisition discounts or premiums, costs or commissions that are an integral part of the discounted cost.

Interest on non-performing loans is calculated on the net exposure of the Expected Credit Losses.

Write-downs or write-backs deriving from the model of adopted Expected Credit Losses are recognised in the income statement in the caption "Net impairment losses for credit risks".

Amounts deriving from alignment of the carrying amounts of financial assets to reflect changes in their contractual cash flows that do not result in accounting derecognition are recognised in the income statement caption "Gains (losses) from contractual modifications without derecognition".

4. Hedging

BPER Banca has adopted Chapter 6 Hedge Accounting of IFRS 9. Only macro-hedging, initiated by the Bank in 2022, is still accounted for under IAS 39.

Recognition

Hedges are arranged to neutralise losses that may be incurred in relation to a given element or group of elements, as a consequence of a given risk, via profits that would be earned on another element or group of elements should that particular risk crystallise. There are two types of hedges:

- fair value hedges: arranged to hedge the exposure to changes in the fair value of a balance sheet caption;
- cash flow hedges: arranged to hedge the exposure to changes in future cash flows attributable to specific balance sheet captions.

Classification

Financial instruments are designated as hedges when the relationship between the hedged and the hedging instrument is adequately documented and formalised, if the hedge is effective both at the start and prospectively throughout its life.

Measurement

Hedging derivatives are measured at their fair value.

The method of accounting for the gains and losses deriving from changes in fair value depends on the type of hedge:

- fair value hedge: the change in the fair value of the hedged element representing the hedged risk is recognised in the income statement, together with the change in the fair value of the derivative instrument; any difference, which represents the ineffective portion of the hedge, determines the consequent net economic effect.
- cash-flow hedge: to the extent that the hedge is effective, changes in the fair value of the derivative are recognised in shareholders' equity; they are only recognised in the income statement when changes in the cash flows from the hedged item need to be offset, or when the hedge becomes ineffective.

Micro-hedging

In application of the IFRS 9, hedging relationships must satisfy the following requirements:

- there has to be an economic relationship between the hedged item and the hedging instrument;
- there must not be a predominance of credit risk within the fair value changes relating to this economic relationship;
- the definition of a hedge ratio that identifies the quantities of hedged items and hedging instruments considered in the hedging relationship, so as not to create a mismatch that generates an element of ineffectiveness that does not correctly reflect the objectives of the hedge.

BPER Banca monitors compliance with these requirements when defining the hedging strategy and throughout its duration; in particular, the presence of an economic relationship between the hedged item and the hedging instrument is identified in the first instance through a qualitative analysis of the characteristics of the two instruments and, in the event that they are imperfectly matched, a further quantitative analysis is carried out to verify the presence of a high degree of prospective correlation between the two (so-called "prospective hedge effectiveness testing" as explained below)

Even if not required by IFRS 9, for the sole purpose of further confirming the qualitative verification that there is an economic relationship between the hedged item and the hedging instrument, BPER Banca has chosen to maintain the pre-existing system

of quantitative tests to verify the effectiveness of hedging relationships (adapted to the new characteristics of the relationships) according to the so-called "Dollar Offset Method". This method involves comparing the change in fair value of the hedging instrument with that of the hedged instrument within a given time frame. The two changes must be attributable only to the type of risk being hedged.

The Bank confirms the existence of the economic relationship when changes in the fair value of (or cash flows from) the hedging instrument, caused by the hedged risk factor, almost entirely offset those of the hedged instrument (the percentage limits fall into the range between 80% to 125%).

This monitoring is carried out on a quarterly basis, using:

- prospective tests that justify the application of hedge accounting, by demonstrating the expected effectiveness of the hedge, especially in situations of imperfect matching between the characteristics of the hedging instrument and the hedged item;
- retrospective tests that show the effectiveness of the hedge during the period under review. In other words, they measure by how much the actual results differ from the perfect hedge, even if they no longer provide binding elements with respect to maintaining the relationship.

Macro-hedging

BPER Banca has qualified portfolio relations having exclusively fair value hedge purposes. Pursuant to para. 78 c) of IAS 39, the hedged item in a portfolio hedge of interest rate risk can be a portion of the portfolio of financial assets or financial liabilities that share the risk being hedged. Designation of a net amount including assets and liabilities as a hedged item is not permitted. All of the assets or liabilities from which the hedged amount is drawn must be:

- items whose fair value changes in response to changes in the interest rate being hedged; and
- items that may be individually fair value hedged

In the case of a portfolio hedge, the changes in the fair value of the hedged instrument are recognised as a gain or loss in profit or loss, but with no need for them to be allocated to individual assets or liabilities. If the hedged item is a financial asset, the change in its value is presented in a separate line item of the balance sheet (statement of financial position), where any such adjustments to the assets or liabilities that make up the hedged item are recognised. *Caption 60 – "Change in value of macro"-hedged financial assets*; if financial liabilities: *Caption 50 – "Change in value of macro-hedged financial liabilities"*.

As part of the identified hedging relationship, the methodology used to identify the hedged amount and to measure the effectiveness of the hedge must be specified. In particular, the following are specified:

- the methodology used to determine repricing dates;
- the number and duration of the repricing period;
- the expected frequency of effectiveness tests;
- the methodology used to determine the amount of assets/liabilities that is designated as the hedged amount;
- the methodology used to test the effectiveness of hedges.

The hedge effectiveness test is carried out periodically, specifically on a quarterly basis. The method chosen for conducting the test is the Dollar Offset Method, with relevant thresholds for the ratio of the change in fair value between the hedged item and the hedging instrument set at 80% - 125%.

Impact of the so-called: IBOR Reform

In application of the latest changes made to the IAS/IFRS standards governing the values potentially impacted by the so called IBOR Reform (Phase 1 - changes aimed at addressing the uncertainty arising from Risk Free Rates not yet defined; Phase 2 - changes aimed at managing the application of the new curves), it is expected that, in the circumstance that the new contractual terms: i. are modified as a direct consequence of the IBOR Reform, and ii. the new basis used to determine the contractual cash flows is economically equivalent to the previous one, they will be considered as susceptible to modify the variable interest rate, in the same way as fluctuations in market interest rates.

Similarly, changes made to contracts as a direct consequence of the IBOR reform, including as a practical expedient to manage the transition, will not be considered substantial enough to lead to the derecognition of the instruments; a new review of the existence of the IFRS 9 classification requirements (including the SPPI test) will therefore not have to be performed again.

Derecognition

If transactions do not meet the effectiveness test, hedge accounting - as described above - is terminated and the derivative contract is reclassified as an instrument held for trading, with recognition of the related impacts in the income statement. Hedge accounting is also terminated in the following situations:

- the hedged item is sold and redeemed;
- the hedging instrument expires, is sold, terminated or exercised.

Recognition of components affecting the income statement

Income elements are allocated to the relevant income statement captions on the following basis:

- differentials earned on derivatives that hedge interest-rate risk (and the interest on the hedged positions) are allocated to the captions "*Interest and similar income*" or "*Interest and similar expense*";

- capital gains and losses deriving from the measurement of hedging instruments and the positions covered by fair value hedges are allocated to the "*Net income from hedging activities*" caption;
- capital gains and losses deriving from measurement of the effective part of cash flow hedges are allocated to a specific valuation reserve in equity called "*Reserve for cash flow hedges*", net of the related deferred tax effect. Gains and losses relating to the ineffective part of such hedges are recorded in the "*Net income from hedging activities*" caption of the income statement.

In the case of hedging equity instruments for which the option for recognition in the statement of other comprehensive income of subsequent fair value changes has been irrevocably exercised, the capital gains and losses deriving from the measurement of hedging derivatives, relating to the hedged component, are allocated to the same shareholders' equity caption.

5. Equity investments

Recognition

Equity investments are recognised on the settlement date. Equity investments are recorded at cost on initial recognition, including any costs and revenues directly attributable to the transaction.

Classification

This item includes interests in subsidiaries, associates and companies subject to joint control, and other low-value investments.

Measurement

IAS 27, IAS 28 and IFRS 11 require that subsidiaries, companies subject to joint control and associates shown in the company's financial statements should be measured either at cost, the solution that which the Bank has chosen, or at fair value, in compliance with IFRS 9, or according to the equity method.

If there is evidence that an investment in an associate may be impaired, its recoverable amount is estimated with reference to the present value of future cash flows, including the expected proceeds from the future sale of the investment.

If the recoverable amount is lower than the carrying amount, the difference is charged to the income statement under caption "*Gains (Losses) on equity investments*", as described in the following paragraph "Method for determining the extent of impairment" below.

If the reasons for making the impairment loss cease to apply as a result of an event subsequent to recognition of the impairment loss, the related write-back is credited to the income statement without exceeding the amount of the impairment loss previously recorded.

The Parent Company's share of any losses of the investee, exceeding the book value of the investment, is recorded in a specific reserve to the extent that the company is required to fulfil legal or implicit obligations of the investee, or, in any case, to cover its losses.

Derecognition

Equity investments are derecognised when the contractual rights to the cash flows deriving from them expire, or when they are assigned with transfer of substantially all the risks/benefits associated with them.

Recognition of components affecting the income statement

Dividends are recorded in the "*Dividends and similar income*" caption when the right to collection is established.

Any impairment losses/write-backs relating to the impairment of equity investments and gains or losses on the disposal of equity investments are recorded in the caption "*Gains (Losses) of equity investments*".

6. Property, plant and equipment

Recognition

Property, plant and equipment are initially recorded at purchase price, including all directly attributable costs of purchasing and bringing the asset to working condition.

Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Leases (in which the Bank is the lessee) are recognised (pursuant to IFRS 16) using the "right of use" model. At the initial recognition date, the value of the right of use is equal to the initial recognition value of the lease liability, adjusted for the following components:

- payments due for leases made on or before the effective date, net of lease incentives received;
- direct initial costs incurred by the lessee;
- an estimate of the costs that the lessee will incur for the dismantling and removal of the underlying asset and for the restoration of the site on which it is located or for the restoration of the underlying asset under the conditions set by the

terms and conditions of the lease.

When the asset is made available to the BPER Banca Group for its use (initial recognition date), the related right of use is recognised.

In identifying the rights of use, the BPER Banca Group applies the "simplifications" permitted by IFRS 16; contracts with the following characteristics are therefore not considered:

- "Short-term", i.e. with a residual life of less than 12 months;
- "Low-value", i.e. with an estimated value of the asset of less than Euro 5,000.

As regards the other application choices adopted by the Bank, it should be noted that:

- with reference to the duration of the "property" leases, the Bank considers as "reasonably certain" only the first renewal period, subject to contractual clauses and specific circumstances that involve considering different contractual durations;
- as regards "Cars" and "Other contracts", the Bank makes use of the practical expedient by which the lessee is allowed to not separate the lease components from the other components, treating them as a single lease component. As regards property leases, the Bank considers the non-lease component as not material.

Classification

Property, plant and equipment comprise land, property used for operating purposes, installations, furniture, furnishings and all types of equipment.

These are tangible assets that will be used for more than one accounting period and which are held for use in the production of business or the supply of goods and services, for rental to third parties or for administrative purposes.

Rights of use acquired under leases (in the capacity of lessee) are included, if these rights relate to assets classified as property, plant and equipment.

This caption also includes assets awaiting finance lease and assets under construction intended for finance leasing (in the capacity of lessor), in the case of contracts "with retention of risks", as well as assets granted under operating leases (again as lessor).

This caption also includes certain real estate assets classified in accordance with IAS 2 "Inventories" within the real estate portfolio, including construction land, buildings under construction, completed buildings and property development initiatives held for sale.

This caption also includes leasehold improvements, relating to identifiable and separable property, plant and equipment.

Measurement

After their initial recognition, property, plant and equipment, including rights of use, are measured under the cost model, net of accumulated depreciation and impairment, with the exception of the following categories:

- own properties used in operations (IAS 16), which are measured under the revaluation model, according to which property, plant and equipment, whose fair value can be reliably determined, are recognised at a restated value, equal to the fair value at the date of the restatement, net of accumulated depreciation and any accumulated impairment losses;
- properties held for investment purposes (IAS 40), including rights of use, which are measured according to the fair value method, by which all property investments are measured at fair value and no longer subject to depreciation or impairment;
- Inventories of property (IAS 2), which are measured at the lower of cost and net realisable value, represented by the estimated selling price less the estimated cost of completion and other costs necessary to make the sale.

After initial recognition, at the end of each financial period, the following accounting entries may take place for properties used in operations:

- if the carrying amount has increased following a restatement, the increase must be recognised in a specific revaluation reserve in shareholders' equity. However, the increase has to be recognised in the income statement to the extent that it reinstates a write-down of the same asset previously recognised in the income statement;
- if the carrying amount has decreased following a restatement, the decrease must be recognised in the income statement. However, the decrease has to be recognised in the statement of other comprehensive income as a revaluation surplus, to the extent that there are any credit balances in the revaluation reserve that refer to this asset. The decrease recognised in the statement of other comprehensive income reduces the amount accumulated in equity under the revaluation reserve.

When an IAS 16 real estate unit is revalued, the carrying amount of the asset is brought into line with the revalued amount by eliminating accumulated depreciation against the gross carrying amount of the asset (the so-called "elimination approach").

For properties held for investment purposes, on the other hand, following initial recognition and at each balance sheet date, the following is recognised in the income statement:

- a positive income component in the event of a positive difference between the fair value and the carrying amount;
- a negative income component in the event of a negative difference between the fair value and the carrying amount.

For more information on how to determine the fair value of properties, please refer below to Part A.4 - "Information on fair value", paragraph "Methods and frequency of identifying the fair value of own properties".

Property, plant and equipment are systematically depreciated over their useful life, identified by single homogeneous category or, for real estate assets, charged to the individual property at the time of initial registration, adopting the straight-line method of depreciation, with the exception of:

- land acquired separately or included in the value of property (excluding value in use on buildings), since it has an indefinite useful life. The value of land included in property is deemed to be separable from the value of buildings; the division between the value of the land and the value of the building takes place on the basis of independent expert appraisals;
- properties held for investment purposes as, being valued at fair value, they are not subject to depreciation;
- works of art, since the useful life of a work of art cannot be estimated and its value normally appreciates over time;
- inventories classified in accordance with IAS 2.

The useful life of business assets is reviewed at least once a year, at the end of each accounting period, and any change with respect to the previous year is treated as a change in accounting estimate, governed by IAS 8. It is therefore accounted for prospectively, determining an impact on the depreciation charge of the year in which the change takes place and on the depreciation charges of subsequent years.

If there is any evidence at a reporting date that the value of an asset may be impaired, its carrying amount is compared with its recoverable value, being the higher of its fair value net of any selling costs or its value in use, as represented by the present value of the cash flows generated by the asset, as explained in the following paragraph 23 "Method for determining the extent of impairment". Any adjustments are recorded in the income statement.

Property held for investment purposes is excluded from impairment testing.

If the reasons for recognising an impairment loss cease to apply, the loss can be written back but without exceeding the book value that the asset would have had (net of depreciation) if no impairment losses had been recognised in prior years.

For properties used in operations, measured under the revaluation model, any loss due to impairment of a revalued asset must be treated as a decrease in the revaluation up to its amount, after which any difference is recognised in the income statement. Assets recognised pursuant to IAS 2 are measured at the lower of cost or net realisable value. Any adjustments are recognised in the income statement.

Change of use of properties

BPER Banca only transfers properties between the various categories (regulated respectively by IAS 16, IAS 40 and IAS 2) if there is an effective change in the use of the property. In the event of a change in use from being a property held for investment recognised at fair value to being a property used in operation by the owner or held for sale in inventory, the fair value at the date of the change in use must be considered as a replacement for the cost of the property for subsequent accounting, according to the provisions of IAS 16, IFRS 16 or IAS 2.

If a property used in operation becomes a property held for investment that has to be recognised at fair value, BPER Banca applies IAS 16 for its own properties and IFRS 16 for properties held by the lessee as an asset consisting of the right of use until the date on which the change of use occurs. BPER Banca treats any difference existing at that date between the carrying amount of the property in accordance with IAS 16 or IFRS 16 and the fair value in the same way as a revaluation, in accordance with IAS 16.

Up to the date on which a property used by the owner becomes a property held for investment recorded at fair value, BPER Banca depreciates the property (or the right of use asset) and recognises any impairment that may occur. BPER Banca treats any difference existing at that date between the carrying amount of the property in accordance with IAS 16 or IFRS 16 and the fair value in the same way as a revaluation, in accordance with IAS 16. In particular, any resulting decrease in the carrying amount of the property is charged to profit or loss for the year. However, to the extent that the amount is included in the revaluation reserve of that particular property, the decrease is recognised in the statement of other comprehensive income and reduces the revaluation reserve included in shareholders' equity.

Any resulting increase in the carrying amount is treated as follows:

- to the extent that if the increase adjusts a previous loss due to a reduction in the value of that property, it is charged to the income statement. The amount recognised in the income statement must not exceed the amount needed to restore the carrying amount that would have been (net of depreciation) if no impairment loss had been recognised;
- any remainder of the increase is recognised in the statement of other comprehensive income and increases the revaluation reserve included in equity. At the time of subsequent disposal of the property held for investment, the revaluation reserve included in shareholders' equity is transferred to retained earnings. The transfer from the revaluation reserve to retained earnings does not go through the income statement.

Derecognition

Property, plant and equipment are derecognised on disposal, or when the assets concerned are permanently taken out of use and no further economic benefits are expected from their disposal. When a property used in operation is eliminated from the financial statements, any valuation reserve recognised in equity is transferred directly to "Reserves - Retained earnings", without passing through the income statement.

Recognition of components affecting the income statement

Depreciation, calculated pro-rata temporis, of assets measured at cost or fair value in accordance with the requirements of IAS 16 are recognised in the income statement under "*Net adjustments to property, plant and equipment*".

Positive restatements of properties used in operations are recognised in equity under "*Valuation reserves*", unless they are

restoring a decrease in the value of the asset previously recognised in the income statement (in this case, the positive changes in value are recognised in the income statement under "*Gains (Losses) on property, plant and equipment and intangible assets measured at fair value*").

Negative restatements of properties used in operations are recognised in the income statement under "*Gains (Losses) on property, plant and equipment and intangible assets measured at fair value*" unless the "*Valuation reserve*" for the specific property is not sufficiently large (in which case, the negative changes are recognised in equity as a decrease in the "*Valuation reserve*").

Any adjustments or write-backs due to the impairment of property, plant and equipment valued under the cost or revaluation models are recognised in the income statement under "*Net adjustments to property, plant and equipment*", unless, for the assets measured under the revaluation model, the valuation reserve relating to the specific property is not sufficiently large.

The changes in fair value, both positive and negative, relating to properties held for investment purposes are recognised in the income statement under "*Gains (Losses) on property, plant and equipment and intangible assets measured at fair value*".

Disposal gains and losses are however recorded in caption "*Gains (Losses) on disposal of investments*" of the income statement.

7. Intangible assets

Recognition

Intangible assets other than goodwill are initially recognised at cost, as represented by the purchase price paid plus any directly-related costs incurred to obtain use of the assets concerned.

Goodwill may be recognised as an intangible asset when the positive difference between the acquisition cost of an equity interest (including related charges) and the fair value of the net assets acquired, including those identified as part of the Purchase Price Allocation (PPA), is representative of the investee's ability to generate income in the future (goodwill).

If the difference is negative (badwill) or the goodwill is not justified by the investee's ability to generate income in the future, the difference is recognised in the income statement.

Classification

Intangible assets are identifiable, non-monetary assets without physical form that are expected to generate economic benefits. The qualifying characteristics of intangible assets are:

- identifiability;
- control over the resources concerned;
- expectation of economic benefits.

In the absence of any one of the above characteristics, the acquisition or internal production costs are expensed in the year incurred.

Goodwill is represented by the difference between the acquisition cost of an equity investment and the fair value, at the acquisition date, of the assets and liabilities acquired.

Other intangible assets are recognised if they are identifiable and reflect legal or contractual rights. Among these, rights of use acquired under operating leases (in the capacity of lessee) and relating to the use of an intangible asset are not included since BPER Banca, with respect to the faculty given by IFRS 16.4, has decided not to apply IFRS 16 to any operating leases on intangible assets other than those that can be acquired under licence.

Intangible assets include licensed software that satisfies the conditions specified in IAS 38. More specifically, with reference to the indications provided in the IFRIC Staff Paper dated November 2018 (Agenda ref 5 – Customer's right to access the supplier's software hosted on the cloud (IAS 38)), BPER Banca has identified the following conditions as significant for the recognition of purchased software as an intangible asset:

- existence of an exclusive right of use (linked to the user licence acquired);
- right and ability to obtain copies of the software ("download right");
- possession and real ability to use the copy of the software acquired, recognised if installed on its servers.

If these three conditions are satisfied in relation to purchased software, BPER Banca recognises it an intangible asset to be amortised over its estimated useful life. The initial expenses incurred (even in the form of external services) to set-up, customise and implement the software can also be considered part of the initial carrying amount of the intangible asset, if linked to the functional analyses and subsequent implementation phases.

By contrast, if the above conditions for the recognition of an intangible asset are not satisfied, the purchase relates to services giving access to software that, in substance, remains in the possession of the provider (these situations generally arise in relation to Cloud software). These purchased services are recognised as Other administrative expenses on an accruals basis; when the initial cost incurred refers to a long-term time horizon it can be deferred (prepaid expenses – Other assets) and released to the income statement over the duration of the entire contract. If the total fee paid to the supplier for access to the software covers a variety of services, the cost is allocated and recognised on an accruals basis with reference to each specific service.

Measurement

An intangible asset with an indefinite useful life, such as goodwill, is not amortised, but is tested periodically for impairment. An impairment test is performed annually, or whenever there is an indication of impairment, as explained in the following

paragraph "Method for determining the extent of impairment". Any impairment loss is recognised in the income statement and the reversal thereof is prohibited.

In contrast to the treatment of goodwill, the cost of intangible assets with a finite useful life is amortised on a straight-line basis or, possibly, by use of the reducing balance method based on the flow of economic benefits expected from the asset. If there is any evidence of impairment, it is envisaged that an asset would be assessed for impairment by comparing its recoverable value to its carrying amount.

An estimate of recoverable value is made if there is any evidence of asset impairment at the reporting date. The impairment loss, expensed to income statement, is the difference between the book value of an asset and its recoverable amount, if the latter is lower, as explained in the following paragraph "Method for determining the extent of impairment".

Derecognition

Intangible assets are derecognised on disposal and when no further economic benefits are expected.

Recognition of components affecting the income statement

Both the amortisation charge and any net adjustments to intangible assets other than goodwill are recorded in the caption "Net adjustments to intangible assets" of the income statement.

Disposal gains and losses are however recorded in the "Gains (Losses) on disposal of investments" caption.

Any impairment losses to the value of goodwill are recorded in the caption "Impairment losses on goodwill".

8. Non-current assets and disposal groups classified as held for sale

Recognition and classification

Non-current assets and groups of assets/liabilities subject to a disposal process (tangible, intangible and financial assets) are classified in the asset caption "Non-current assets and disposal groups classified as held for sale" and the liability caption "Liabilities associated with assets classified as held for sale", when such sale is deemed to be highly probable.

Measurement

These assets and liabilities are valued at the lower of their carrying amount, determined according to the relevant IFRS, and their fair value, less costs to sell, unless they are properties held for investment purposes, which, on the basis of paragraph 5 of IFRS 5, even if they are classified in "Non-current assets and disposal groups held for sale", are valued in accordance with IAS 40 and therefore at fair value through profit or loss.

Derecognition

Non-current assets or groups of assets/liabilities held for sale and discontinued operations are derecognised from the balance sheet upon disposal.

Recognition of components affecting the income statement

Income and charges (net of tax effect) relating to disposal groups held for sale are classified in the "Gains (Losses) from non-current assets and disposal groups classified as held for sale after tax" caption of the income statement.

9. Current and deferred taxation

Taxes for the year were calculated by applying the regulations in force at 31 December 2022, also taking into account the changes introduced by the latest Finance Act.

Deferred tax assets and liabilities are recorded following the positive outcome of the probability test required by IAS 12 relating to temporary changes, tax losses and tax credits. The Bank has adopted a time horizon of 5 years (2022-2026) when forecasting recoveries, consistent with other types of estimate made by projecting future results.

Recognition and classification

Current taxation comprises the net balance of income tax payable for the year and the current tax receivable due from the tax authorities consisting of advances and other withholding tax credits or other tax credits recoverable by future offset.

Current tax assets also represent tax credit that the Group companies have requested the relevant authorities to reimburse.

Deferred taxes represent the income taxes recoverable in future periods as a result of deductible temporary differences and past tax losses (deferred tax assets), and the income taxes payable in future periods as a result of taxable temporary differences (deferred tax liabilities).

Measurement

Deferred tax assets, representing the future tax benefit deriving from deductible temporary differences and tax losses carried forward, are recognised to the extent that their recovery is highly likely. The estimate is made by performing the "probability

test", as required by IAS 12. This test is based on an economic forecast developed over a prospective 5-year horizon, adjusting the pre-tax profit to consider future temporary and permanent changes in accordance with the tax legislation in force at the measurement date, so as to arrive at an estimate of the future tax profits able to reabsorb the deferred tax assets.

Derecognition

Net current taxes are generally derecognised from the balance sheet at the time of payment of the tax charge in the reference year.

Deferred tax assets and deferred tax liabilities are instead cancelled following the realignment of the tax and financial statement accrual for each income statement or balance sheet component that originated the deferred tax asset or liability. Deferred tax assets are also derecognised from the balance sheet for any portion no longer deemed recoverable following the "probability test" carried out periodically.

Recognition of components affecting the income statement

Changes in tax assets and liabilities are normally recorded in the "Income taxes on current operations" caption.

As an exception, those deriving from transactions recognised directly in equity are treated in the same way, and those deriving from business combinations are included in the calculation of goodwill (or badwill).

10. Provisions for risks and charges

Recognition

The provisions for risks and charges cover liabilities whose timing and extent are uncertain, when all the following conditions are met:

- a current obligation exists at the balance sheet date, deriving from a past event. The origin of the obligation must either be legal (deriving from a contract, regulation or the provisions of law) or implicit (arising when the business causes third parties to expect that commitments will be met, even if these do not fall into the category of legal obligations);
- a financial outflow is likely;
- the extent of the obligation can be estimated reliably.

No provision is recognised for liabilities that are only possible and not probable, but information on the related contingencies is provided in the Explanatory notes.

Classification

This caption includes the provisions relating to long-term benefits and post-employment benefits governed by IAS 19, discussed in paragraph "Employee benefits" below, and the provisions for risks and charges governed by IAS 37.

Sub-caption "commitments and guarantees granted" comprises the credit risk provisions for funding commitments and financial guarantees given that are subject to the impairment rules of IFRS 9 (see para. 2.1, letter e); para. 5.5; appendix A), as well as the provisions for other commitments and other guarantees not subject to IFRS 9 impairment rules.

Measurement

Where the time element is significant, the provisions are discounted using current market rates. Provisions are charged to the income statement.

The measurement of "commitments and guarantees granted" is described in section 23. Method for determining the extent of impairment.

Derecognition

The allocated provisions are re-examined as at each financial reporting date and adjusted to reflect the best current estimate. When the use of resources aimed at producing economic benefits to fulfil the obligation becomes unlikely, the provision is cancelled.

In addition, each provision is used solely to cover outgoings for which it was originally established.

Recognition of components affecting the income statement

Impairment losses and write-backs of commitments and other guarantees granted are recorded in caption 170 a) "*Net provisions for risks and charges – commitments and guarantees granted*" of the income statement.

Provisions for risks and charges and the related write-backs, including the effects of the passage of time, are classified in caption 170. b) "*Net provisions for risks and charges – Other net provisions of the income statement*". The provisions for employee remuneration recognised pursuant to IAS 19 are classified in income statement caption 160. a) "*Administrative expenses - Staff costs*" of the income statement.

Provisions are made on the basis of the best estimate of the amount that the company would reasonably pay to settle the obligation or to transfer it to third parties at 31 December 2022. When the financial effect of time is significant and the payment dates of obligations can be reliably estimated, the provision is calculated by discounting the expected future cash flows taking into account the risks associated with the obligation; the increase in the provision due to the passage of time is recognised in the income statement.

11. Financial liabilities measured at amortised cost

Recognition

These liabilities are initially recognised at their fair value, usually corresponding to the amount collected or the issue price, plus any additional costs/proceeds directly attributable to the individual funding transaction or issue.

This caption includes:

- due to banks;
- due to customers;
- debt securities issued;
- lease liabilities.

On the start date, the lessee measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease contract, if that rate can be readily determined, or at the incremental borrowing rate that, for the BPER Banca Group, is the Internal Transfer Rate (ITR) of funding.

The future lease payments to be included in the measurement of the lease liability comprise the following:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Classification

“Due to banks”, “Due to customers” and “Debt securities issued” comprise the various forms of interbank and customer funding. These captions also include liabilities recognised by the lessee under finance leases, as well as funding through certificates of deposit and debt securities in issue, net of any repurchases.

Measurement

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for current liabilities given the negligible effect of the time factor. Modifications to the contractual conditions of the medium-long term items (also including lease liabilities) will entail the adjustment of the carrying amount by discounting the flows envisaged by the revised contract to the original effective interest rate, without prejudice to the changes made to lease liabilities which, as clarified in IFRS 16, shall use a revised discount rate (for example if there is a change either in the lease term or in the lease payments).

Debt securities issued are recognised net of the repurchased amount.

Derecognition

Financial liabilities are derecognised when they expire or are settled. The repurchase of debt securities in issue in prior periods results in their derecognition.

In the event of a change in the contractual conditions, if the discounting of the new flows would lead to a change in the carrying amount of the liability greater than 10%, the change is deemed by the Bank to be “substantial” and relevant for the purpose of derecognition of the original liability.

The difference between the carrying amount of the liability and the amount paid to repurchase it is recorded in the income statement.

Recognition of components affecting the income statement

The negative elements of income represented by interest and similar expense are recorded in the interest captions of the income statement on an accruals basis, using the effective interest method.

Costs/revenues relating to short-term payables are recorded directly in the income statement.

The difference between the carrying amount of a liability and the amount paid to acquire it is recorded in income statement caption “Gains (Losses) on disposal or repurchase of financial liabilities”.

12. Financial liabilities held for trading

Recognition

These financial instruments are recognised at their fair value on the subscription or issue date, without considering any transaction costs or income directly attributable to them.

Classification

This category of liabilities includes trading derivatives with a negative fair value, as well as derivatives with negative fair value

that are embedded in complex contracts - in which the primary contract is a financial liability - but not closely correlated with them and therefore they are represented separately in the financial statements.

Measurement

All financial liabilities held for trading are measured at fair value. The methods used to determine fair value are described in Part A4 - "Information on fair value" of these notes.

Derecognition

Financial liabilities held for trading are derecognised on expiry of the contractual rights over the related cash flows, or when the financial liability is assigned with the transfer of substantially all the risks and benefits deriving from its ownership.

Recognition of components affecting the income statement

The criteria applied for the recognition of income components of financial assets held for trading are adopted with suitable modifications.

13. Financial liabilities designated at fair value

Recognition

These liabilities are initially recognised at fair value, net of transaction costs or revenues.

Classification

A financial liability is designated at fair value if one of the following conditions applies:

- classification in this category eliminates "accounting mismatch", i.e. it makes it possible to significantly reduce a lack of consistency in the valuation or recognition of assets and liabilities that would otherwise lead to the recognition of gains/losses on a different measurement basis;
- it is part of groups of liabilities, or of assets and liabilities, managed together whose performance is measured at fair value, according to a documented risk-management strategy;
- there is a hybrid contract containing one or more embedded derivatives and the embedded derivative is such that it would significantly alter the cash flows that would otherwise be under the contract.

The option to designate a liability at fair value is irrevocable, is made on the individual financial instrument and does not require the same application to all instruments with similar characteristics. However, the designation at fair value of only a portion of a financial instrument attributable to a single component of risk to which the instrument is subject is not allowed.

Certificates issued

The Bank classifies its issuances of certificates as financial liabilities designated at fair value.

Certificates are securitised derivative instruments issued by the Bank and traded on multilateral trading facilities that replicate, with or without leverage, the performance of the underlying assets. Such products may provide for protection of the amount subscribed by the client or a portion thereof unconditionally with respect to the performance of the financial parameters to which they are indexed. From a substantive point of view, certificates can be defined as combinations of derivative strategies or of basic financial assets and derivatives, thanks to which it is possible to generate financial instruments with their own characteristics, substantially different from those of the assets from which they originate.

In general, market practice has traced certificates back to the following two main types of instruments:

- *Certificates with unconditional capital protection*: these are products that provide an unconditional guarantee of more than 50% of the capital initially invested. For accounting purposes, these instruments are considered "structured securities", given the preponderance of the guaranteed component over the variable component based on the performance of the certificate's underlying;
- *Other certificates*: these are products without any protection, with conditional protection, or with unconditional protection of the initial capital of 50% or less. For such products, the value depends exclusively or predominantly on the performance of the parameter to which it is indexed. For this reason, they are classified as "derivative financial instruments", and in particular among the options issued. For such instruments, the only permissible accounting portfolio is "Financial liabilities held for trading".

That said, starting in 2022, BPER Banca began issuing unconditionally protected capital certificates, mainly for funding purposes and classified in the accounting portfolio of "Financial liabilities designated at fair value". The aforementioned classification derives primarily from the reconciliation of these liabilities to the portfolios managed by the Capital Market, which, according to Bank policy considering the objectives pursued and related reporting on performance, are measured at fair value. In addition, this classification makes it possible to pursue a kind of "natural hedge" with respect to derivatives stipulated in order to "balance" the risks assumed with derivatives embedded in issued liabilities.

With reference to the criteria for recognising the balance sheet and income statement components of certificates recognised under "Financial liabilities designated at fair value" and the related management hedging instruments, it is noted that

- the entire margin for the Bank related to the issuances under review is included in caption 110. "Net income on other

financial assets and liabilities measured at fair value through profit or loss". This item also includes the valuation effects related to the measurement of fair value, resulting from changes in the market parameters to which the certificate is indexed, with the exception of changes in its creditworthiness, as well as spreads paid to customers, either periodically or at maturity. The effects attributable to changes in one's own creditworthiness are recognised in a specific equity reserve (Caption 120 "Valuation reserves");

- the derivatives operationally connected to financial liabilities measured at fair value are classified under assets in Caption 20. "Financial assets measured at fair value through profit or loss: a) Financial assets held for trading" or under liabilities in Caption 20. "Financial liabilities held for trading". Capital losses and capital gains from valuation, as well as realised effects including any spreads received and paid, are recognised in the income statement (Caption 80. Net income from trading activities".

Measurement

Subsequent to initial recognition, these assets continue to be measured at fair value: the methodologies used in this regard are described in Part A.4 of these Explanatory notes.

The accounting treatment required by IFRS 9 for such liabilities requires that changes in fair value associated with the creditworthiness of the issuer must be recognised as a contra-entry to a specific equity reserve. The standard also establishes that the amount recognised in the specific equity reserve must not be "released" to the income statement, even if the liability is settled or expires.

Derecognition

Financial liabilities designated at fair value are derecognised when they expire or are settled.

The repurchase of debt securities in issue in prior periods results in their derecognition.

The renewed placement of treasury securities subsequent to their repurchase is deemed to represent a new issue, with the recognition of a new placement price, without any effect on the income statement.

Recognition of components affecting the income statement

The entire margin related to the issuances under review is included in Item 110. "Net income on other financial assets and liabilities measured at fair value through profit or loss". Only the valuation effects attributable to changes in own creditworthiness are recognised as opposite entries to a specific equity reserve (Caption 120. "Valuation reserves").

14. Foreign currency transactions

Recognition

On initial recognition, foreign currency transactions are recorded in the reporting currency, by translating the foreign currency amounts using the exchange rates prevailing on the transaction dates.

Measurement

At each reporting date, the amounts originally denominated in a foreign currency are measured as follows:

- monetary items are translated using the exchange rate at the closing date;
- non-monetary items carried at historical cost are translated using the exchange rate on the date of the transaction;
- non-monetary items carried at fair value are translated at the rates at the end of the reporting period.

Classification

These comprise all assets and liabilities not denominated in euro.

Derecognition

The criteria applying to the balance sheet captions concerned are used. The exchange rate applying on the settlement date is used.

Recognition of components affecting the income statement

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period in which they arise.

When gains or losses relating to a non-monetary item are recorded in shareholders' equity, the related exchange differences are also recorded in shareholders' equity. Conversely, when gains or losses are recorded in the income statement, the related exchange differences are also recorded in the income statement.

15. Other information

Treasury shares

Treasury shares held following repurchase are stated at purchase cost and shown with a negative sign in caption 170 "Treasury shares" under liabilities in the balance sheet. Profits or losses deriving from their subsequent sale are recorded as changes in shareholders' equity in the caption 150 "Share premium reserve" under liabilities in the balance sheet.

Leasehold improvement expenditures

These costs are classified in caption 120 "Other assets", since they cannot be recorded as part of "Property, plant and equipment", as required by Bank of Italy instructions.

The related amortisation is recorded in caption 200 "Other operating expenses (income)".

16. Income statement: Revenues

In addition to the information about the principal balance sheet captions provided above in the sections on the "Recognition of components affecting the income statement", it is noted that revenue from contracts with customers is recognised, as required by IFRS 15, at an amount equal to the consideration that the BPER Banca Group is entitled to collect in exchange for the transfer of goods or services to the customer. Revenues may be recognised:

- at a specific point-in-time, when the entity fulfils the obligation to transfer the promised goods or services to the customer, or
- over time, as the entity fulfils the obligation to transfer the promised goods or services to the customer.

In this context, goods are transferred when, or over the period in which, the customer obtains control over them.

The price of the transaction is the amount of consideration that the entity is entitled to receive in exchange for the transfer to the customer of the promised goods or services, excluding any amounts collected on behalf of third parties (e.g. sales taxes). In order to determine the price of the transaction, the BPER Banca Group considers the contract terms and conditions and its normal business practices, including all the following elements to the extent applicable:

- variable consideration, if it is highly likely that the amount will not be adjusted in the future;
- restrictions on the estimates of variable consideration;
- existence in the contract of a significant financial component;
- non-monetary consideration;
- consideration payable to the customer.

BPER Banca has identified types of revenue linked to services provided to customers only as regards Caption 40 "Commission income". The BPER Banca Group has not identified any significant situations in relation to:

- fees relating to various performance obligations given to customers;
- costs incurred and suspended to obtain and fulfil contracts with customers.

Other types of revenue, such as interest and dividends, are recognised applying the following criteria:

- interest on instruments measured at amortised cost is calculated using the effective interest method;
- dividends are recognised when the shareholders' right to receive payment is determined.

17. Income statement: Costs

In addition to the information about the principal balance sheet captions provided above in the sections on the "Recognition of components affecting the income statement", costs are recognised in the income statement on an accruals basis; as already highlighted, no costs were identified for obtaining and fulfilling contracts with customers to be recognised in the income statement in a manner correlated with the related revenue.

Marginal costs and revenues directly attributable to the acquisition of an asset or issue of a financial liability measured at amortised cost are recognised in the income statement together with the interest on the financial asset or liability using the effective interest method.

18. Employee benefits

Classification

Employee benefits, excluding short-term amounts such as wages and salaries, comprise:

- post-employment benefits;
- other long-term benefits

Post-employment benefits are, in turn, divided into defined-contribution plans and defined benefit plans, depending on the nature of the benefits envisaged:

- under defined contribution plans, the employer makes fixed contributions and has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits;
- defined benefit plans are all post-employment benefit plans other than defined contribution plans.

Pursuant to Law 296 dated 27 December 2006 (2007 Finance Law):

- the employee termination indemnities earned from 1 January 2007 are deemed to be a defined contributions plan for which no actuarial calculations are required;
- the employee termination indemnities already earned up to the date indicated above, on the other hand, continue to be treated as a defined benefits plan, even though such benefits have already been fully earned. As a consequence, the actuarial value of the liability must be restated at every accounting date subsequent to 31 December 2006.

Other long-term benefits comprise employee benefits that are not due entirely within twelve months of the end of the year in which employees accumulated their right to them.

Recognition and measurement

The value of a defined-benefit obligation is represented by the present value of the future payments necessary to settle the obligations deriving from work performed by employees in the current and prior years.

This present value is determined using the "Projected Unit Credit Method".

The employee benefits included as other long-term benefits, such as long-service bonuses that are paid on reaching a pre-determined level of seniority, are recorded for an amount determined at the reporting date using the "Projected Unit Credit Method".

Employee termination indemnities are recorded as a separate liability, while the other post-employment benefits and long-term benefits are recorded among the "Provisions for risks and charges".

Recognition of components affecting the income statement

Service costs are recorded as staff costs, together with the related accrued interest.

Actuarial gains and losses (remeasurements) relating to post-employment, defined benefit plans are recorded in shareholders' equity in the year they are identified. These actuarial gains and losses are reported in the "Consolidated statement of other comprehensive income", as required by IAS 1.

The actuarial gains and losses (remeasurements) relating to other long-term benefits are recognised in full as part of staff costs in the year in which they arise. On this last point, in 2012 the BPER Banca Group aligned itself to the guidance given by the National Institute of Actuaries in Circular 35 dated 21 December 2012, valid with effect from the measurements carried out at 31 December 2012. This document confirmed the guidelines already issued with the previous Circular dated 22 May 2012, in which it was expected that the component represented by interest cost should be calculated using the rate of the curve corresponding to the duration of the liability, instead of the 1-year rate of the same curve used up to 31 December 2011.

19. Share-based payment plans

In general, share-based payments to employees (or other equivalent parties) represent consideration for services received.

In 2019, the BPER Banca Group approved its first share-based payment plan. This plan envisages granting without charge a certain number of ordinary shares in the Parent Company to beneficiaries who are considered Material Risk Takers at Bank level, without any increase in capital and therefore by using outstanding shares temporarily purchased by the Bank for this purpose (by contrast, no stock option plans have been activated).

In accordance with IFRS 2 - Share-based payments, the cost of employee compensation plans based on own equity instruments is recognised in the income statement with reference to their fair value on the grant date spreading the related charge over the vesting period.

Since it is difficult to measure reliably the fair value of the services received in exchange for the equity instruments, reference is made to the fair value of the latter, determined on the grant date. Based on the instructions contained in IFRS 2, this date corresponds to the moment in which the parties to the agreement become aware of its existence.

The charges relating to share-based compensation plans are recognised on an accruals basis as a cost in income statement caption 160. a) "Administrative expenses: staff costs", with a matching entry to equity caption 140 "Reserves".

Long-Term Incentive Plan – LTI of BPER Banca Group

The 2019-2021 LTI Plan approved at the Ordinary Shareholders' Meeting held on 17 April 2019 is a share-based incentive plan for the key personnel of the Parent Company and other Group companies.

This Plan is designed to award beneficiaries an incentive that will be paid exclusively in BPER Banca ordinary shares, in compliance with the relevant regulations and consistent with the 2019-2021 Business Plan.

In the context of the compensation policies adopted by the Group for 2019, the Plan was approved with the following objectives:

- align management's interests with the creation of long-term shareholder value;
- motivate management to achieve the objectives of the Business Plan 2019-2021, within a framework of healthy, prudent risk management and ESG sustainability;
- strengthen key persons' sense of belonging in order to implement the Group's medium-long term strategy.

Implementation of the Plan is subject to achieving predetermined access conditions that guarantee not only profitability, but also the Group's capital stability and liquidity.

The bonus recognised at the end of the performance period - the size of which also depends on the achievement of specific objectives in terms of results, stock performance and sustainability - is paid by means of a free allocation of BPER Banca ordinary shares, subject to deferral and retention clauses.

Between 55% and 60% of the bonus is deferred, depending on the amount awarded at the end of the three-year period 2019-2021 (whether or not less than the "particularly high variable amount" defined in the remuneration policies for 2021). Deferral lasts for five years (2022-2026), during which the deferred portion is allocated in five annual instalments of the same amount, subject to verification of the malus conditions. Each portion that is allocated, whether up-front or deferred, is then subjected to a retention period of one year. Including the retention period, the Plan will end in 2027.

The LTI Plan of the BPER Banca Group is an operation with payment settled using equity instruments and, therefore, is governed by IFRS 2.

The overall cost of the plan is equal to the sum of the cost of each tranche, calculated with reference to the fair value of BPER Banca shares at the grant date (considering in each case the period until the expected vesting date), multiplied by the number of shares that may vest in relation to the performance condition, the probability of satisfying the service condition and achievement of the entry gate condition.

This cost is allocated over the vesting period of 8 years, starting from the date on which the parties become aware of its existence or, in the specific case of the BPER Banca plan, the date on which the individual plan beneficiaries were informed about their participation. The cost of the services (work) provided by the employees/recipients only includes the costs associated with the LTI Plan from that date. The costs recognised are matched by a specific equity reserve.

20. Targeted Longer-Term Refinancing Operations – TLTRO-III

Generally speaking, Targeted Longer-Term Refinancing Operations (TLTRO) have since their introduction offered banks in the Eurozone loans with multi-year maturities designed to improve the functioning of the monetary policy transmission mechanism, supporting the provision of bank credit to the real economy.

In March 2019 the Governing Council of the ECB announced a third series of Targeted Longer-Term Refinancing Operations (TLTRO-III) to be carried out on a quarterly basis from September 2019 to December 2021 (with the ECB's decision of 10 December 2020, three new operations were scheduled between June and December 2021).

During the course of 2020, starting from March, the Governing Council of the ECB, faced by the Covid-19 emergency, introduced more favourable conditions for the operations in question, which were first expected to be applied from 24 June 2020 to 23 June 2021 and then extended from December 2020 until June 2022.

Each of these operations has a duration of three years; counterparties whose net eligible loans, between 1 March 2020 and 31 March 2021, are at least equal to their benchmark net lending levels is granted a reduction in the rate to the same level as that on deposits with the central bank during the respective operation, except for the period between 24 June 2020 and 23 June 2021 when a reduction of 50 bps is applied as compared to the rate on deposits with the central bank. With the ECB's decision of December 2020, this reduction was also extended to the period between 24 June 2021 and 23 June 2022 for counterparties whose net eligible loans between 1 October 2020 and 31 December 2021 are at least equal to their benchmark net lending. Lastly, on 27 October 2022, the Governing Council of the ECB decided to adopt monetary policy measures aimed at quickly returning inflation to the ECB's 2% medium-term target. As part of said set of measures, the Governing Council established that, effective from 23 November 2022 and until the maturity date or the date of early reimbursement of each transaction in place, the interest rate applied to each transaction in place is indexed to the average reference interest rates of the ECB applicable to said period.

The characteristics of the TLTRO-III operations are such that it is impossible to equate them easily to cases specifically dealt with in IAS/IFRS; to identify the accounting treatment of the following situations in particular:

- change in the estimates of achievement of the objectives;
- recording of economic effects, "special interests" in particular,
- management of early repayments,

it is thought that reference can be made by analogy to "IAS 20 - Accounting for government grants and disclosure of public assistance" or to "IFRS 9 - Financial instruments".

The choice made by the Bank in accounting for such transactions is to refer to IFRS 9, given that the funding to which banks have access through the ECB's TLTRO is at market conditions. In our opinion, in fact, the ECB rates can be considered as "market rates" since it is the ECB itself that establishes the level, keeping this level in line with the lending objectives to be achieved (monetary policy operations). The ECB also has the power to change the TLTRO III interest rate at any time. This right of modification by the ECB has to be traced back to what is indicated in para. B5 4.5 of IFRS 9 (floating rate loans), resulting in a change in the Internal Rate of Return (IRR) of the loan to reflect changes in the benchmark rate. On the other hand, the situation is different where the lending rate gets changed because of a modification of the forecasts of whether the benchmark will be reached in terms of net lending; in this situation, with the same IRR, a modification in the future flows can only lead to a change of the loan at amortised cost³⁵.

³⁵ This accounting choice is consistent with the Public Statement issued by ESMA on 6 January 2021 dedicated to "[...] the third series of the ECB's Targeted Longer-

21. Purchase of tax credits originated from benefits mentioned in the "Cura Italia" and "Rilancio" Decree Laws (the so-called "Ecobonus" and "Sismabonus")

In order to counter the negative economic effects of the spread of the Covid-19 pandemic, by Law no. 77 of 17 July 2020 converting, with amendments, Decree-Law no. 34 of 19 May 2020 (the so-called "Relaunch" Decree) containing urgent measures in the field of health, support for work and the economy, as well as social policies related to the Covid-19 emergency, Parliament issued a series of measures which, among other things, make it possible under certain conditions to benefit from a deduction of the expenses incurred for specific interventions (e.g. interventions to increase the level of energy efficiency of existing buildings or reduce their seismic risk can attract a deduction of 110% of the costs incurred).

The law also introduces the possibility for taxpayers to opt, instead of using the deduction directly, for an advance contribution in the form of a discount from the suppliers of goods or services (so-called "invoice discount") or, alternatively, for the assignment of the credit corresponding to the deduction due to other parties, including credit institutions and other financial intermediaries; as part of its commercial policies, the Bank has decided to offer itself as the assignee of tax credits to its customers.

The transferee bank may in turn use these credits to offset tax payments through the F24 form. The tax credit can be used with the same breakdown into annual instalments with which the deduction would have been used by the seller (for example in five annual instalments of the same amount). The portion of the tax credit not used during the year cannot be used in subsequent years and cannot be requested as a refund.

As regards the responsibilities as to the existence of the credit, the law provides that:

- suppliers and buyers of credits are liable only for any use of the tax credit that is irregular or for a larger amount than the tax credit received;
- if the Revenue Agency finds out that one does not have all or some of the requisites that give the right to a tax deduction, it will recover the amount of the deduction not due from those to whom the bonus was granted (i.e. the seller).

With reference to the accounting treatment to be adopted in the financial statements of the buying bank, since the case in question is not subject to clear instructions in the IAS/IFRS, in application of the provisions of IAS 8, paras. 10 and 11, various possible scenarios were assessed concerning the applicability of the following international accounting standards by analogy:

- IAS 20 "Accounting for government grants and disclosure of government assistance";
- IAS 12 "Income Taxes";
- IAS 38 "Intangible Assets";
- IFRS 9 "Financial Instruments".

The choice made by the Bank is to refer by analogy to the indications of IFRS 9³⁶, considering that these tax credits are in essence financial assets, as they can be:

- used to pay off a debt (e.g. a tax debt);
- classified in an HTC business model, or with a hold-to-maturity strategy, even if considered as Other assets.

Furthermore, the tax credits are bought by the bank at a price that discounts both the time value of money and the ability to use them within a certain time limit. So at the time of initial recognition the tax credit is recognised at the price of the individual transaction - equating it to the fair value of a Level 3 instrument, as there are no official markets or comparable transactions - and thereby satisfy the condition set by IFRS 9 according to which financial assets and liabilities are to be initially recognised at fair value.

Subsequent valuation (or remeasurement) of this asset, again in line with IFRS 9, is envisaged at amortised cost, considering: i) the time value of money; ii) the use of a correct effective interest rate; and iii) the uses made of the tax credit through offsets. The effective interest rate is originally set so that the discounted cash flows of the estimated future offsets over the expected duration of the tax credit equal the purchase price of the tax credits.

In addition, if the Bank were to revise its estimates of the use of the tax credit through offsets, it would have to adjust the gross carrying amount of the tax credit to reflect the estimated, actual and restated uses of the tax credit through offsets. In such situations, the Bank would recalculate the gross carrying amount of the tax credit as the present value of the new estimated uses of the tax credit through offsets discounted back to the original effective interest rate. In this restatement, taking into account that there is no chance of reimbursement by the counterparty (i.e. the Treasury), an impairment loss due to any failure to use the tax credits bought would be included.

Moreover, as part of the remeasurement at amortised cost, not finding a counterparty credit risk as realising the instrument takes place exclusively through offsetting against tax liabilities and not by receiving money from the counterparty, the IFRS 9 rules on Expected Credit Losses are not applicable.

The treatment described is consistent with paragraph B5.4.6 of IFRS 9³⁷, which requires the entity to review its cash flow

Term Refinancing Operations (TLTRO III)"

³⁶ The approach adopted is consistent with what is indicated in the Bank of Italy/Consob/Ivass Document no. 9 - Coordination table between the Bank of Italy, Consob and Ivass on the application of IAS/IFRS.

³⁷ If the entity revises its payment or collection estimates (excluding modifications in accordance with paragraph 5.4.3 and changes in ECL estimates), the entity has to adjust the gross carrying amount of the financial asset or the amortised cost of the financial liability (or group of financial instruments) to reflect the actual and restated estimated contractual cash flows. The entity recalculates the gross carrying amount of the financial asset or the amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate (or at the adjusted

estimates periodically and adjust the gross carrying amount of the financial asset to reflect the actual and restated cash flows. This accounting treatment also makes it possible to allocate income (in the form of interest income) on an accrual basis during the life of the tax credit, as well as to recognise any losses from the transaction immediately.

22. Macro Fair Value Hedge on Demand (PAV) items

As of 2022, within the BPER Banca Group, the macro fair value hedge regime is applied to hedge the interest rate risk inherent in formally on-demand funding items, limited to the portion of such items with "inelastic core" funding characteristics, i.e. those that are substantially characterised by a tendentially fixed cost and a stable duration over time, according to the results of the behavioural model adopted by the Bank.

"Inelastic core" funding is therefore assimilated to a portfolio of fixed-rate deposit liabilities, each with a rate of return equal to the fixed market rate relative to its maturity. More specifically, the elaborated model is constructed as a series of monthly fixed-rate deposits with different maturities and periodic interest payments. Liabilities identified as fixed-rate by the behavioural model are therefore considered hedged items and are subject to macro fair value hedges for accounting purposes.

Any change in the amounts identified by the behavioural model with these characteristics, resulting from the periodic updating of the estimates themselves (either in relation to the parameters used by the behavioural model, or in relation to the decrease in the amount of funding), does not give rise to ineffectiveness in the relationship until the amount of funding included in the bucket reaches the minimum level hedged (a decrease exceeding the amount of unhedged funding). In such a case, the withdrawal of part of the hedge constitutes voluntary discontinuing.

23. Method for determining the extent of impairment³⁸

A. Financial assets

Impairment models

The calculation of adjustments of financial assets according to the Expected Credit Losses (ECL model envisaged by IFRS 9 is the result of a complex process of estimates that includes numerous subjective variables regarding the criteria used to identify a significant increase in credit risk, for the purpose of allocating financial assets to the stages provided for in the Standard; it also involves defining models for measuring expected losses, with the use of assumptions and parameters, which take into account current and future (or "forward-looking") macroeconomic information including, for non-performing exposures, possible sale scenarios where the Bank's strategy envisages recovery of the loans by selling them.

In accordance with the instructions contained in the standard, the impairment model adopted by the Bank is based on the concept of "forward-looking" evaluation, i.e. on the concept of expected loss, whether calculated for the next 12 months (Stage 1) or for the residual life of the instrument (Stage 2 and Stage 3), based on the concept of a Significant Increase in Credit Risk (SICR) with respect to the date of origin of the instrument. According to the Expected Credit Loss model, the losses must be recorded not only on the basis of objective evidence of impairment losses already manifest as of the reporting date, but also on the basis of the expectation of future losses in value not yet manifest as of the reporting date, and must reflect:

- the probability of occurrence of the various system scenarios;
- the discounting effect using the effective interest rate;
- historical experiences and current and future assessments.

To this end, the Bank has adopted a model for calculating the expected lifetime loss of the financial instrument, applied to instruments classified in Stage 2, which takes into consideration the following multi-period parameters:

$$LtEL_t = \sum_{t=1}^T PDF_t \times LGD_t \times EaD_t \times D_t$$

where:

- PDF_t is the Probability of Default between 1 and t ,
- LGD_t is the Loss Given Default at a forward default event between 1 and t ,
- EaD_t is the Exposure at Default at time t ,
- D_t is the discounting factor for the expected loss at time t , up to the current reporting date, determined using the effective interest rate,
- T is the contract maturity date.

effective interest rate for the credit for non-performing financial assets purchased or originated) or, where applicable, at the revised effective interest rate calculated in accordance with paragraph 6.5.10. The adjustment is recognised as income or expense in profit or loss for the year.

³⁸ As required by document No. 2 issued with joint signature by the Bank of Italy, CONSOB and ISVAP (now IVASS) on 6 February 2009.

The calculation parameters contained in the Lifetime Expected Loss formula, as they are multi-period, they evolve over time, or in the time frame coinciding with the expected life of the exposure that must be evaluated. In particular, the criteria adopted by the Bank envisage that:

- the EaD evolves in accordance with the amortisation plans, if they exist, and with the contractual repayment plans in general, possibly amended by "behavioural" hypotheses (e.g. loans with pre-payment options);
- the PD and LGD parameters evolve as a result of the changes in the credit quality observed over time and represented by the transition or migration matrices (e.g. migrations between rating classes or for situations such as Danger Rate).

The calculation of the expected 12-month loss (applied to instruments classified in Stage 1) can therefore be considered as the sum of expected multi-period losses for the first prospective year, or less if the deadline is within 12 months, of the Lifetime Expected Loss:

$$EL = EaD \times LGD \times PD \times D$$

where:

- EaD is Exposure at Default,
- LGD is the Loss Given Default,
- PD is the 12-month Probability of Default,
- D is the discounting factor for the expected loss, discounted for 12 months from the first period subsequent to the reporting date.

Lastly, for loans already classified in Stage 3 whose amount is lower than the threshold set in the Group's internal regulations for analytical assessment, a statistical write-down is applied using the following formula:

$$LtEL_t = EaD \times LGD$$

where:

- EaD is Exposure at Default,
- LGD is the loss resulting from a default event, which can differ according to the administrative status at the calculation date.

For the purposes of a homogeneous application of the impairment model described to the financial asset portfolios of the Bank, the same methods of calculating the value adjustments described above are applied, in addition to the on- and off-balance sheet scope of the loans, also to the portfolio of debt securities. With regard to the latter portfolio, it should be noted that, where the risk information deriving from internal models (PD and LGD) is missing, external information from qualified info providers was used.

The Expected Credit Loss (ECL) model adopted by the Bank is based on the use of risk parameters estimated for regulatory purposes (disclosure of which is given in the relevant internal regulations and in Part E of the consolidated Explanatory Notes, to which reference should be made), appropriately amended to guarantee full consistency with the requirements of IFRS 9. The main changes concerned the following aspects:

- introduction of "point-in-time" elements in the regulatory parameters estimated according to "through-the-cycle" logic;
- implementation of components based on forecast information (scenario analysis);
- extension of the time horizon (multi-year) of the credit risk parameters.

Estimate of the PD parameter

The introduction of a Lifetime Expected Loss model implies the need to estimate the probability of default not only in the twelve months following the reporting date, but also in subsequent years.

For this purpose, multi-year PD dynamics accumulated by rating class based on the product among the matrices of Point-In-Time (PIT) migrations conditioned to the expected economic cycle were defined for each model of the internal rating system.

More specifically, the cumulative PD curves are determined, for the first three years from the reporting date, by multiplying future PIT matrices derived from the conditioning of PIT matrices, according to the application of satellite models, to different weighted macro-economic scenarios with the relative probabilities of occurrence. From the fourth year onwards, long-term matrices Through-The-Cycle (TTC) are used, obtained as the average of historical PIT migration matrices.

The ordinary "satellite models", used to link risk parameters to the evolution of macroeconomic variables, have been supplemented by some prudential elements in the estimates which, if activated, generate more conservative default rate forecasts. These include:

- "trend" adjustment, which is an econometric mechanism to reduce the sharp decline in default rates in recent years so that the long-term component of the time series is given more weight in forecasts;
- sectoral adjustments, which aim to quantify an adjustment for the economic activities most affected by the pandemic containment measures, so as to incorporate a more conservative profile in the default rate projections. More specifically, the reasoning behind the definition of this adjustment is to estimate, for all those sectors identified as vulnerable (tourism,

hotels, etc.), the amount of default flows during 2020 through an econometric model and compare this estimated value with the observed one.

The introduction of these prudential elements is, moreover, optional, as a operational management choice made by the BPER Banca Group depending on the observed evolution of the macroeconomic context and the consequent perceived risk of the loan portfolio.

Estimate of the LGD parameter

The need to implement a long-term approach, also through the inclusion of “forward looking” factors has involved the removal of the corrective components required for regulatory purposes (“downturn”, indirect costs and margins of conservatism) and conditioning to the expected economic cycle to obtain point-in-time and forward-looking parameters by using satellite models. In particular, the conditioned components requiring specific satellite models include the probability of migration to bad loan status and the loss given default of bad loans.

EAD Estimate

The concept of exposure (EAD) considered in the various future payment moments foreseen in the amortisation plan is based on the residual debt, increased by any unpaid or overdue instalments.

With reference to off-balance sheet exposures (guarantees and margins), EAD is determined by applying a credit conversion factor (CCF) to the nominal value of the exposure.

As required by IFRS 9, the Bank's impairment model is reflected in the risk parameters used to calculate the ECL (and the stage assignment explained below):

- current conditions in the economic cycle (Point-in-Time risk measures);
- forward-looking information about risks, considering the dynamics of the (external) macroeconomic factors that affect the lifetime expected loss;
- the probability that three possible scenarios might occur (Probability weighted).

Therefore, all the risk parameters (with the exception of Exposure at Default, for which no significant relationship with macroeconomic variables has been found) are conditioned by macro economic scenarios.

With reference to the multiple prospective scenarios similar to those used to estimate the ECL, the Bank has decided to use the same scenarios used by the Bank's main processes such as Planning and Budget, Risk Appetite Framework (RAF) and Lending Policies, limiting the forward-looking time horizon to a maximum of 3 years following the date of each assessment.

In the context of the performing loan portfolio and the related impairment model adopted by the Group, the risk parameters for certain technical forms, including finance leases, factoring loans and consumer credit, are determined differently.

As described in the ITG "Inclusion of cash flows expected from the sale on default of loans" from the staff of the IFRS Foundation and in the "Guidelines for banks on non-performing loans (NPL)" published by the ECB in March 2017 to encourage their proactive management, the BPER Banca Group has included forward-looking factors in the assessment of non-performing loans (classified in particular as bad and UTP loans) by forecasting recoveries on a multi-scenario basis. More specifically, in line with the current processes of recovery of non-performing assets, which envisage their realisation also through sale on the market, the impairment model has integrated a sale scenario (so-called "Disposal Scenario), in line with what is defined in the Group's NPE Strategy plans for the management and reduction of the non-performing portfolio, as a possible method of recovering exposures, as an alternative to internal recovery ("Workout Scenario").

When envisaged and possible, loans classified in Stage 3 are therefore measured by weighting their estimated realisable value determined under the two possible scenarios (“workout” and “disposal”) by applying a probability of occurrence to each. To this end, the Bank has adopted a model for calculating the multi-scenario net value of impaired financial assets, which considers the following parameters:

$$NBV_{Multiscenario} = FMV \times Disposal\ Scenario\ \% + NBV_{Workout} \times (1 - Disposal\ Scenario\ \%)$$

where:

- FMV is the best estimate of the "disposal" price;
- $NBV_{Workout}$ is the net book value of the loan according to internal management logic ("workout");
- Disposal Scenario% is the probability of occurrence of the disposal scenario;
- $(1 - Disposal\ Scenario\ \%)$ is the probability of occurrence of the workout scenario.

This methodology for measuring Stage 3 exposures provides the best representation of possible recoveries from, on the one hand, the application of routine internal procedures and, on the other, market disposals in implementation of the specific strategies (NPE Strategy) and targets that the Bank has committed to achieving in communications with the financial community.

The measurement process therefore retains unchanged the methodology for identifying recoverable value under the workout scenario, but is supplemented by an assessment based on market parameters under the disposal scenario. The two measurement processes are carried out in parallel and their results are summarised by determining a weighted average based on the relative probabilities of occurrence.

The resulting impairment model requires the parameters used for both scenarios to be updated constantly. Specifically with

regard to the workout scenario, the internal assessment of the recoverability of the exposure is revised constantly, based on the strategies/rescheduling/recovery actions implemented in application of a methodology that is both customised and "expert"; with reference to the disposal scenario, the FMV is updated regularly (every quarter) with reference to the information available about disposal conditions until the selling prices are matched by a "welcome" binding offer from a potential purchaser (probability of disposal close to 100%). The best estimate of the disposal price of the individual positions is determined by considering, where available, the potential market value of the portfolio concerned and, where unavailable, the likely disposal value of each position under a mark-to-model approach.

The probability of disposal is determined by taking into account the expected timing of the disposal, the type of transaction contemplated and the (homogeneous) characteristics of the exposures identified for disposal.

The probabilities associated with the workout and disposal scenarios for each position are not fixed over time, but in turn are subject to amendments and changes due, principally, to conditions in the NPE market and cumulative achievement of the objectives established in the current NPE Strategy of the Bank. Dynamic management of the Bank's non-performing portfolio in fact requires the addition of new positions and the exclusion of others initially identified for disposal, depending on the interest of operators in the NPE market and the internal assessments carried out by Bank management; these circumstances must be recognised as entirely physiological and unavoidable in such a dynamic context, with accounting consequences in terms of loan impairment losses and write-backs.

Notably, during the time dedicated to the selection of disposal opportunities and completion of the operation, the positions concerned are still managed in accordance with the normal workout procedures that, understandably, often result in resolution of the problem before the positions are actually sold. It follows that the ideal disposal perimeter identified originally must be updated constantly, in terms of quality, quantity and provisions, to keep it aligned with the objectives established in the NPE Strategy.

Criteria for the classification of financial instruments in Stages

The Stage Assignment Framework adopted by the Bank establishes the requirements for classifying financial instruments with reference to the actual "deterioration" of credit risk, consistent with the requirements of IFRS 9, applying an approach that is consistent among the various portfolios. This classification in stages of increasing risk is determined using all the significant information contained in Bank processes, as supported where applicable by updates and the credit monitoring processes.

Specifically, financial assets are classified into three stages of risk, each of which applies a different method to calculate the related impairment adjustments, while consistently applying the "Expected Loss" or "Expected Credit Losses" (ECL) concept:

- Stage 1: includes all performing loans (originated or acquired) for which there is no "significant increase in credit risk" (SICR) since initial recognition; impairments are equal to the expected losses that could occur if a default occurs in the next 12 months (12-month ECL);
- Stage 2: comprises all performing loans with a "SICR" since initial recognition; the impairment adjustments reflect the expected losses that might arise on default at any time in the life of the financial instrument (lifetime ECL);
- Stage 3: comprises all accounts in default at the reporting date, the impairment adjustments for which consider the lifetime ECL.

In particular, regarding the classification of loans in Stage 2, it is essential to identify correctly the SICR criteria used in the stage assignment process. For this purpose, the Bank has structured a framework designed to identify the increase in credit risk before the credit lines granted show clear signs of impending default.

While the distinction between performing and non-performing is made at counterparty level, classification into stages of risk is carried out at account level. In order to distinguish loans within the performing portfolio that do not show SICR (Stage 1) from those that do (Stage 2), the Bank has decided to use all the following available significant factors as criteria for the analysis of credit quality:

- relative quantitative criteria, reflected in the internal thresholds of change between the PD identified on originating the contractual relationship and the PD at the measurement date, that identify a significant increase in credit risk if exceeded. In this context, a framework is in use to identify the changes in PD and related thresholds, which makes reference to the Lifetime PD curves, containing forward-looking information. The SICR thresholds, with the quantitative criterion being triggered if breached, are differentiated by counterparty risk segment, residual maturity cluster of the financial instrument and source rating class.

The table below offers a summary view of the granularity of definition of the relevant "lifetime PD delta" thresholds for SICR, i.e. the internal thresholds of change between the PD identified on originating the contractual relationship and the PD at the measurement date and used by the Bank:

Rating class at origination	Risk segment	Residual maturity cluster
From 1 to 9 years	Large Corporate	< = 1 year > 1 year
From 1 to 13 years	Holdings & Financial companies SMEs Corporate	< = 1 year > 1 year
	Real estate SMEs	
	PMI Retail	< = 1 year > 1 year
	Sole Proprietorships and Small Business	< = 1 year < = 3 years > 3 years
	Consumer customers	< = 1 year < = 3 years > 3 years

- absolute qualitative criteria that, via the identification of a risk threshold, identify the transactions to be classified in Stage 2 based on the specific risk information available. This category includes the adverse events impacting credit risk that are identified by the Early Warning credit performance monitoring system ("watchlist"). In order to avoid overlapping, some qualitative counterparty information has not been included among the staging criteria, as it is already considered in the rating models;
- backstop indicators, including:
 - the presence of exposures with a significant past due balance for more than 30 days;
 - the presence of a regulatory probation period of 24 months for forbearance measures;
 - the absence of a rating or the presence of a default status at the credit origination date.

To date, the Bank has not envisaged the possibility for a manual override of the classification resulting from application of the staging rules (except as indicated in the paragraph dedicated to the Overlay Approach in response to the situation caused by the Covid-19 pandemic and similar strategies adopted for better addressing the uncertainty surrounding the Russia-Ukraine conflict).

For a homogeneous application of the impairment model between portfolios of the Bank, the classification criteria in stages for the portfolio of debt securities were taken, where possible, from the staging logic applied to the loan portfolio. Specifically, the Bank has defined a staging model for debt securities based on the following criteria:

- management of an "inventory" of debt securities for staging purposes, applying the FIFO method to relieve sold tranches from the portfolio;
- model for identifying significant increases in credit risk, in order to classify debt securities in Stage 1 or Stage 2, based on the following criteria:
 - primary use of the internal rating model and, if unavailable, reference to an external rating agency;
 - determination of the rating downgrade threshold based on a comparison of rating classes at origination with rating classes at the measurement date (notching between rating classes);
- classification in Stage 3 of all debt securities in default at the reporting date, applying the definition of default contained in the ISDA document entitled "Credit Derivatives Definition" of 2003.

The standard also envisages the possible use of a practical expedient, intended to reduce the implementation burden for transactions that, at the measurement date, have a *low credit risk* and can be classified in Stage 1 without first carrying out the SICR test. The standard considers an asset to have a low credit risk if the debtor is well able to meet the short-term cash flow requirements deriving from its contractual obligations and adverse changes in the long-term economic situation might reduce that ability, but not necessarily.

The Bank has decided not to adopt this practical expedient.

Should the conditions giving rise to the SICR cease to apply at a subsequent measurement date, the financial instrument is once again measured with reference to the 12-month ECL, which might result in a write-back to the income statement.

It should be noted, however, that in the event of reclassification of a loan from non-performing (Stage 3) to performing, the Bank does not deem necessary a forced classification in Stage 2 with the application of a Lifetime ECL, since no probation period has been set for the return from Stage 3 to Stage 1. In this case, the stage assignment approach mentioned previously will be valid. In line with this approach and with the regulatory requirements, also in the event of a return from Stage 2 to Stage 1, probation periods are not envisaged as the combination of the various SICR rules implemented already permits an adequate level of prudence in the case of a return to Stage 1.

The only exception to this concerns the application of the regulations on "forborne exposures", for which the Bank expects that the official rating valid on the day the forborne attribute is activated may not be changed before twelve months have elapsed.

B. Purchased or Originated Credit Impaired (POCI) financial assets

If a credit exposure (including those acquired through business combinations) classified at the time of initial recognition in the balance sheet caption 30 *"Financial assets measured at fair value through other comprehensive income"* or in caption 40 *"Financial assets measured at amortised cost"* becomes impaired, it is identified as "Purchased or Originated Credit Impaired - POCI".

By convention, POCI financial assets are classified in Stage 3 on initial recognition.

Should these assets become performing, following an improvement in the creditworthiness of the counterparty, they are reclassified to Stage 2.

They can never be classified in Stage 1, as the expected credit loss must always be calculated over the residual duration.

In addition to what was said above, the Bank identifies as POCI financial assets any credit exposures originating from the restructuring of impaired exposures that resulted in the granting of significant new funds, either in absolute terms or in proportion to the amount of the original exposure.

C. Equity investments

The Bank's equity investments are also subjected to impairment testing. In particular, the impairment test is carried out on an annual basis as required by the accounting standards, normally as at 31 December each year, unless there are changes or situations of discontinuity of particular importance with respect to the values and assumptions taken as a point of reference in the previous test; if specific impairment triggers are identified, the recoverable amount shall be determined, represented by the higher of the asset's fair value less costs of disposal and its value in use. These valuations are conducted in accordance with best market valuation practices (such as mainly income/financial valuation methods and, only residually, equity methods).

D. Property, plant, equipment and intangible assets with a finite useful life

Property, plant, equipment and intangible assets with a finite useful life, with the exception of properties held for investment purposes, are subjected to impairment testing if there is evidence that their carrying amounts may no longer be recoverable. The recoverable amount is determined with reference to the fair value of the property, plant and equipment or intangible asset, less costs of disposal, or to its value in use if this can be determined and exceeds fair value.

With regard to property, plant and equipment consisting in Property used in operations (IAS 16), paragraph 5 of IAS 36³⁹ applied by the Bank leads to the conclusion that the only difference between an asset's fair value and its fair value less costs of disposal is the direct incremental costs attributable to the disposal of the asset. Two options are therefore possible:

- If the disposal costs are negligible, the recoverable amount of the revalued asset is necessarily close to its revalued amount. In this case, after the revaluation requirements have been applied, it is unlikely that the revalued asset is impaired;
- If the disposal costs are not negligible, the fair value less costs of disposal of the revalued asset is necessarily less than its fair value. Therefore, the revalued asset will be impaired.

If there is an indication that the remaining useful life of property may need to be significantly reviewed, this may be also be relevant for the recognition of an impairment.

In relation to the methods for determining the fair value, please refer to the following Part A.4 - "Information on fair value".

As with property owned by the Bank, the right-of-use assets recognised in relation to leased buildings used in operations (IFRS 16) are also subjected to periodic impairment tests that consider their expected use (decisions to close branches and related contract amendments already carried out) and suitable market indications regarding the costs to be incurred in order to rent them out.

24. Business combinations: purchase price allocation

Introduction

The following description covers the general process required by IFRS 3 for the recognition of business combinations, being transactions or other events in which a company acquires control over one or more business activities and expects to consolidate the assets, liabilities and contingent liabilities acquired at their respective fair values, including any identifiable intangible assets not already recorded in the financial statements of the acquired business.

According to IFRS 3⁴⁰, a specific analysis to identify the characteristics of "Company's Business", has to be carried out with respect to the acquired entity, in order to identify a business combination to be accounted for according to the Acquisition Method.

BPER Banca then proceeds with a qualitative analysis of the characteristics of the assets acquired in order to verify the simultaneous presence of i. Factors of production, ii. Processes, iii. Production as defined in IFRS 3, in particular with respect to the concept of Substantive Process.

Subsequently, on the basis of the Acquisition Method and on the date of acquisition of control, BPER Banca allocates the price of the combination (Purchase Price Allocation - PPA) by recognising the assets acquired, liabilities assumed (including

³⁹ Pursuant to para. 5 of IAS 36, impairment tests apply to assets that are carried at revalued amount in accordance with other IFRSs, such as the revaluation model in IAS 16 (i.e. fair value at the date of the revaluation less any subsequent accumulated depreciation).

⁴⁰ The amendments made to IFRS 3 with Commission Regulation (EU) 2020/551 have modified para. 3 and introduced paras. B7 - B12D, substantially revising the definition of "business" for the purpose of identifying transactions that can be classified as "business combinations".

contingent liabilities) and minority interests to the related fair value, in addition to identifying the implicit intangible assets previously not accounted for in the accounts of the acquiree. Any differences that emerge between the price paid for the acquisition (also measured at fair value and considering any "potential consideration") and the fair value (net of tax effect) of the assets and liabilities acquired are, if positive, recognised as goodwill in the balance sheet and, if negative, credited to the income statement as badwill (or "gain on a bargain purchase").

IFRS 3 allows for the final allocation of the cost of the business combination to be made within twelve months of the acquisition date.

Fair value of purchased assets and liabilities

When accounting for a business combination, the Bank determines the fair value of the assets, liabilities and contingent liabilities purchased. Such amount is only identified separately if, at the acquisition date, the following criteria are met:

- in the case of assets other than intangible assets, it is likely that the purchaser will obtain any future economic benefits;
- in the case of liabilities other than contingent liabilities, it is likely that their settlement will require the use of resources capable of producing economic benefits;
- in the case of an intangible asset (IAS 38) or a contingent liability (IAS 37), the related fair value can be measured in a reliable manner.

Financial assets and liabilities must be measured at their fair value on the date of the business combination, even if they are measured using other criteria in the financial statements of the acquired company. The fair value of financial instruments not listed in active markets is determined in the manner described in Part A.4 below, applying the internal measurement model that is most appropriate for the instrument concerned.

Identification of intangible assets

Depending on the characteristics of the business acquired, an analysis is performed to identify any unrecorded assets that should be recognised separately, for example customer-related intangibles or client relationship, and marketing-related intangibles (brand name).

Customer-related intangible assets: these are recognised as intangible assets when they are separable and can be measured reliably, even though they may not always derive from contractual rights such as marketing-related intangibles.

This category includes:

- client lists: these comprise all the information held about clients (database containing: names, addresses, transaction history, demographic information etc.) that has a recognised market value, on condition that it can be rented or exchanged; such information cannot be treated as an intangible asset if it is considered so confidential that the combination agreement forbids its sale, rental or exchange in other forms;
- contracts with clients and the client relationships established as a consequence: contracts with clients satisfy the contractual/legal requirement for the recognition of an intangible asset, even if the combination contract forbids their sale or transfer separately from the business acquired; this category also includes long-established contacts with clients, even if there is no formal contract, and all other non-contractual relationships that can be separated and measured on their own;
- non-contractual relations with clients: this category includes all intangible assets that, being separable and transferable independently of the business acquired, may be valued individually and recognised as intangibles.

Marketing-related intangible assets: trademarks, commercial names, service brands, collective names and quality marks that derive from contractual rights or which are usually separable. Such assets reflect the collection of productive conditions that are economically correlated with the commercial name, the relationship with the market, and the reach of distribution.

An intangible asset must be measured initially at cost. If acquired as part of a business combination, its cost is its fair value at the time control is obtained.

Fair value, in this context, reflects market expectations about the likelihood that the owner will obtain the future economic benefits deriving from the asset. The entity must assess the probability of obtaining future economic benefits using reasonable and justifiable assumptions that reflect Management's best estimate of the economic conditions that will apply over the useful life of the asset.

The accounting standards do not specify the methodology to be used to measure the fair value of such assets but, among the possible alternatives, preference is given to those making reference to observable market prices. Failing this, the accounting standards allow the use of valuation models that include assumptions which are generally used and recognised by the market.

The fair value of customer-related intangible assets is determined by discounting the profit flows generated by deposits over the expected residual period of the relationships outstanding at the time of acquisition.

In general, brands are valued using market methods as well as methods based on the flows deriving from their management or a royalty recognised by the market.

Determination of Goodwill (Gain on a bargain purchase or "Badwill")

Goodwill represents the unallocated amount of purchase cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired (including those intangibles and contingent liabilities that satisfy the requirements for recognition in the financial statements).

This represents the consideration recognised by the purchaser in exchange for the future economic benefits deriving from assets

that cannot be identified individually and recognised separately. In substance, this includes the value of the expected synergies, the corporate image of the company acquired, its know how, its professionalism, its procedures and other non-specific factors. The goodwill acquired as a result of a business combination is not amortised. The Bank verifies each year, or at the end of the period in which a business combination was carried out and whenever there is evidence of possible impairment, that the recorded value of goodwill has not been impaired (impairment test).

If the residual amount allocated to the purchase value is negative, it is recognised as a benefit in the income statement under caption 245 *"Gain on a bargain purchase"*.

A.3 – Information on transfers of financial assets between portfolios

No financial assets were reclassified during the year.

A.4 – Information on fair value

Qualitative information

Techniques for the determination of fair value

Paragraph 9 of IFRS 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

When determining whether the fair value at initial recognition equals the transaction price, it is necessary to take into account factors specific to the transaction and to the asset and liability. It follows that, if the transaction price (consideration) differs from fair value, the difference should be recognised in the income statement.

It is also established that fair value excludes transaction costs.

In addition to the measurement of stand-alone financial instruments at fair value, the Bank may also measure groups of similar assets and liabilities at fair value, where it is permitted to do so.

Measurement at fair value assumes that the transaction to sell an asset or transfer a liability takes place in a principal market, defined as the market with the greatest volume and level of trading for the asset or liability to be measured. In the absence of a principal market, reference should be made to the most advantageous market, which is the market that maximises the amount that would be received to sell an asset or minimises the amount that would be paid to transfer a liability, after taking into account transaction costs.

Identification of active markets

The process for measurement of fair value starts with determining whether there is an active market with regularly available quoted prices.

In order to consider a market as active, the Bank takes account of the following factors:

- number of participants;
- frequency of price quotation or price update;
- the presence and size of a bid-ask spread;
- trading volume.

Whether a financial instrument qualifies as traded on an active market can only be determined through extensive research of all the existing markets in order to identify the principal or most advantageous market, taking into account "all information that is reasonably available" (IFRS 13 § 17). This needs to be done for each financial instrument for which the fair value has to be determined.

To determine whether, based on the information that is available, a market can be considered to be active, the Bank assesses the importance and relevance of factors that include the following:

- low level of recent trading activity;
- available prices are not current;
- available prices vary significantly over time or between market-makers;
- it can be demonstrated that indices that previously had a close correlation with the fair value of an asset or a liability no longer have this correlation based on recent indications of fair value of that asset or liability;
- the presence of a significant increase in the embedded risk premiums (or default rates) of the transactions being considered or in quoted prices;
- the presence of a wide bid-ask spread or of a significant increase in it;
- a significant decline in the level of trading activity;
- a lack of publicly available information.

If compliance with the necessary requirements is verified periodically, a financial instrument can be considered to be traded on one or more active markets. Within the possible markets, a search is undertaken to identify the principal market or, in the absence of a principal market, the most advantageous market.

Fair value is determined with reference to:

- the closing bid price for assets held or liabilities to be issued;

- the closing ask price for liabilities already issued or assets to be purchased.

Closing bid and ask prices are the bid and ask prices referred to by the entity that regulates the market on which an instrument is traded.

In the absence of reference bid and ask prices, the last price set by the entity which regulates the market could be taken, provided that this price has the following features: advertising, liquidity, prompt adaptation to changing conditions and availability as envisaged by the standards.

For assets and liabilities with offsetting positions in market risks, the average of the bid and ask price can be used, provided that this is commonly used by market participants and is consistent with the objective of measuring fair value in accordance with IFRS 13.

In the case of open-ended mutual funds, the Bank considers the Net Asset Value (NAV) as the best expression of the fair value of the instrument. No adjustments are made to the NAV to take into account the interval between the date redemption is requested and the actual redemption date (considered insignificant).

In the case of listed closed-end funds, the fair value is derived from the market quotation.

With regard to foreign shares, if these are listed on regulated stock exchanges, then they are considered to be traded in an active market. The price provided for this type of share, if the bid-ask spread is not available, is the last price. On the contrary, equity trading in OTC markets is not considered to take place in an active market.

Listed derivatives are measured using the last prices supplied by the clearing house.

Financial instruments listed on non-active markets are considered as "unlisted" instruments.

With regard to bonds not listed on regulated markets, in view of the role played by the Bank in the institutional market for financial instruments, the Bloomberg Professional system has been identified as an active market for front office operations, if the prices recorded therein have the appropriate features mentioned above.

Identification of the fair value of financial instruments not listed on active markets

If the market for a financial instrument does not meet the conditions required to qualify as an active market, the fair value of the instrument is determined through the use of valuation techniques.

Valuation techniques indicated by international accounting standards are:

- market approach: this uses prices and other relevant information generated by market transactions involving comparable assets;
- cost approach: this reflects the amount that would be required currently to replace the service capacity of an asset ("current replacement cost");
- income approach: this converts future cash flows or income and expenses to a single current amount.

For the Bank, the following valuation techniques are valid:

- market approach for identical or comparable assets and liabilities;
- use of matrix pricing;
- present value techniques;
- option pricing models;
- the multi-period excess earnings method.

These techniques may be used if:

- they maximise the use of market data, while minimising the use of Bank estimates and assumptions;
- they reasonably reflect how the market expects the price to be determined;
- the fair value measurement is determined on the basis of the value indicated by current market expectations and the risk and yield of the instrument being valued;
- they reflect the assumptions that market participants would use when pricing an asset or liability;
- they are consistent with commonly accepted methodologies;
- they are periodically subjected to verification and calibration to verify their capability to determine a fair value in line with actual trading prices for the instrument being valued.

In summary, the Bank's preference is to adopt a market approach for the determination of fair value, even if an active market does not exist. Only in the event that it is not possible to apply the above valuation techniques, quantitative valuation methods may be used.

It is apparent that regulations governing valuation techniques do not authorise a neutral and objective use of quantitative methods. However, their use should be understood to be the development by the Bank of an internal process that matches the fair value measurement with a price at which an instrument could be exchanged in a market transaction at current conditions. As part of this process, it would thus appear necessary to give priority to the use of recent transaction prices (prices on non-

active markets, prices provided by third-party participants), or the prices of similar instruments. In this context, quantitative methods can provide a benchmark to supplement, or correct, any differences between the instrument being valued and that observed in the market, or to reflect the impact of changes in the economic environment on market transactions.

Valuation techniques used to measure fair value are applied consistently. A change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. That might be the case if any of the following events take place:

- new markets develop;
- new information becomes available;
- information previously used is no longer available;
- valuation techniques improve;
- market conditions change.

A.4.1 Fair value Levels 2 and 3: valuation techniques and inputs used

Valuation techniques

Specific techniques are applied in relation to particular types of financial instrument, in order to correctly identify their characteristics.

Equities

For all unlisted shares, the valuation methodologies set out above apply. Failing this, they are measured at cost.

For unlisted shares, other than equity investments, the methods used the most for fair value measurement fall into the following categories:

- discounted cash flow;
- the use of multiples.

These methods require the availability of a significant amount of data to estimate future cash flows generated by a company or to identify the correct market multiples. They use uncertain estimates of various parameters (cash flows, dividends, beta, risk premium, cost of capital, asset values, etc.), the measurement of which is subjective and which do not always reflect market conditions. This leads to a valuation of a distribution of theoretical fair values. Where it is not possible to reliably determine the fair value with the above methods, securities and instruments are measured at cost.

As an alternative to the valuation techniques above, the value of the share may be based on book value, computed as the ratio between equity and the number of issued ordinary shares.

Plain vanilla debt securities

With regard to plain vanilla debt securities, the valuation technique applied is discounted cash flow analysis. There are three steps:

- mapping of cash flows: recognition of the cash flows expected from the instrument and their distribution of the duration of the contract;
- selection of the discounting curve, having regard for the risk factors affecting the cash flows;
- calculation of the present value of the instrument at the measurement date.

Having identified the cash flows, the appropriate discounting curve is calculated using the discount rate adjustment approach, which takes account of both rate risk and credit/liquidity risk. This information is used to calculate the instrument's fair value, as the sum of the present values of its cash flows.

Structured debt securities

Given the non-determinant nature of the future cash flows from structured securities, their fair value is calculated by breaking them down into a portfolio of elementary instruments using the replica portfolio technique. The fair value of the structured product is obtained by summing the individual values obtained for elementary instruments comprising the product.

The Bank started issuing protection certificates in 2013. They combine two financial instruments:

- a Zero Coupon Bond;
- an option which seeks to replicate the performance of an underlying asset and to protect, partially or completely, the amount invested.

The methods used for the calculation of fair value are similar to those described above for structured debt securities.

Closed-end funds

In order to take into account certain specific problems of unlisted closed-end real estate funds, such as the underlying's lack of liquidity, the absence of a liquid market and the specificity of the underlying, the most up-to-date NAV available may be corrected by a difference that takes account of credit risk, non-disposal risk and market risk.

Private equity funds

Closed-end private equity funds are first measured at the NAV determined from time to time by the SGR concerned. In addition, the NAV determined using the principles envisaged by the Bank of Italy for the preparation of management reports is compared periodically with the NAV determined by calculating the fair market value of the initiatives underlying⁴¹ the fund, in order to identify any differences that might be reflected immediately in market value, but not in the NAV calculated in the normal way. Should the market value of a fund be lower than the official NAV, further analyses are required in order to correct the NAV and determine the fair value to be recognised in the financial statements.

Funds that specialise in managing NPLs

In order to take into consideration some specific problems of unlisted closed-end funds that invest in non-performing loans (NPLs), such as the fair value measurement of the underlying and the absence of a liquid market, the most up-to-date NAV available is used as input, together with the other market parameters generally used in measuring this type of asset at fair value (mainly the expected rate of return), in a model that is able to simulate the perspective of an operator in the NPL market, considering its limited liquidity.

Asset-Backed Securities (ABS)

With regard to the Asset-Backed Securities (ABS) held in the portfolio, the Bank has defined specific measurement criteria that maximise the use of market information, applying the following hierarchy:

- i. "qualified" contributions (contribution approach);
- ii. method based on market information (comparable approach);
- iii. internal measurement model (waterfall).

Derivatives

The fair value of derivatives is determined using quantitative models that differ depending on the type of instrument concerned. In particular, a distinction is made between:

- Over-The-Counter (OTC) options represented by either stand-alone options or options embedded in complex financial instruments. Pricing techniques include:
 - options with pay-off that can be calculated precisely, priced using models generally accepted by the market (e.g. Black & Scholes and variants);
 - options with pay-off that cannot be calculated precisely, usually priced using "Montecarlo" simulation techniques;
- Interest Rate Swaps (IRS): the fair value of IRS is determined using net discounted cash flow analysis. In the case of a structured IRS, the instrument is decomposed into a plain component and an optional component ("building blocks"), so that their separate values can be determined and summed;
- Forward Outright contracts: the fair value measurement of FX Forward Outrights is given by the amount to be traded forward times the strike price, adjusted for the current difference between the spot exchange rate and the forward exchange rate.
- Credit default swaps (CDS): for the fair value measurement of CDS, the Standard ISDA model (v1) developed by Markit Group Ltd. is used
- Commodity Swap: the "net discounted cash flow analysis" technique is used for fair value measurement, applied to both fixed price flows (strike) and variable price flows;
- FX Swap: the "net discounted cash flow analysis" technique is used for FX Swap measurement, applied to the spot leg

⁴¹ Fair market value included, for example, in the EVCA reports.

and the forward leg.

Forward currency transactions

These transactions are measured with reference to the forward rates at period end for maturities corresponding to those of the contracts to be priced.

Balance sheet items measured at amortised cost

For financial instruments measured at amortised cost, the fair value is determined for the sole purpose of providing appropriate information in the financial statements.

The fair value of loans with a contractual duration of less than twelve months is estimated to be their book value; the fair value of other loans is obtained by discounting the contract cash flows, net of the expected losses determined with reference to the credit rating of the borrower, using the corresponding rate curve for their maturities.

Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA)

Current regulations state that the pricing of a derivative, in addition to being based on market factors, should also reflect the Credit risk of the counterparty determined by a Credit Valuation Adjustment (CVA) and a Debit Valuation Adjustment (DVA).

To assess the credit risk of the counterparty, the Bank adopts the following methodology.

The term Credit Valuation Adjustment (CVA) refers to an adjustment in order to properly reflect the credit risk of the derivative counterparty made on the valuation of an OTC derivative (on positions with a positive fair value) transaction entered into by the Bank with an external counterparty and may be considered to be the market value of a potential loss amount derived from changes in market prices, due to a worsening of the credit or default risk of the counterparty.

Conversely, the term Debit Valuation Adjustment (DVA) refers to an adjustment in order to properly reflect the Bank's own default risk made on the valuation of an OTC derivative (on positions with a negative fair value) entered into by the Bank with an external counterparty, i.e. the market value of a potential gain derived from changes in market prices, due to a worsening of the Bank's credit or default risk.

For the quantification of a CVA and a DVA, under certain conditions, IFRS 13 refers to a calculation that must be made by netting set or by counterparty and, thus, based on net exposure and not at individual contract level. In addition, it is necessary to consider whether any collateral has been provided or if there are any netting agreements.

The Bank currently makes use of bilateral agreements for the netting of derivative contracts, in accordance with which the reciprocal mark to market receivable and payable positions are offset automatically on a daily basis, leading to a single net balance, without any novation: this results in margin settlement being made solely by the net creditor. The foregoing has led to a considerable reduction in exposure to credit risk and, consequently, the impact of CVAs and DVAs on fair value.

In particular, for the Bank, there are two factors that mitigate the impact of creditworthiness on fair value:

- the signing of ISDA (International Swap and Derivatives Association, the international standard of reference on OTC derivatives) agreements with major corporate counterparties and all institutional counterparties in OTC derivatives. Credit Support Annexes(CSA) were also concluded with institutional counterparties to regulate the pledging of collateral and further reduce the current exposure and resulting risk;
- the entry into force of the new platform on EMIR (European Market Infrastructure Regulation), with reference to the exclusion of derivatives stipulated on this platform/market from the scope of the CVA/DVA. On the basis of the assessments made, it is presumable that a large part of derivative transactions will be included in the new system as they are mainly composed of derivatives eligible for the purposes of the regulation.

IFRS 13 does not indicate a specific methodology for the calculation of CVAs and DVAs, but it requires the use of valuation techniques that, on the one hand, must be appropriate for the data available and, on the other hand, maximise the use of observable market data.

With reference to the above, in order to align with the best market practice, the Bank decided to use the bilateral CVA approach that considers the presence of two components to the calculation, with the aim of including the potential loss/gain arising from changes in the credit risk of the counterparty/Bank, but taking into account the joint probability of default by counterparties.

Market parameters

The following types of yield curve are used:

- "par swap" curves;
- bond curves derived from baskets of bonds;
- corporate curves by issuer, rating, and sector.

The following are derived from the "par swap" curves:

- zero coupon curves;
- forward rate curves;
- discount factor curves.

The zero coupon rate curves are obtained using the bootstrapping technique. These are used to extrapolate the discount factors used to determine the present value of the cash flows generated by the financial instruments to be priced. The forward rates are implicit in the zero coupon curve and are determined with reference to the non-arbitrage theory.

The issuer curves are obtained by adding to the par swap rates the spreads that reflect the credit rating of the instrument's issuer. These are used to price unlisted bonds.

The credit rating curve of the Bank is obtained by creating a basket of issues by banking issuers that have similar characteristics and ratings. This is used to price all issued bonds.

The prices thus obtained are applied daily to organised systems of trading for the bonds issued by the Group Banks (HI-MTF) that are reflected in the fair value valuation in the financial statements.

Volatility and other parameters

Volatilities and correlations are used principally to price unlisted derivatives. The volatilities are classified as follows:

- historical volatilities, estimated as the standard deviation of a time series of daily observations of the logarithm of the yields of the underlying concerned;
- contributed volatilities, obtained from information providers;
- implicit volatilities, obtained from the market prices of listed options.

With regard to the correlations, multi-variant derivatives are priced using historical correlations.

Methods and frequency of identifying the fair value of own properties

For the purpose of determining the fair value of its properties, the Bank uses an independent firm of expert appraisers.

The mandate given to this firm envisages the possible methods of estimating fair values, depending on the characteristics, intended use and potential of each property, with the most relevant ones including⁴²:

- comparative method: the value of the property derives from a comparison with current market prices for comparable properties through an adjustment process that appreciates the peculiarities of the property being valued with respect to the characteristics of the comparable properties;
- Discounted Cash Flow (DCF): the value of the property derives from discounting the cash flows expected from the lease agreements and/or from the proceeds of sales, net of costs pertaining to the property; the procedure uses an appropriate discount rate, which analytically considers the characteristic risks of the property in question;
- transformation method: transformation value means the market value of the asset in the hypothesis of its transformation according to the use envisaged by the urban planning instruments. The transformation value is obtained by determining the final market value of the property after the transformation, after deducting the costs to be incurred to carry out the transformation, taking into account the element of risk related to the uncertainty of the timing of the intervention and the future trend of the property market.

Furthermore, for properties held for investment purposes, the Bank requests a "desktop" valuation every year from a firm of expert appraisers, according to which the fair value is determined on the basis of the average value of comparable properties, without requiring an on-site inspection. Only for properties (individual buildings) with a value greater than Euro 1 million or in the event of a significant difference in value compared with the previous year, the Bank requests a "full" valuation from appraisal firms, according to which the fair value is determined on the basis of all information relating to the property, also acquired through an on-site inspection.

For properties used in operations, the Bank provides for an annual updating of the valuations in "desktop" mode. On the other hand, a "full" valuation is carried out only for properties that show a significant difference between their carrying amount at the measurement date and the "desktop" fair value estimate.

For the purposes of determining the fair value and useful life, the external appraiser takes into account any extraordinary maintenance costs (e.g. costs incurred for the expansion, modernisation or improvement of the structural elements of the property).

⁴² The specific characteristics of some assets could require different valuation methodologies from those indicated, whose application is shared by the specialised company with the competent functions of BPER Banca, once the consistency with the need to determine a fair value has been evaluated.

A.4.2 Measurement process and sensitivity

Financial assets and liabilities measured at fair value and classified in Level 3 of the fair value hierarchy mainly consist of:

- minority equity investments (unlisted equity instruments), often held in order to preserve local roots, or for the development of commercial relationships (measured at fair value mainly on the basis of equity methods);
- investments in Asset-Backed Securities (ABS) classified as "*Financial assets measured at fair value through profit or loss - other financial assets mandatorily measured at fair value*"⁴³;
- investments in closed-end real estate investment funds, classified as "*Financial assets measured at fair value through profit or loss - other financial assets mandatorily measured at fair value*" and acquired in exchange for real estate sales;
- investments in closed-end alternative investment funds, classified as "*Financial assets measured at fair value through profit or loss - other financial assets mandatorily measured at fair value*" and acquired in exchange for sales of UTP loan portfolios.

IFRS 13 requires that an analysis of the sensitivity of the fair value measurement to changes in unobservable inputs be provided for assets measured at fair value on a recurring basis and classified in Level 3 of the fair value hierarchy. The following analysis is provided for ABS instruments, Real Estate Funds and Non-Performing Loans Funds measured at fair value:

Financial asset/liability	Non-observable parameter	Change in parameter	Sensitivity (in thousands)	Change in parameter	Sensitivity (in thousands)
Investments in Asset Backed Securities	Credit Spread*	+50 bps	(142)	-50 bps	143
Investments in Real Estate Funds	Financial charges**	+50 bps	(185)	-50 bps	185
Investments in Non-Performing Loan Funds	Financial charges**	+50 bps	(1,011)	-50 bps	1,011

* Investments in Asset-Backed Securities: the unobservable parameter used to construct the sensitivity is the credit spread used in the construction of the rate used to discount future cash flows.

** Real Estate Funds and Non-performing Loans Funds: the unobservable parameter used to construct the sensitivity is the opportunity cost considered in the construction of the NAV adjustment component dedicated to the appreciation of the liquidity risk of the instruments.

For the other instruments held in the portfolio (derivatives and equity instruments, in particular), no quantitative sensitivity analysis of the fair value was carried out with respect to the change in unobservable inputs, as either the fair value was drawn from third-party sources without making any adjustment, or it is the result of a model whose inputs are specific to the entity being valued (for example, the company's equity figures) and for which it is not reasonably conceivable to provide alternative amounts.

A.4.3 Fair value hierarchy

The Bank classifies its financial assets and liabilities by decreasing levels of fair value quality on the basis of the following principles:

- Fair value Level 1. Measurement is based on the price of the financial instrument concerned, being a quoted price in an active market.
- Fair value Level 2. Measurement is not based on quoted prices in active markets for the financial instrument concerned, but on meaningful prices obtained from non-active markets or reliable info-providers, or on prices determined using an appropriate valuation technique largely based on observable market parameters, including credit spreads, derived from quotations of instruments that are substantially similar in terms of risk factors considered. The objective of the use of valuation techniques is to reaffirm the aim of obtaining a closing price at the valuation date from the point of view of a market participant that holds the financial instrument.
- Fair value Level 3. Measurement is based on various inputs that include subjective parameters, that is, parameters whose value cannot be derived from quoted prices observable in active markets. Since the parameters are not observable directly in the market, it follows that the value is required to make estimates and assumptions.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank has defined the analyses to be carried out ⁴⁴in the event of:

⁴³ For the sake of completeness, it should be noted that the portfolio contains ABS securities measured at amortised cost as they are part of the Hold To Collect (HTC) business model and with technical-financial characteristics such as to have passed the SPPI test required by IFRS 9. The fair value is also calculated for these instruments and provided for disclosure purposes only.

⁴⁴ Please refer to the set of regulations that the Group has adopted: Group Guidelines for the application of the Fair Value Option, Group Guidelines for fair value measurement of financial instruments, Group Regulation for determining the fair value of financial instruments and Group Manual of valuation techniques for financial instruments of the BPER Banca Group.

- the analyses to be performed in the event of changes in valuation techniques used to measure fair value;
- the policy for determining when transfers between fair value hierarchy levels are deemed to have occurred and which is constantly adhered to.

As a general principle, to be allocated to Level 1 of the fair value hierarchy, if there is a quoted price in an active market for an asset or a liability, that price should be used without adjustment when measuring fair value. In fact, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

An allocation to Levels 2 and 3 depends on how the inputs used for the fair value measurement of an asset or liability are categorised within different levels of the fair value hierarchy: in those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or liability.

The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques.

A.4.4 Other information

IFRS 13 requires an entity to "disclose information that helps users of an entity's financial statements to assess the following:

- for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements;
- for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period."

The Bank has a procedure in place to:

- identify transfers between levels;
- analyse and document the reasons for such transfers;
- monitor and control the reliability of the fair value of financial instruments.

In particular, for assets and liabilities measured at fair value on a recurring and non-recurring basis, adequate disclosure is made of the following aspects:

- the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement;
- the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3);
- for assets and liabilities categorised within Level 2 or 3, a description of the valuation techniques and inputs used and the reasons for any changes in valuation techniques used.

the Bank provides, for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the policy for determining when transfers between levels are deemed to have occurred, while, for those categorised on a recurring basis within Level 3 of the fair value hierarchy, a reconciliation is provided from the opening balances to the closing balances.

Information is also provided on the policy for determining when transfers between fair value hierarchy levels are deemed to have occurred.

For assets or liabilities categorised within Level 3 of the fair value hierarchy, the following disclosures are provided:

- quantitative information about the significant unobservable inputs used in the fair value measurement;
- for recurring fair value measurements, the amount of the total gains or losses for the period included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period, and the caption(s) in profit or loss in which those unrealised gains or losses are recognised;
- a description of the valuation processes used for recurring and non-recurring fair value measurements;
- a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.

For financial assets and liabilities measured at amortised cost (not thus measured at fair value, but with fair value disclosure obligations) the following information is provided:

- the fair value hierarchy level;
- a description of the valuation techniques adopted for Levels 2 and 3, as well as the inputs used;
- if there has been any change in the valuation technique, a description of the change and the reason for it.

For own financial liabilities measured at fair value with credit enhancement (e.g. inseparable guarantees), information is provided on the existence of credit enhancement and the impact thereof on the determination of the fair value of the liability.

The application of the fair value option to loans and receivables and financial liabilities requires disclosure of the change in fair value attributable solely to changes in the credit risk associated with the instrument.

As mentioned, the risk factors are included in the discount curve using the discount rate adjustment approach.

This approach involves making separate and independent estimates of the various risk components (rate risk and credit risk), so that the partial fair value can be determined considering the changes in just one risk factor.

The following factors are considered in relation to credit risk:

- the risk-free market rate observed at the valuation date;
- the credit spread observed at the initial recording date or the previous valuation date;
- the credit spread observed at the valuation date.

The market fair value at the measurement date is compared with the fair value calculated using the credit risk observed at the initial recording date (or, alternatively, at the previous valuation date). This makes it possible to determine the changes in fair value due solely to changes in credit risk on a cumulative or periodic basis.

Quantitative Information

A.4.5 Fair value hierarchy

A. 4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

Assets/Liabilities measured at fair value	31.12.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	174,840	671,924	416,121	256,353	336,564	363,994
a) Financial assets held for trading	105,415	624,847	7,716	170,442	138,562	37,275
b) Financial assets designated at fair value	-	1,920	461	-	124,430	668
c) Other financial assets mandatorily measured at fair value	69,425	45,157	407,944	85,911	73,572	326,051
2. Financial assets measured at fair value through other comprehensive income	6,682,564	522,713	522,277	5,794,272	396,772	233,217
3. Hedging derivatives	-	1,808,028	-	-	178,108	-
4. Property, plant and equipment	-	-	1,267,784	-	-	849,723
5. Intangible assets	-	-	-	-	-	-
Total	6,857,404	3,002,665	2,206,182	6,050,625	911,444	1,446,934
1. Financial liabilities held for trading	65	488,457	12,033	153	108,339	23,587
2. Financial liabilities designated at fair value	-	782,912	-	-	-	-
3. Hedging derivatives	-	498,563	-	-	241,370	-
Total	65	1,769,932	12,033	153	349,709	23,587

Transfers of assets from Level 2 to Level 1 of the fair value hierarchy during the period amounted to Euro 40,442 thousand and those from Level 1 to Level 2 amounted to Euro 283,112 thousand.

The former were marked by an improvement in the market tradability of the instruments in terms of the volume, breadth and depth of the prices quoted and the number of contributors. The latter are due to the loss of the meaningfulness of the price quoted in the principal market and a reduction in the number of contributors below the minimum threshold.

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	363,994	37,275	668	326,051	233,217	-	849,723	-
2. Increases	160,163	3,871	-	156,292	311,970	-	488,908	-
2.1. Purchases	50,078	118	-	49,960	3,082	-	460,431	-
2.2. Gains recognised to:	15,352	3,715	-	11,637	61,068	-	20,780	-
2.2.1. Profit or loss	15,352	3,715	-	11,637	-	-	4,788	-
- of which capital gains	12,606	3,715	-	8,891	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	61,068	-	15,992	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	94,733	38	-	94,695	247,820	-	7,697	-
3. Decreases	108,036	33,430	207	74,399	22,910	-	70,847	-
3.1. Sales	1,326	-	-	1,326	1,929	-	27,169	-
3.2. Refunds	9,560	3,750	-	5,810	3,696	-	-	-
3.3. Losses recognised to:	85,063	17,700	207	67,156	17,285	-	25,025	-
3.3.1. Profit or loss	85,063	17,700	207	67,156	15,367	-	25,025	-
- of which capital losses	57,620	17,700	207	39,713	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	1,918	-	-	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	12,087	11,980	-	107	-	-	18,653	-
4. Closing balance	416,121	7,716	461	407,944	522,277	-	1,267,784	-

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Hedging derivatives
1. Opening balance	23,587	-	-
2. Increases	4,602	-	-
2.1 Issues	144	-	-
2.2. Losses recognised to:	4,458	-	-
2.2.1. Profit or loss	4,458	-	-
- of which capital losses	4,458	-	-
2.2.2. Shareholders' equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	16,156	-	-
3.1. Refunds	3,750	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised to:	430	-	-
3.3.1. Profit or loss	430	-	-
- of which capital gains	430	-	-
3.3.2. Shareholders' equity	X	-	-
3.4. Transfers from other levels	-	-	-
3.5. Other decreases	11,976	-	-
4. Closing balance	12,033	-	-

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value levels

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2022				31.12.2021			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	106,115,203	17,081,384	398,708	89,024,639	112,582,971	18,267,632	285,756	99,764,978
2. Property, plant and equipment held for investment	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups classified as held for sale	940,313	-	-	940,313	4,898	-	-	4,898
Total	107,055,516	17,081,384	398,708	89,964,952	112,587,869	18,267,632	285,756	99,769,876
1. Financial liabilities measured at amortised cost	128,217,775	4,395,269	1,807,402	121,718,413	117,296,407	3,857,256	962,427	112,554,362
2. Liabilities associated with assets classified as held for sale	1,218,693	-	-	1,218,693	-	-	-	-
Total	129,436,468	4,395,269	1,807,402	122,937,106	117,296,407	3,857,256	962,427	112,554,362

Key: BV = Book value; L1 = Level 1; L2 = Level 2; L3 = Level 3

A.5 – Information on “day one profit/loss”

In the case of Level 3 transactions, the fair value according to the model may differ from the transaction price: in the case of a positive difference (day one profit), this is amortised over the residual life of the instrument; in case of a negative difference (day-one loss), it is charged to the income statement for prudential purposes.

There were no differences at 31 December 2022 between the value of transactions and their corresponding fair values.

Part B – Information on the balance sheet

Assets

Section 1 – Cash and cash equivalents

Caption 10

1.1 Cash and cash equivalents: breakdown

	Total 31.12.2022	Total 31.12.2021
a) Cash	702,040	590,938
b) Current accounts and on demand deposits with Central Banks	12,706,014	-
c) Current accounts and on demand deposits with banks	871,653	747,569
Total	14,279,707	1,338,507

The balance of the caption as at 31 December 2022 includes, as envisaged in the 7th update of Bank of Italy Circular 262/2005, all on demand loans to banks and central banks in the technical forms of deposits and current accounts, having the nature of cash and cash equivalents pursuant to IAS 7, despite continuing to respect the criteria for the recognition, measurement and derecognition of income statement items of the category “Assets at amortised cost”. In a context of rising interest rates, as at 31 December 2022, the Bank was focussed more on “overnight” deposits at Central Banks for Euro 12.706 million.

Section 2 – Financial assets measured at fair value through profit or loss

Caption 20

2.1 Financial assets held for trading: breakdown by product

Description/Amounts	Total 31.12.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	49,340	20,361	1	86,801	22,730	-
1.1 Structured securities	22,440	1,427	-	40,698	1,561	-
1.2 Other debt securities	26,900	18,934	1	46,103	21,169	-
2. Equity instruments	56,075	2,830	23	83,462	3,634	35
3. UCITS units	-	-	-	162	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	105,415	23,191	24	170,425	26,364	35
B. Derivative instruments						
1. Financial derivatives	-	601,656	7,692	17	112,198	37,240
1.1 trading	-	601,656	7,692	17	112,198	37,240
1.2 connected with the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	-	601,656	7,692	17	112,198	37,240
Total (A+B)	105,415	624,847	7,716	170,442	138,562	37,275

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes.

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

2.2 Financial assets held for trading: breakdown by borrowers/issuers/counterparties

Description/Amounts	Total 31.12.2022	Total 31.12.2021
A. Cash assets		
1. Debt securities	69,702	109,531
a) Central Banks	-	-
b) Public Administrations	8,266	5,876
c) Banks	26,489	38,458
d) Other financial companies	34,041	57,415
of which: Insurance companies	5,098	-
e) Non-financial companies	906	7,782
2. Equity instruments	58,928	87,131
a) Banks	9,361	18,738
b) Other financial companies	7,419	7,266
of which: Insurance companies	2,011	1,877
c) Non financial companies	42,148	61,127
d) Other issuers	-	-
3. UCITS units	-	162
4. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: Insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	128,630	196,824
B. Derivative instruments	-	-
a) Central counterparties	-	-
b) Other	609,348	149,455
Total (B)	609,348	149,455
Total (A+B)	737,978	346,279

2.3 Financial assets designated at fair value: breakdown by product

Description/Amounts	Total 31.12.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	1,920	461	-	124,430	668
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	1,920	461	-	124,430	668
2. Loans	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
Total	-	1,920	461	-	124,430	668

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes.

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

2.4 Financial assets designated at fair value: breakdown by borrowers/issuers

Description/Amounts	Total 31.12.2022	Total 31.12.2021
1. Debt securities	2,381	125,098
a) Central Banks	-	-
b) Public Administrations	-	122,447
c) Banks	1,920	1,983
d) Other financial companies	-	-
of which: Insurance companies	-	-
e) Non-financial companies	461	668
2. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: Insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	2,381	125,098

2.5 Other financial assets mandatorily measured at fair value: breakdown by product

Description/Amounts	Total 31.12.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	66,183	-	45,321	49,324
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	66,183	-	45,321	49,324
2. Equity instruments	1,613	297	18,235	2,415	-	20,657
3. UCITS units	67,812	-	235,597	83,496	-	229,364
4. Loans	-	44,860	87,929	-	28,251	26,706
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	44,860	87,929	-	28,251	26,706
Total	69,425	45,157	407,944	85,911	73,572	326,051

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes.

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

2.6 Other financial assets mandatorily measured at fair value: breakdown by borrowers/issuer

	Total 31.12.2022	Total 31.12.2021
1. Equity instruments	20,145	23,072
of which: banks	297	19
of which: other financial companies	9,178	11,681
of which: non-financial companies	10,670	11,372
2. Debt securities	66,183	94,645
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	29,750
d) Other financial companies	66,183	64,895
of which: Insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	303,409	312,860
4. Loans	132,789	54,957
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	83,878	26,707
of which: Insurance companies	26,747	26,707
e) Non-financial companies	48,583	27,941
f) Households	328	309
Total	522,526	485,534

2.6 bis UCITS units breakdown

Description	31.12.2022	31.12.2021
1. Equities	15,576	22,383
2. Property - closed end	24,224	26,149
3. Equities - open end	17,461	20,464
4. Balanced - open end	6,669	7,382
5. Bonds - open end	4,019	4,467
6. Equities - closed end	58,755	34,317
7. Speculative securities	7,876	3,916
8. Bonds - short term	-	-
9. Bonds - long term	7,637	9,785
10. Other	161,192	183,997
Total	303,409	312,860

Section 3 – Financial assets measured at fair value through other comprehensive income

Caption 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by product

Description/Amounts	Total 31.12.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	6,681,266	520,476	656	5,792,332	394,378	4,357
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	6,681,266	520,476	656	5,792,332	394,378	4,357
2. Equity instruments	1,298	2,237	521,621	1,940	2,394	228,860
3. Loans	-	-	-	-	-	-
Total	6,682,564	522,713	522,277	5,794,272	396,772	233,217

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes.

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by borrowers/issuers

Description/Amounts	Total 31.12.2022	Total 31.12.2021
1. Debt securities	7,202,398	6,191,067
a) Central Banks	-	-
b) Public Administrations	2,583,605	536,150
c) Banks	2,857,050	3,554,389
d) Other financial companies	933,561	1,199,291
of which: Insurance companies	45,121	50,595
e) Non-financial companies	828,182	901,237
2. Equity instruments	525,156	233,194
a) Banks	251,846	28,846
b) Other issuers:	273,310	204,348
- other financial companies	224,990	168,656
of which: Insurance companies	201,148	143,900
- non financial companies	48,279	35,650
- other	41	42
3. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: Insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	7,727,554	6,424,261

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total impairment provisions

		Gross value					Total impairment provisions				Overall partial write-offs (*)
		Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities		7,145,717	-	60,152	-	-	3,273	198	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	31.12.2022	7,145,717	-	60,152	-	-	3,273	198	-	-	-
Total	31.12.2021	6,078,286	-	115,462	22	-	2,364	334	5	-	-

* Amount to be shown for information purposes

At 31 December 2022 none of the debt securities classified in Stage 3 have been written off.

For the approach used in the presentation of the gross value and total impairment provisions of impaired financial assets, reference should be made to Part A of these Explanatory Notes.

3.3a Loans measured at fair value through other comprehensive income subject to Covid-19 support measures: gross value and total impairment provisions

No table is provided in these financial statements as the circumstances do not apply.

Section 4 - Financial assets measured at amortised cost

Caption 40

4.1 Financial assets measured at amortised cost: breakdown by product of loans to banks

Type of transaction/Amounts	Total 31.12.2022						Total 31.12.2021					
	Book Value			Fair value			Book Value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
A. Loans to Central Banks	1,341,909	-	-	-	-	1,341,909	20,310,134	-	-	-	-	20,310,134
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	1,341,909	-	-	X	X	X	20,310,134	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	11,365,500	-	-	6,019,897	256,521	4,758,409	9,705,743	-	-	5,666,128	178,193	3,895,121
1. Loans	4,758,409	-	-	-	-	4,758,409	3,895,121	-	-	-	-	3,895,121
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	2,214,967	-	-	X	X	X	1,124,614	-	-	X	X	X
1.3. Other loans:	2,543,442	-	-	X	X	X	2,770,507	-	-	X	X	X
- Repurchase agreements	1,524,103	-	-	X	X	X	1,795,681	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	1,019,339	-	-	X	X	X	974,826	-	-	X	X	X
2. Debt securities	6,607,091	-	-	6,019,897	256,521	-	5,810,622	-	-	5,666,128	178,193	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	6,607,091	-	-	6,019,897	256,521	-	5,810,622	-	-	5,666,128	178,193	-
Total	12,707,409	-	-	6,019,897	256,521	6,100,318	30,015,877	-	-	5,666,128	178,193	24,205,255

As at 31 December 2022, refinancing operations in place at the European Central Bank (TLTRO-III) amounted to Euro 15,880 million. An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes.

Key:

L1 = Level 1, L2 = Level 2, L3 = Level 3

4.2 Financial assets measured at amortised cost: breakdown by product of loans to customers

Type of transaction/Amounts	Total 31.12.2022						Total 31.12.2021					
	Book Value			Fair value			Book Value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
1. Loans	79,111,685	556,859	708,196	-	-	82,073,110	67,831,767	656,357	697,042	-	-	74,774,650
1.1. Current accounts	7,031,094	48,775	87,413	X	X	X	5,773,995	75,137	74,585	X	X	X
1.2. Repurchase agreements	-	4,254	-	X	X	X	71,302	-	-	X	X	X
1.3. Mortgage loans	57,419,472	433,366	559,990	X	X	X	47,622,255	460,464	534,789	X	X	X
1.4. Credit cards, personal loans and assignments of one-fifth of salary	853,281	6,789	3,863	X	X	X	1,226,873	11,330	5,605	X	X	X
1.5. Finance leases	1,947	275	-	X	X	X	3,747	316	-	X	X	X
1.6. Factoring	-	28	-	X	X	X	1,353	66	-	X	X	X
1.7. Other loans	13,805,891	63,372	56,930	X	X	X	13,132,242	109,044	82,063	X	X	X
2. Debt securities	13,031,054	-	-	11,061,487	142,187	851,211	13,381,928	-	-	12,601,504	107,563	785,073
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	13,031,054	-	-	11,061,487	142,187	851,211	13,381,928	-	-	12,601,504	107,563	785,073
Total	92,142,739	556,859	708,196	11,061,487	142,187	82,924,321	81,213,695	656,357	697,042	12,601,504	107,563	75,559,723

The sub-caption "Other loans", limited to the performing component (consisting of Stage 1 and 2 equal to Euro 13,806 million, as well as the portion of POCI assets classified in Stage 2, equal to Euro 7,7 million), is composed as follows: Euro 8,397 million of bullet loans (+8.45%), Euro 3,039 million of advances on invoices and bills subject to collection (+21.37%), Euro 1,369 million of import/export advances (+26.88%), Euro 44 million of credit assignments (+7.32%) and Euro 965 million of other miscellaneous items (+24.36%).

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes.

Key: L1 = Level 1, L2 = Level 2, L3 = Level 3

4.3 Financial assets measured at amortised cost: breakdown by borrowers/issuers of loans to customers

Type of transaction/Amounts	Total 31.12.2022			Total 31.12.2021		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	Stage 1 and 2	Stage 3	Purchased or originated credit impaired
1. Debt securities	13,031,054	-	-	13,381,928	-	-
a) Public Administrations	10,850,826	-	-	11,364,509	-	-
b) Other financial companies	1,704,145	-	-	1,576,087	-	-
of which: Insurance companies	27,372	-	-	30,857	-	-
c) Non financial companies	476,083	-	-	441,332	-	-
2. Loans:	79,111,685	556,859	708,196	67,831,767	656,357	697,042
a) Public Administrations	2,410,649	444	75	2,166,111	2,089	2
b) Other financial companies	9,607,582	10,224	27,968	6,954,090	8,028	25,762
of which: Insurance companies	77,944	-	-	65,186	-	-
c) Non financial companies	34,358,710	354,290	440,281	31,436,806	396,539	436,578
d) Households	32,734,744	191,901	239,872	27,274,760	249,701	234,700
Total	92,142,739	556,859	708,196	81,213,695	656,357	697,042

4.3 bis - Financial assets measured at amortised cost: - details of loans to customers: breakdown by type of product, stage and type of counterparty

Type of Product/Counterparty	Public administrations			Other financial companies		
	Gross exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure
Loans						
Current accounts	83,068	(372)	82,696	2,731,871	(9,790)	2,722,081
of which Stage 1	56,113	(147)	55,966	2,710,099	(1,769)	2,708,330
of which Stage 2	26,653	(177)	26,476	15,446	(3,949)	11,497
of which Stage 3	300	(46)	254	6,175	(3,991)	2,184
of which: purchased or originated credit impaired	2	(2)	-	151	(81)	70
Repurchase agreements	-	-	-	-	-	-
of which Stage 1	-	-	-	-	-	-
of which Stage 2	-	-	-	-	-	-
of which Stage 3	-	-	-	-	-	-
of which: purchased or originated credit impaired	-	-	-	-	-	-
Mortgage loans	2,235,518	(3,402)	2,232,116	2,341,527	(21,580)	2,319,947
of which Stage 1	2,209,290	(2,882)	2,206,408	2,224,979	(5,543)	2,219,436
of which Stage 2	26,178	(514)	25,664	72,852	(7,158)	65,694
of which Stage 3	50	(6)	44	14,245	(6,742)	7,503
of which: purchased or originated credit impaired	-	-	-	29,451	(2,137)	27,314
Other loans	96,494	(138)	96,356	4,619,931	(16,185)	4,603,746
of which Stage 1	95,745	(36)	95,709	4,578,406	(10,449)	4,567,957
of which Stage 2	432	(6)	426	36,215	(1,547)	34,668
of which Stage 3	242	(96)	146	3,556	(3,019)	537
of which: purchased or originated credit impaired	75	-	75	1,754	(1,170)	584
Total	2,415,080	(3,912)	2,411,168	9,693,329	(47,555)	9,645,774

(cont.)

Type of Product/Counterparty	Non-financial companies			Households			Total (net exposure)
	Gross exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure	
Loans							
Current accounts	3,529,427	(259,192)	3,270,235	1,153,425	(61,155)	1,092,270	7,167,282
of which Stage 1	2,534,119	(14,398)	2,519,721	865,664	(7,042)	858,622	6,142,639
of which Stage 2	681,559	(39,893)	641,666	224,387	(15,571)	208,816	888,455
of which Stage 3	130,814	(94,537)	36,277	31,000	(20,940)	10,060	48,775
of which: purchased or originated credit impaired	182,935	(110,364)	72,571	32,374	(17,602)	14,772	87,413
Repurchase agreements	4,597	(343)	4,254	-	-	-	4,254
of which Stage 1	-	-	-	-	-	-	-
of which Stage 2	-	-	-	-	-	-	-
of which Stage 3	4,597	(343)	4,254	-	-	-	4,254
of which: purchased or originated credit impaired	-	-	-	-	-	-	-
Mortgage loans	23,600,543	(727,214)	22,873,329	31,310,410	(322,974)	30,987,436	58,412,828
of which Stage 1	18,710,425	(82,400)	18,628,025	28,081,487	(30,603)	28,050,884	51,104,753
of which Stage 2	3,862,433	(189,998)	3,672,435	2,632,600	(81,674)	2,550,926	6,314,719
of which Stage 3	514,276	(256,865)	257,411	303,008	(134,600)	168,408	433,366
of which: purchased or originated credit impaired	513,409	(197,951)	315,458	293,315	(76,097)	217,218	559,990
Other loans	9,298,688	(293,225)	9,005,463	1,115,362	(28,551)	1,086,811	14,792,376
of which Stage 1	7,782,653	(18,758)	7,763,895	966,815	(2,078)	964,737	13,392,298
of which Stage 2	1,178,967	(45,999)	1,132,968	104,022	(3,263)	100,759	1,268,821
of which Stage 3	211,276	(154,928)	56,348	30,677	(17,244)	13,433	70,464
of which: purchased or originated credit impaired	125,792	(73,540)	52,252	13,848	(5,966)	7,882	60,793
Total	36,433,255	(1,279,974)	35,153,281	33,579,197	(412,680)	33,166,517	80,376,740

4.4 Financial assets measured at amortised cost: gross value and total impairment provisions

		Gross value					Total impairment provisions				Overall partial write-offs (*)
		Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities		19,645,111	-	-	-	-	6,966	-	-	-	-
Loans		76,914,289	-	8,885,622	1,250,218	1,193,107	178,579	409,329	693,359	484,911	34,066
Total	31.12.2022	96,559,400	-	8,885,622	1,250,218	1,193,107	185,545	409,329	693,359	484,911	34,066
Total	31.12.2021	105,058,750	-	6,523,374	1,764,723	1,355,857	134,392	218,160	1,108,366	658,815	287,397

* Amount to be shown for information purposes

For the approach used in the presentation of the gross value and total impairment provisions of impaired financial assets, reference should be made to Part A of these Explanatory Notes. Note that default interest is only recorded at the time of actual collection.

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total impairment provisions

		Gross value					Total impairment provisions				Overall partial write-off
		Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
1. Loans subject to forbearance measures compliant with GL		15	-	5	-	-	-	-	-	-	-
2. Loans subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures		-	-	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance measures		-	-	2,906	752	1,271	-	102	315	635	-
4. New loans		5,910,778	-	1,640,099	83,159	22,197	6,986	15,242	13,425	3,459	-
Total	31.12.2022	5,910,793	-	1,643,010	83,911	23,468	6,986	15,344	13,740	4,094	-
Total	31.12.2021	5,712,737	-	1,113,136	60,012	32,969	3,830	22,281	15,806	3,275	-

Section 5 – Hedging derivatives

Caption 50

5.1 Hedging derivatives: breakdown by type of hedge and hierarchy level

	FV 31.12.2022				NV	FV 31.12.2021				NV
	L1	L2	L3	31.12.2022		L1	L2	L3	31.12.2021	
A. Financial derivatives										
1. Fair Value	-	1,808,028	-	11,966,523		-	178,108	-	7,264,140	
2. Cash flows	-	-	-	-		-	-	-	-	
3. Foreign investments	-	-	-	-		-	-	-	-	
B. Credit derivatives										
1. Fair Value	-	-	-	-		-	-	-	-	
2. Cash flows	-	-	-	-		-	-	-	-	
Total	-	1,808,028	-	11,966,523		-	178,108	-	7,264,140	

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of these Explanatory Notes.

Key: NV = Notional Value L1=Level1 L2=Level2 L3=Level3

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value							Cash flows		Foreign investments	
	Micro-hedging						Macro-hedging	Micro-hedging	Macro-hedging		
	debt securities and interest rates	equity instruments and stock indexes	currencies and gold	credit	commodities	other					
1. Financial assets measured at fair value through other comprehensive income	172,053	-	-	-		X	X	X	-	X	X
2. Financial assets measured at amortised cost	1,635,816	X	-	-		X	X	X	-	X	X
3. Portfolio	X	X	X	X		X	X	-	X	-	X
4. Other transactions	-	-	-	-		-	-	X	-	X	-
Total assets	1,807,869	-	-	-		-	-	-	-	-	-
1. Financial Liabilities	159	X	-	-		-	-	X	-	X	X
2. Portfolio	X	X	X	X		X	X	-	X	-	X
Total liabilities	159	-	-	-		-	-	-	-	-	
1. Forecast transactions	X	X	X	X		X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X		X	X	-	X	-	

Section 6 – Change in value of macro-hedged financial assets

Caption 60

There are no amounts in these Financial Statements.

Section 7 – Equity investments

Caption 70

7.1 Equity investments: information on shareholdings

Company name	Registered office	Operational head office	% held	% Available votes
A. Wholly-owned companies				
<i>Direct:</i>				
1 Adras s.p.a.	Milan	Milan	100.000	
2 Arca Holding s.p.a.	Milan	Milan	57.061	
3. Argo Mortgage 2 s.r.l. - in liquidation	Genoa	Genoa	60.000	
4. Banca Cesare Ponti s.p.a.	Milan	Milan	100.000	
5 Bibanca s.p.a.	Sassari	Sassari	78.594	
6 BPER Bank Luxembourg S.A.	Luxembourg	Luxembourg	100.000	
7 Banco di Sardegna s.p.a.	Cagliari	Sassari	99.281	100.000
8 BPER Credit Management s.cons.p.a.	Modena	Modena	70.000	
9. BPER Factor s.p.a.	Bologna	Bologna	100.000	
10. BPER Real Estate	Modena	Modena	70.938	
11. BPER Trust Company s.p.a.	Modena	Modena	100.000	
12. Carige Covered Bond s.r.l.	Genoa	Genoa	60.000	
13. Carige Covered Bond 2 s.r.l. in liquidation	Genoa	Genoa	60.000	
14. Carige Reoco S.P.A.	Genoa	Genoa	100.000	
15. Centro Fiduciario C.F s.p.a. - in liquidation	Genoa	Genoa	96.950	
16. Commerciale Piccapietra s.r.l.	Genoa	Genoa	100.000	
17. Estense Covered Bond s.r.l.	Conegliano	Conegliano	60.000	
18 Estense CPT Covered Bond s.r.l.	Conegliano	Conegliano	60.000	
19. Finitalia s.p.a.	Milan	Milan	100.000	
20. Italiana Valorizzazioni Immobiliari s.r.l.	Milan	Milan	100.000	
22. Lanterna Finance s.r.l.	Genoa	Genoa	5.000	
23. Lanterna Lease s.r.l. in liquidation	Genoa	Genoa	5.000	
24. Lanterna Mortgage s.r.l.	Genoa	Genoa	5.000	
25 Modena Terminal s.r.l.	Campogalliano	Campogalliano	100.000	
26 Optima s.p.a. S.I.M.	Modena	Modena	100.000	
27 Sardaleasing s.p.a.	Sassari	Milan	52.846	
28 SIFA' - Società Italiana Flotte Aziendali s.p.a.	Trento	Milan/Reggio Emilia	100.000	
B. Companies subject to joint control				
1 Società di Reskilling s.r.l.	Milan	Milan	50.000	
C. Companies subject to significant influence				
1 Alba Leasing s.p.a.	Milan	Milan	33.498	
2 Atriké s.p.a.	Modena	Modena	45.000	
3 Autostrada dei Fiori s.p.a.	Imperia	Imperia	20.620	
4 Cassa di Risparmio di Fossano s.p.a.	Fossano	Fossano	23.077	
5 Cassa di Risparmio di Savigliano s.p.a.	Savigliano	Savigliano	31.006	
6 CAT Progetto Impresa Modena s.c.r.l.	Modena	Modena	20.000	
7 Immobiliare Oasi nel Parco s.r.l.	Milan	Milan	36.800	
8 Lanciano Fiera - Polo Fieristico d'Abruzzo Consorzio	Lanciano	Lanciano	33.333	
9 Nuova erzelli s.r.l.	Genoa	Genoa	40.000	
10 Resiban s.p.a.	Modena	Modena	20.000	
11 Unione Fiduciaria s.p.a.	Milan	Milan	24.000	

The “% Available votes” column is only used if the actual share of votes exercisable at the Ordinary Shareholders' Meeting is different from the interest held in the company's share capital.

7.2 Significant equity investments: book value, fair value and dividends earned

Please refer to information disclosed in the Consolidated financial statements.

7.3 Significant equity investments: accounting information

Please refer to the information disclosed in the Consolidated financial statements.

7.4 Non-significant equity investments: accounting information

Please refer to the information disclosed in the Consolidated financial statements.

Impairment tests of equity investments

In compliance with the provisions of the IAS/IFRS principles, the book value of each equity investment, in compliance with the provisions of IAS 36, was impairment tested to verify the existence or otherwise of objective evidence that would be grounds for considering that the carrying amount of the assets is not fully recoverable or check that the book value is reasonable with respect to its recoverable value. In the presence of impairment indicators, the impairment test must be carried out, which requires the estimation of the recoverable value of the investment, which is the greater of the fair value less costs to sell and the value in use, and the comparison with the relevant carrying value. Where the recoverable value is lower than the carrying value, a value adjustment must be booked to the financial statements; on the contrary, if the recoverable value of the equity investment is higher than the carrying value the latter must not be modified unless it had been written down in previous years. In the latter case, a write-back must be recognised in the financial statements for the amount of the positive difference between the recoverable value and the carrying value with the maximum limit of the write-downs effected previously.

With reference to significant interests or interests in companies subject to joint control, evaluations were carried out based on market methodologies (such as transaction or market multiples) or, alternatively, evaluations based on the estimate of expected cash flows discounted using the Dividend Discount Model or Discounted Cash Flow or, lastly, alternative methods; the selection of one or more evaluation methodologies was made taking into account the information set available.

As regards controlling interests, the carrying amounts of the individual equity investments held were verified, some of which corresponding to the legal entities/CGUs to which goodwill is allocated, by comparing it with the associated recoverable value, generally estimated as equal to the value in use, by discounting future income flows at an appropriate cost of capital. In the absence of the necessary forecasts for estimating future flows, one or more analytical and/or market methods are used based on the information available and the nature of the entity, including therein the estimate of the recoverable value based on the amount of the company's net assets.

Based on the checks conducted, no elements of criticality came to light on the carrying values of the equity investments, except for the investments held in Sardaleasing, IVI and Adras. In particular, the comparison of the recoverable value of the company Sardaleasing, estimated using the Dividend Discount Model, in the form of the Excess Capital Method owing to the supervised institute nature of the target, and the subsequent sensitivity analyses conducted in order to reflect the deterioration in the market context, highlighted the need to write down the carrying value for an amount of Euro -27.5 million.

"Section 10 – Intangible assets" of the consolidated Explanatory Notes discusses the elements supporting the projections made and the assumptions underlying the estimated recoverable value of Sardaleasing and the other principal subsidiaries and associates.

7.5 Equity investments: annual changes

	Total 31.12.2022	Total 31.12.2021
A. Opening balance	2,006,574	2,008,146
B. Increases	330,925	3,433
B.1 Purchases	314,909	3,286
- of which: business combinations	135,818	-
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases	16,016	147
C. Decreases	162,771	5,005
C.1 Sales	-	-
C.2 Adjustments	28,038	5,001
C.3 Depreciations	-	-
C.4 Other decreases	134,733	4
D. Closing balance	2,174,728	2,006,574
E. Total revaluations	-	-
F. Total adjustments	279,628	251,590

The Increases (caption B.1) refer to:

- 760,723,168 Banca Carige shares for a consideration of Euro 125.3 million, following the acquisition of control and the full take-over bid realised during the year;
- 2,271,264 Sardaleasing s.p.a. shares for a consideration of Euro 31.8 million, for the subscription of the share capital increase;
- 130,882 BPER Real Estate shares for a consideration of Euro 17.8 million, for the subscription of the share capital increase;
- Purchase of 1 share of Società di Reskilling s.r.l., for a consideration of Euro 3.3 million;
- the purchase of 11,633 shares of Banca di Sassari at a price of Euro 0.21 million.
- the purchase of 42,361 shares of Banco di Sardegna at a price of Euro 0.744 million;

The equity interests deriving from the acquisition of control of Banca Carige, detailed in the item “of which: business combinations” refer mainly to:

- 16,753,750 Autostrada dei Fiori shares for a value of Euro 114 million;
- 14,000,000 Banca Cesare Ponti shares for a value of Euro 11.9 million;
- 126,994.711 Banca del Monte di Lucca shares for a consideration of Euro 6.9 million, subsequently merged by absorption;
- 8,326,160 Carige Reoco shares for a value of Euro 2.5 million.

The item “other increases” (item B.4) refers primarily to the payment made by the Bank to Carige Reoco s.p.a. (Euro 16 million). “Impairment losses” (caption C.2) refer to:

- impairment carried out on the investee Sardaleasing s.p.a. (Euro 28 million);
- impairment carried out on the investee Italiana Valorizzazioni Immobiliari s.r.l. (Euro 0.3 million);
- impairment carried out on the investee Immobiliare Oasi nel Parco s.r.l. (Euro 0.2 million).

“Other decreases” (caption C.4) refer to:

- merger by absorption of Banca Carige (Euro 125.3 million) and Banca del Monte di Lucca (Euro 6.9 million);
- distribution of capital reserves by the company Immobiliare Oasi nel Parco s.r.l. (Euro 2.4 million).

7.6 Commitments referred to equity investments in companies subject to joint control

Please refer to information disclosed in the Consolidated financial statements.

7.7 Commitments related to equity investments in companies subject to significant influence

Please refer to information disclosed in the Consolidated financial statements.

7.8 Significant restrictions

Please refer to information disclosed in the Consolidated financial statements.

7.9 Other information

Please refer to information disclosed in the Consolidated financial statements.

Section 8 – Property, plant and equipment

Caption 80

8.1 Property, plant and equipment used in operations: breakdown of assets measured at cost

Description/Amounts	Total 31.12.2022	Total 31.12.2021
1. Assets owned	218,770	161,238
a) land	-	-
b) buildings	-	-
c) furniture	60,844	36,469
d) electronic systems	67,909	44,025
e) other	90,017	80,744
2. Rights of use acquired through leases	395,757	345,500
a) land	-	-
b) buildings	375,324	317,263
c) furniture	-	-
d) electronic systems	15,312	23,357
e) other	5,121	4,880
Total	614,527	506,738
of which: arising from the enforcement of guarantees received	-	-

The increase recorded in assets owned reflects primarily the expansion of the perimeter with the acquisition of Banca Carige and Banca del Monte di Lucca.

8.2 Property, plant and equipment held for investment: breakdown of assets measured at cost

There is no property, plant or equipment held for investment purposes measured at cost in these financial statements.

8.3 Property, plant and equipment used in operations: breakdown of revalued assets

Description/Amounts	Total 31.12.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Assets owned	-	-	1,005,585	-	-	745,862
a) land	-	-	498,177	-	-	328,775
b) buildings	-	-	507,408	-	-	417,087
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. Rights of use acquired through leases	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	-	-	1,005,585	-	-	745,862
of which: arising from the enforcement of guarantees received	-	-	-	-	-	-

Key L1 = Level 1; L2 = Level 2 L3 = Level 3

8.4 Property, plant and equipment held for investment: breakdown of assets measured at fair value

Description/Amounts	Total 31.12.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Assets owned	-	-	262,199	-	-	103,861
a) land	-	-	114,926	-	-	38,737
b) buildings	-	-	147,273	-	-	65,124
2. Rights of use acquired through leases	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	-	-	262,199	-	-	103,861
of which: arising from the enforcement of guarantees received	-	-	-	-	-	-

For more information, please see part A – Accounting Policies in these Explanatory Notes.

Key:

L1 = Level 1; L2 = Level 2; L3 = Level 3

8.5 Inventories of property, plant and equipment governed by IAS 2: breakdown

There are no amounts to be disclosed in this report.

8.6 Property, plant and equipment used in operations: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	282,351	880,520	196,438	242,875	372,906	1,975,090
A.1 Total net value adjustments	(46,424)	146,170	159,969	175,493	287,282	722,490
A.2 Net opening balance	328,775	734,350	36,469	67,382	85,624	1,252,600
B. Increases:	206,378	291,474	27,992	44,951	40,013	610,808
B.1 Purchases	197,036	257,706	27,650	43,038	32,797	558,227
- of which: business combinations	197,036	179,742	25,781	3,139	7,077	412,775
B.2 Capitalised expenditure on improvements	-	1,280	-	-	-	1,280
B.3 Write-backs	761	1,168	-	-	-	1,929
B.4 Positive changes in fair value allocated to	7,172	7,871	-	-	-	15,043
a) shareholders' equity	6,826	7,238	-	-	-	14,064
b) profit or loss	346	633	-	-	-	979
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from property, plant and equipment held for investment	210	509	-	-	-	719
B.7 Other changes	1,199	22,940	342	1,913	7,216	33,610
C. Decreases:	36,976	143,092	3,617	29,112	30,499	243,296
C.1 Sales	7,965	10,552	51	662	197	19,427
C.2 Depreciation	-	77,032	3,247	26,536	23,063	129,878
C.3 Impairment losses allocated to	-	3,637	-	-	-	3,637
a) shareholders' equity	-	-	-	-	-	-
b) profit or loss	-	3,637	-	-	-	3,637
C.4 Negative changes in fair value allocated to	10,700	6,863	-	-	-	17,563
a) shareholders' equity	-	-	-	-	-	-
b) profit or loss	10,700	6,863	-	-	-	17,563
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	17,918	25,816	-	-	-	43,734
a) property, plant and equipment held for investment	17,918	25,816	-	-	-	43,734
b) Non-current assets and groups of assets held for sale	-	-	-	-	-	-
C.7 Other changes	393	19,192	319	1,914	7,239	29,057
D. Net closing balance	498,177	882,732	60,844	83,221	95,138	1,620,112
D.1 Total net value adjustments	(43,657)	190,947	189,286	211,955	360,052	908,583
D.2 Gross closing balance	454,520	1,073,679	250,130	295,176	455,190	2,528,695
E. Carried at cost	340,938	579,560	-	-	-	920,498

Impairment losses amounting to Euro 3.6 million relate to rights of use for leases.

8.7 Property, plant and equipment held for investment: annual changes

	Total	
	Land	Buildings
A. Opening balance	38,737	65,124
B. Increases	85,446	97,079
B.1 Purchases	63,133	64,884
- of which: business combinations	62,458	63,260
B.2 Capitalised expenditure on improvements	-	5,488
B.3 Increases in fair value	3,810	-
B.4 Write-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from property, plant and equipment used in operations	17,918	25,816
B.7 Other changes	585	891
C. Decreases	9,257	14,930
C.1 Sales	4,314	4,334
C.2 Depreciation	-	-
C.3 Decreases in fair value	1,734	5,729
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers to:	3,167	4,266
a) property, plant and equipment used in operations	210	509
b) Non-current assets and groups of assets held for sale	2,957	3,757
C.7 Other changes	42	601
D. Closing balance	114,926	147,273

Useful life of the main categories of fixed assets

Category	Useful life
Land	not depreciated
Real estate	based on the useful life identified from specific appraisals
Office furniture and machines	100 months
Furnishings	80 months
Lifting equipment	160 months
Motor vehicles	48 months
Alarm systems	40 months
EDP hardware	60 months

8.8 Inventories of property, plant and equipment governed by IAS 2: annual changes

There are no amounts to be disclosed in these financial statements

8.9 Commitments to purchase property, plant and equipment

There are no amounts to be disclosed in these financial statements

Section 9 – Intangible assets

Captions

9.1 Intangible assets: breakdown by asset type

Description/Amounts	Total 31.12.2022		Total 31.12.2021	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	349,522	-	239,546	-
of which Software	314,783	-	211,672	-
A.2.1 Assets measured at cost	349,522	-	239,546	-
a) intangible assets generated internally	-	-	-	-
b) other assets	349,522	-	239,546	-
A.2.2 Assets measured at fair value	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	349,522	-	239,546	-

The increase recorded in intangible assets reflects primarily the expansion of the perimeter with the acquisition of Banca Carige and Banca del Monte di Lucca.

“Other intangible assets” mainly comprise application software measured at cost and amortised on a straight-line basis over a period, not exceeding five years, that depends on the degree of obsolescence involved.

The remaining “Other intangible assets” mainly consist of intangibles recognised in previous Purchase Price Allocation processes for Euro 34.8 million, of which Euro 16.4 million relating to the acquisition of Banca Carige.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		FIN	INDEF	FIN	INDEF	
A. Opening balance	284,810	-	-	471,971	-	756,781
A.1 Total net value adjustments	284,810	-	-	232,425	-	517,235
A.2 Net opening balance	-	-	-	239,546	-	239,546
B. Increases	-	-	-	183,266	-	183,266
B.1 Purchases	-	-	-	181,969	-	181,969
- of which: business combinations	-	-	-	16,449	-	16,449
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	1,297	-	1,297
C. Decreases	-	-	-	73,290	-	73,290
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	73,290	-	73,290
- Depreciation	X	-	-	66,337	-	66,337
- Impairment losses	-	-	-	6,953	-	6,953
+ shareholders' equity	X	-	-	-	-	-
+ profit or loss	-	-	-	6,953	-	6,953
C.3 Decreases in fair value:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- profit or loss	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	-	-	-	349,522	-	349,522
D.1 Total net write-downs	284,810	-	-	305,715	-	590,525
E. Gross closing balance	284,810	-	-	655,237	-	940,047

All intangible assets are measured at cost. The impairment test, performed in accordance with IAS 36, made it necessary to write down software for an amount of Euro 6.9 million.

Key: DEF definite life INDEF: indefinite life

9.3 Intangible assets: other information

There are no amounts to be disclosed other than those already provided in this section.

Section 10 – Tax assets and liabilities

Asset caption 100 and liability caption 60

10.1 Deferred tax assets: breakdown

	IRES	IRAP	Total 31.12.2022	Total 31.12.2021
Impairment losses on loans to customers	408,732	39,544	448,276	496,846
Impairment losses on equity investments and securities	101,538	22,119	123,657	13,243
Goodwill convertible into tax credits	262,978	51,324	314,302	164,499
Non-convertible goodwill	33,894	6,865	40,759	53,514
Personnel provisions	146,462	19,451	165,913	117,982
Endorsement credits, clawback action during bankruptcy proceedings and outstanding lawsuits	94,204	7,004	101,208	63,587
Impairment losses on loans to customers FTA IFRS 9	160,236	32,455	192,691	136,986
Non-convertible tax losses	157,930	-	157,930	4,784
Tax losses convertible into tax credits	412,288	5,230	417,518	10,656
ACE reportable	21,175	-	21,175	1,196
Property, plant and equipment and intangible assets	4,746	872	5,618	7,326
Other deferred tax assets	80,272	4,341	84,613	14,415
Total	1,884,455	189,205	2,073,660	1,085,034

"Deferred tax assets" are determined on the basis of IRES and IRAP tax rates which are expected to be in force at the time of their recovery.

The total includes, for an amount of Euro 845.4 million, deferred tax assets relating to value adjustments to loans to customers, goodwill and IRES and IRAP tax losses of the current year convertible to tax credits pursuant to Law 214/2011 and, for Euro 334.6 million, deferred tax assets on tax losses that became convertible to tax credits in accordance with article 1, paragraphs 233 et seq. of Law 178/2020 following the business combination completed with the merger by absorption of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a., finalised on 28 November 2022.

The remaining deferred tax assets, for a total of Euro 893.5 million, refer for Euro 714.4 million to deductible temporary differences, for Euro 157.9 million to non-convertible tax losses and Euro 21.2 million to surplus ACE (Allowance for Corporate Equity). These deferred tax assets were recognised on the basis of the positive outcome of the probability test carried out in compliance with the provisions of IAS 12, assuming that a time horizon of 5 years is used for the purposes of the recovery forecasts; the future taxable income considered is consistent with the financial forecasts updated recently in 2022.

The increase in the caption "Personnel provisions" is primarily due to the recognition of deferred tax assets on the provisions made in the financial statements following the incentive-based early retirement scheme for Euro 50.6 million.

As at 31 December 2022, deferred tax assets were recognised on tax losses for Euro 400.99 million, and Euro 62.68 million on the ACE surplus. In addition, no deferred tax assets were recognised that are recoverable beyond the time horizon considered for the probability test upon FTA of IFRS9 for Euro 27.40 million and on the re-alignment of goodwill for Euro 67.8 million. Lastly, no deferred tax assets were recognised on the mismatch between the carrying value and the tax value of properties for Euro 16.29 million.

10.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Total 31.12.2022	Total 31.12.2021
Payments to FITD (Interbank Deposit Protection Fund)	149	30	179	179
Revaluations of equity investments and securities	8,097	10,264	18,361	19,021
Capital gains on shares and other securities	1,523	632	2,155	580
Personnel provisions	1,578	-	1,578	1,578
Property, plant and equipment and intangible assets	10,172	2,060	12,232	14,340
Other deferred taxes	4,005	816	4,821	158
Total	25,524	13,802	39,326	35,856

"Deferred tax liabilities" are determined on the basis of IRES and IRAP tax rates which are expected to be in force at the time of their recovery.

The item "Other deferred taxes" refers entirely to the mismatch between the carrying value and the tax value of CFH derivatives.

At 31 December 2022, there are no temporary differences relating to investments in subsidiaries, branches, associates and companies under joint control for which the related deferred tax liabilities have not been recognised.

10.3 Changes in deferred tax assets (through profit or loss)

	Total 31.12.2022	Total 31.12.2021
1. Initial amount	1,041,998	1,239,654
2. Increases	1,229,312	151,478
2.1 Deferred tax assets recognised in the year	431,223	151,478
a) relating to previous years	38,569	33,106
b) due to changes in accounting criteria	-	-
c) write-backs	-	-
d) other	392,654	118,372
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	798,089	-
- of which: business combinations	798,089	-
3. Decreases	340,914	349,134
3.1 Deferred tax assets derecognised in the year	322,503	256,604
a) reversals	144,699	248,322
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	177,804	8,282
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	18,411	92,530
a) conversion into tax credit under Law no. 214/2011	10,643	92,530
b) other	7,768	-
4. Final amount	1,930,396	1,041,998

The amount reported in caption 2.1 a) Increases “related to previous years”, primarily includes the adjustments made on the FTA of IFRS 9, recoverable in 2027 and recognised during the year after passing the probability test.

Item d) Increases - “Other” includes mainly deferred tax assets relating to non-convertible tax losses for Euro 153.1 million, provisions for legal proceedings and unsecured loans for Euro 39.6 million, surplus ACE for Euro 19.9 million and, lastly, allocations to personnel provisions for Euro 69.9 million.

The caption 2.3 “Other increases” includes the accounting balances of receivables for deferred tax assets of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. migrated to BPER following the merger by absorption completed on 28 November 2022, and the tax effects on the value adjustments to the assets and liabilities of the two banks carried out as part of the purchase price allocation (PPA).

The amount recognised in 3.1 a) “reversals” includes the cancellations of deferred tax assets pursuant to Law 214/2011 connected to the write-downs of loans to customers and tax amortisation of goodwill for an amount of Euro 100.4 million, plus the cancellations of the deferred tax assets on the portion of impairment deducted in the period, registered at the time of the first-time adoption of IFRS 9 for an amount of Euro 36.6 million.

The amount recognised in item 3.1 d) Decreases “other” includes the reversals of deferred tax assets connected with drawdowns of personnel provisions for Euro 34.9 million, drawdowns of provisions for risks for Euro 26.9 million and, lastly, for Euro 111.5 million, the portion of deferred tax assets relating to tax losses that were converted to tax credits on the date of legal effectiveness of the merger pursuant to article 1, paragraphs 233 et seq. of Law 178/2020.

The amount recognised in item 3.3 a) “conversion into tax credits pursuant to Law 214/2011” for Euro 10.6 million refers to the conversion into tax credits pursuant to Law 214/2011 of deferred tax assets relating to the share of IRES and IRAP tax losses realised in 2021.

10.3 bis Changes in deferred tax assets pursuant to Law 214/2011 (with offsetting entry to profit and loss)

	Total 31.12.2022	Total 31.12.2021
1. Initial amount	672,003	859,642
2. Increases	271,278	13,023
- of which: business combinations	187,116	-
3. Decreases	97,832	200,662
3.1 Reversals	87,176	108,132
3.2 Conversion into tax credit	10,643	92,530
a) from losses for the year	-	-
b) from tax losses	10,643	92,530
3.3 Other decreases	13	-
4. Final amount	845,449	672,003

Article 2, paragraph 55 et seq. of Law Decree no. 225/2010 introduced the option of converting into tax credits the DTAs recognised in the financial statements relating to value adjustments pursuant to article 106, paragraph 3 of the TUIR (Consolidated Income Tax Act), to the value of goodwill and other intangible assets and the part of the IRES tax losses resulting from (and within the limits of) the deduction of the aforementioned items for the year.

Subsequently, Law 147/2013 (Stability Law 2014) extended the conversion of IRAP DTAs relating to impairment losses on loans, goodwill and other intangible assets, also in the case of "negative net value of production".

This table shows the changes that took place during the year limited to these categories of DTAs (called "noble").

The amount under item "2. Increases" refers mainly to the deferred tax assets on the share of the tax loss recorded in 2022 for IRES purposes for Euro 77.6 million and the negative IRAP value of production for Euro 5.2 million attributable to the deductions of the adjustments on loans and goodwill.

Caption "3.1 Reversals" includes the reversals in the year resulting from the deduction in the year of impairment losses on loans and amortisation of goodwill.

Finally, it should be noted that article 1, paragraphs 233 et seq. of Law 178/2020 introduced a regulation which, in the assumption of business combinations realised through mergers, demergers and business transfers that took place between approved independent parties or resolved between 1 January 2021 and 30 June 2022, makes it possible to arrange for the transformation to tax credits of the DTAs relating to tax losses and ACE (aid for economic growth) surpluses accrued until the tax period prior to the one in progress at the date of legal effectiveness of the transaction. Therefore, despite not being shown in the aforementioned table, the assets in the Financial Statements as at 21 December 2022 include Euro 334.6 million of DTAs on tax losses that will be transformed to tax credits pursuant to article 1, paragraphs 233 et seq. of Law no. 178/2020 on 1 January 2023.

10.4 Changes in deferred tax liabilities (through profit or loss)

	Total 31.12.2022	Total 31.12.2021
1. Initial amount	1,829	19,221
2. Increases	4,861	59
2.1 Deferred tax liabilities recognised in the year	3	59
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	3	59
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	4,858	-
- of which: business combinations	4,858	-
3. Decreases	2,821	17,451
3.1 Deferred tax liabilities derecognised in the year	2,821	17,451
a) reversals	-	17,427
b) due to changes in accounting criteria	-	-
c) other	2,821	24
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	3,869	1,829

The caption 2.3 "Other increases" includes mainly the accounting balances of deferred tax liabilities of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. migrated to BPER following the merger by absorption completed by deed of 28 November 2022 for an amount of Euro 3.7 million, and the deferred tax assets recognised in relation to the valuation of securities carried out as part of the purchase price allocation (PPA) for an amount of Euro 1.1 million.

10.5 Changes in deferred tax assets (through shareholders' equity)

	Total 31.12.2022	Total 31.12.2021
1. Initial amount	43,036	44,906
2. Increases	114,095	10,642
2.1 Deferred tax assets recognised in the year	103,181	10,642
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	103,181	10,642
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	10,914	-
- of which: business combinations	10,914	-
3. Decreases	13,867	12,512
3.1 Deferred tax assets derecognised in the year	13,867	12,512
a) reversals	74	12,512
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	13,793	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	143,264	43,036

Caption 2.1 c) Increases "other" mainly refers to deferred tax assets recognised on the valuation of securities for an amount of Euro 102 million.

Caption 2.3 "Other increases" includes the accounting balances of receivables for deferred tax assets of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. migrated to BPER following the merger by absorption completed by deed of 28 November 2022, primarily attributable to securities for Euro 7.1 million and the provision for employee severance indemnity and pension provision - Section A for Euro 3.3 million.

Item 3.1 d) "Other decreases" mainly relates to deferred tax assets on the alignment of the provision for employee severance indemnity and pension provision - Section A for Euro 12.2 million.

10.6 Changes in deferred tax liabilities (through shareholders' equity)

	Total 31.12.2022	Total 31.12.2021
1. Initial amount	34,027	30,427
2. Increases	17,708	26,313
2.1 Deferred tax liabilities recognised in the year	8,399	26,313
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	8,399	26,313
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	9,309	-
- of which: business combinations	9,309	-
3. Decreases	16,278	22,713
3.1 Deferred tax liabilities derecognised in the year	16,278	22,713
a) reversals	-	22,713
b) due to changes in accounting criteria	-	-
c) other	16,278	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	35,457	34,027

Caption 2.1 c) Increases "other" mainly refers to deferred tax assets recognised on the valuation of FVOCI securities for Euro 8.4 million.

Caption 2.3 "Other increases" includes the accounting balances of deferred tax liabilities of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. migrated to BPER following the merger by absorption completed on 28 November 2022, primarily attributable to the valuation of CFH derivatives for Euro 9.0 million.

Item 3.1 c) Decreases "other" relates mainly to the valuations of securities for Euro 9.3 million and the impact of the valuation of CFH derivatives for Euro 4.3 million.

10.7 Other information

Current tax assets

	31.12.2022	31.12.2021
IRES provisions	110,589	-
IRAP provisions	29,876	-
Additional provisions	151	-
Other assets and withholdings	513,991	478,939
Gross current tax assets	654,607	478,939
Offset current tax liabilities	104,164	90,951
Net current tax assets	550,443	387,988

Current tax liabilities

	31.12.2022	31.12.2021
Tax debt for IRES	103,295	92,037
Tax debt for IRAP	869	869
Other payables for current income taxes	-	-
Gross current tax liabilities	104,164	92,906
Offset current tax assets	104,164	90,951
Gross current tax liabilities	-	1,955

Changes in gross current tax liabilities

	31.12.2022	31.12.2021
Balance at the end of the prior year	92,906	1,244
Decreases	91,742	-
- uses for payment of income taxes	-	-
- uses for payment of other taxes	-	-
- other decreases	91,742	-
Increases	103,000	91,662
- provisioning:	-	-
- income taxes: parent company	67,009	53,808
- income taxes: members of domestic tax group	35,991	37,854
- substitute tax pursuant to law 147/2013, art. 1, paragraph 150	-	-
- substitute tax (Pres. Decree 185/2008, art. 15, para. 10)	-	-
- substitute tax pursuant to law 244/2007, art. 1, paragraph 48	-	-
- other increases	-	-
Total gross current tax liabilities	104,164	92,906

Section 11 – Non-current assets and disposal groups classified as held for sale and related liabilities

Asset caption 110 and liability caption 70

11.1 Non-current assets and disposal groups classified as held for sale: breakdown by assets

	31.12.2022	31.12.2021
A. Assets held for sale		
A.1 Financial assets	914,516	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	25,797	4,898
of which: arising from the enforcement of guarantees received	6,012	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	940,313	4,898
of which measured at cost	914,516	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	25,797	4,898
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
Financial assets held for trading	-	-
Financial assets designated at fair value	-	-
Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: arising from the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	-	-
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

		(cont.)
	31.12.2022	31.12.2021
C. Liabilities associated with assets classified as held for sale		
C.1 Due to banks/customers	1,163,721	-
C.2 Securities	3	-
C.3 Other liabilities	54,969	-
Total C	1,218,693	-
of which measured at cost	1,218,693	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	-	-
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

Non-current assets and disposal groups classified as held for sale and related liabilities refer primarily to asset and liability relations rooted in the branches transferred to Banco di Desio e della Brianza s.p.a. ("Banco Desio"); for more details on the transaction, please refer to chapter 3 of the Directors' Report on Group Operations. "Significant events and strategic transactions" paragraph – 3.2 "Objectives achieved in 2022" of the report on operations of the consolidated financial statements for more details.

"Property, plant and equipment" also includes buildings owned by the Bank totalling Euro 2.91 million for which preliminary sale contracts have been signed at the reporting date.

11.2 Other information

There are no amounts to be disclosed other than those already provided in this section.

Section 12 – Other assets

Caption 120

12.1 Other assets: breakdown

	31.12.2022	31.12.2021
Taxes withheld on interest, withholdings and tax credits on dividends, advance taxation	281,295	54,965
Sundry amounts to be charged to customers	627,892	220,951
Bank charges to be debited to customers or banks	119,416	90,749
Cheques being processed	32	45
Cheques drawn on other banks	88,839	112,510
Items relating to securities transactions	63,250	7,620
Leasehold improvement expenditure	11,329	12,279
Gold, silver and precious metals	17,030	7,257
Accrued income and prepaid expenses	11,253	5,429
Tax credits purchased	2,217,623	268,142
Other items for sundry purposes	232,529	41,000
Credit for tax consolidation	43,727	59,519
Total	3,714,215	880,466

From the analysis carried out for the purposes of IFRS 15, no contract assets have been identified.

The item "Tax credits purchased from third parties" includes tax credits at amortised cost purchased from third parties based on Relaunch Decree no. 34/2020. The nominal value of tax credits acquired as at 31 December 2022, net of offsets, amounted to Euro 2,218 million (268.1 million at 31 December 2021).

Revenue Agency Circular No. 24/E of 2020 specified that if a subject acquires a tax credit, but during inspections by ENEA or the Revenue Agency it is found that the taxpayer was not entitled to the deduction, the transferee who purchased the credit in "good faith" does not forfeit the right to use the tax credit.

However, it should be pointed out that Decree-Law 157 ("Urgent measures to combat fraud in the sector of fiscal and economic benefits") came into force on 11 November 2021, establishing a series of checks carried out directly by the Revenue Agency with reference to the tax credits proposed for sale and managed on its platform. In addition to this issue, it is established that the obliged subjects referred to in Article 3 of Legislative Decree No. 231 dated 21 November 2007, who are involved in the sales, do not proceed with the acquisition of credit in all cases where the conditions set out in articles 35 and 42 of the aforementioned Legislative Decree No. 231 of 2007 are met, without prejudice to the obligations set out therein. In concrete terms, the provision de facto renders ineffective the purchase of receivables arising from transactions reported as "suspicious" to the competent bodies. The Decree-Law in question was then repealed on 11 January 2022 as all the provisions contained therein were incorporated into the 2022 Budget Law, published in the Official Gazette on 31 December 2021.

In light of the complexity of the regulatory scenario described, despite the control protocols adopted by the Bank both in the phase of acquiring the tax credit and in its technical assessment, it is believed that BPER Banca remains exposed not only to the risk of correctly assessing the amount of credits that it will be able to compensate annually and therefore to the risk of purchasing credits for an amount greater than the amount which can be used during the year, but also to a compliance/operational risk that, in the event of irregularities by the selling party, could cause a deferral in the use of the receivables acquired. In respect of said risk, the Bank made an allocation to the Provisions for risks and charges, better detailed in a later section of these Explanatory Notes, dedicated to liability items.

Liabilities

Section 1 – Financial liabilities measured at amortised cost

Caption 10

1.1 Financial liabilities measured at amortised cost: breakdown by product of due to banks

Type of transaction/Amounts	Total 31.12.2022				Total 31.12.2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Due to Central Banks	15,970,641	X	X	X	18,116,683	X	X	X
2. Due to banks	10,821,942	X	X	X	10,238,700	X	X	X
2.1 Current accounts and demand deposits	4,796,833	X	X	X	4,985,232	X	X	X
2.2 Time deposits	414,796	X	X	X	187,662	X	X	X
2.3 Loans	3,921,267	X	X	X	5,036,867	X	X	X
2.3.1 Repurchase agreements	3,783,286	X	X	X	4,949,868	X	X	X
2.3.2 Other	137,981	X	X	X	86,999	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	25,559	X	X	X	18,908	X	X	X
2.6 Other liabilities	1,663,487	X	X	X	10,031	X	X	X
Total	26,792,583	-	-	26,792,583	28,355,383	-	-	28,355,383

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes in chapter "Techniques for the determination of fair value".

Fair value is assumed to be the same as the carrying amount since they are sight or short-term transactions.

Key: BV = Book value; L1 = Level 1; L2 = Level 2; L3 = Level 3

1.2 Financial liabilities measured at amortised cost: breakdown by product of due to customers

Type of transaction/Amounts	Total 31.12.2022				Total 31.12.2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	90,320,810	X	X	X	79,937,861	X	X	X
2. Time deposits	1,195,602	X	X	X	71,365	X	X	X
3. Loans	1,849,127	X	X	X	3,186,687	X	X	X
3.1 Repurchase agreements	-	X	X	X	1,360,188	X	X	X
3.2 Other	1,849,127	X	X	X	1,826,499	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	380,248	X	X	X	333,285	X	X	X
6. Other liabilities	973,037	X	X	X	600,254	X	X	X
Total	94,718,824	-	-	94,718,824	84,129,452	-	-	84,129,452

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes in chapter "Techniques for the determination of fair value".

Fair value is assumed to be the same as the carrying amount since they are sight or short-term transactions.

Key: BV = Book value L1 = Level 1 L2 = Level 2 L3 = Level 3

1.3 Financial liabilities measured at amortised cost: breakdown by product of debt securities issued

Type of transaction/Amounts	Total 31.12.2022				Total 31.12.2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	6,499,362	4,395,269	1,807,402	-	4,742,045	3,857,256	962,427	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	6,499,362	4,395,269	1,807,402	-	4,742,045	3,857,256	962,427	-
2. other securities	207,006	-	-	207,006	69,527	-	-	69,527
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	207,006	-	-	207,006	69,527	-	-	69,527
Total	6,706,368	4,395,269	1,807,402	207,006	4,811,572	3,857,256	962,427	69,527

"Bonds" include Euro 1,646.7 million of subordinated loans, none of which are convertible into shares. In the "Level 3" column of point 2.2, the fair value is assumed to be the same as the book value as these are short-term transactions.

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes in chapter "Techniques for the determination of fair value".

Key: BV = Book value L1 = Level 1 L2 = Level 2 L3 = Level 3

1.4 Breakdown of subordinated securities

	Book Value 31.12.2022	Nominal value 31.12.2022	Book Value 31.12.2021	Nominal value 31.12.2021
BPER Banca Tier II subordinated non-convertible bond 4.60%, 2016-2026 callable	-	-	12,024	12,000
BPER Banca EMTN Tier II subordinated non-convertible bond 5.125%, 2017-2027 callable	-	-	513,665	500,000
BPER Banca EMTN Tier II subordinated non-convertible bond 3.625%, 2020-2030 callable	403,245	400,000	400,758	400,000
BPER Banca EMTN Tier II subordinated non-convertible bond 3.875%, 2022-2032 callable	608,756	600,000	-	-
BPER Banca Tier II subordinated non-convertible bond 5%, 2022-2032 callable	12,014	12,000	-	-
BPER Banca EMTN Tier II subordinated non-convertible bond 8.625%, 2022-2033 callable	407,590	400,000	-	-
Acquisition of Banca Carige s.p.a. 2018-2028 Tasso Fisso Tier II	6,965	6,800	-	-
Acquisition of Banca Carige s.p.a. Tasso Fisso con Reset Tier II, 2019-2029 callable	207,184	200,000	-	-
Banca Monte Lucca s.p.a. bond loan Fixed rate with Reset, Tier II, 2020-2030 callable	969	1,208	-	-
Total non-convertible bonds	1,646,723	1,620,008	926,447	912,000
Total bonds	1,646,723	1,620,008	926,447	912,000

There are no convertible subordinated bonds outstanding at 31 December 2022 (as was the case in December 2021).

1.5 Breakdown of structured debts

There are no amounts to be disclosed in these financial statements

1.6 Lease liabilities

Time bands	Present value 31.12.2022	Present value 31.12.2021
Up to 3 months	20,963	17,629
over 3 months up to 1 year	60,041	49,626
over 1 up to 5 years	194,639	181,021
Over 5 years	130,164	103,917
Total	405,807	352,193

Section 2 - Financial liabilities held for trading

Caption 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transaction/Amounts	Total 31.12.2022					Total 31.12.2021				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	47	-	46	-	46	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	47	-	46	-	46	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	X	65	488,408	12,033	X	X	153	107,678	23,587	X
1.1 Trading	X	65	488,408	12,033	X	X	153	85,872	23,587	X
1.2 Connected with the fair value option	X	-	-	-	X	X	-	21,456	-	X
1.3 Other	X	-	-	-	X	X	-	350	-	X
2. Credit derivatives	X	-	3	-	X	X	-	661	-	X
2.1 Trading	X	-	3	-	X	X	-	661	-	X
2.2 Connected with the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	65	488,411	12,033	X	X	153	108,339	23,587	X
Total (A+B)	X	65	488,457	12,033	X	X	153	108,339	23,587	X

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes in chapter "Techniques for the determination of fair value".

Key: BV = Book value L1 = Level 1 L2 = Level 2 L3 = Level 3

Fair Value*=Fair value excluding variations due to changes in the creditworthiness of the issuer since the issue date

2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

There are no amounts to be disclosed in these financial statements.

2.3 Breakdown of "Financial liabilities held for trading": structured debts

There are no amounts to be disclosed in these financial statements.

Section 3- Financial liabilities designated at fair value

Caption 30

3.1 Financial assets designated at fair value: breakdown

Type of transaction/Amounts	Total					Total				
	31.12.2022					31.12.2021				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
1. Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	X	X	X	X	X
- financial guarantees granted	-	X	X	X	X	X	X	X	X	X
2. Due to customers	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	X	X	X	X	X
- financial guarantees granted	-	X	X	X	X	X	X	X	X	X
3. Debt securities	782,912	-	782,912	-	4,077,579	-	-	-	-	-
3.1 Structured	782,912	-	782,912	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	782,912	-	782,912	-	4,077,579	-	-	-	-	-

The item includes certificates with unconditionally protected capital (structured debt securities). Classification into this category derives primarily from the reconciliation of these liabilities to the portfolios managed by Capital Market, which, according to the Group's policies, are measured at fair value considering the objectives pursued and reported performance. In addition, this classification makes it possible to pursue a "natural hedge" of derivatives entered into in order to "balance" the risks assumed with derivatives embedded in issued liabilities (derivatives that were classified as "trading" when recognised).

NV = Nominal Value; L1=Level1; L2=Level2; L3=Level3

Fair Value* = Fair value calculated excluding value adjustments due to changes in the creditworthiness of the issuer since the issue date.

3.2 Breakdown of "Financial liabilities designated at fair value": subordinated liabilities

There are no amounts to be disclosed in these financial statements.

Section 4 – Hedging derivatives

Caption 40

4.1 Hedging derivatives: breakdown by type of hedge and hierarchy levels

	Fair value 31.12.2022				Fair value 31.12.2021			
	L1	L2	L3	NV 31.12.2022	L1	L2	L3	NV 31.12.2021
A. Financial derivatives	-	498,563	-	5,496,526	-	241,370	-	5,207,747
1) Fair value	-	493,556	-	5,442,080	-	241,131	-	5,153,301
2) Cash flows	-	5,007	-	54,446	-	239	-	54,446
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	498,563	-	5,496,526	-	241,370	-	5,207,747

An explanation of the fair value hierarchy used for classification has been given in Part A.4 of the Explanatory Notes in chapter "Techniques for the determination of fair value".

NV = Nominal Value; L1=Level1; L2=Level2; L3=Level3

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value							Cash flows		Foreign investments
	Micro-hedging							Micro-hedging	Macro-hedging	
	debt securities and interest rates	equity instruments and stock indexes	currencies and gold	credit	commodities	other	Macro-hedging			
1. Financial assets measured at fair value through other comprehensive income	7,652	845	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	141,939	X	-	-	X	X	X	5,007	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	149,591	845	-	-	-	-	-	5,007	-	-
1. Financial Liabilities	61,573	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	281,547	X	-	X
Total liabilities	61,573	-	-	-	-	-	281,547	-	-	-
1. Forecast transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 5 – Change in value of macro-hedged financial liabilities

Caption 50

5.1 Change in value of hedged financial liabilities: breakdown by hedged portfolio

Change in value of hedged financial liabilities / Values	Total 31.12.2022	Total 31.12.2021
1. Positive adjustment of financial liabilities	-	-
2. Negative adjustment of financial liabilities	(281,292)	-
Total	(281,292)	-

The balance of the item represents the valuation effect as at 31 December 2022 of the liability items (modelled direct funding, qualifying as “Demand Items”) identified as subject to macro hedging of interest rate risk, as part of the macro-hedge accounting strategy qualified in 2022.

Section 6 – Tax liabilities

Caption 60

Please refer to the information provided in section 10, Assets.

Section 7 – Liabilities associated with assets classified as held for sale

Caption 70

Please refer to the information provided in section 11, Assets.

Section 8 - Other liabilities

Caption 80

8.1 Other liabilities: breakdown

	31.12.2022	31.12.2021
Amounts due to banks	14,113	17,096
Amounts due to customers	1,711,640	694,859
Net adjustments on collection of receivables for third parties	31,192	857,865
Staff emoluments and related social contributions	78,424	64,570
Amounts due to third parties for coupons, securities and dividends to be collected	204,925	51,911
Amounts due to the tax authorities on behalf of customers and personnel	232,900	221,023
Bank transfers for clearance	22,321	28,104
Advances for the purchase of securities	46	-
Due to suppliers	327,212	158,313
Third-party payments as surety for loans	585	137
Accrued expenses and deferred income	130,487	53,924
Other liabilities to third parties	371,315	297,701
Payables due to members of the tax group	13,943	29,845
Total	3,139,103	2,475,348

From the analysis carried out for the purposes of IFRS 15, a single type of contract liability has been identified, amounting to Euro 16.8 million classified under the caption "Accrued liabilities and deferred income", which refers to the portion of consideration paid in advance by customers for warranty services provided by the Bank for a period of time ("over time performance obligation"), relating to the portion not yet accrued at the end of the period.

Section 9 – Employee termination indemnities

Caption 90

9.1 Employee termination indemnities: annual changes

	31.12.2022	31.12.2021
A. Opening balance	174,110	107,416
B. Increases	26,374	81,608
B.1 Provisions for the year	674	22
B.2 Other increases	25,700	81,586
- of which: business combinations	24,974	78,239
C. Decreases	47,555	14,914
C.1 Benefits paid	23,901	8,625
C.2 Other decreases	23,654	6,289
D. Closing balance	152,929	174,110
Total	152,929	174,110

The caption "Other decreases" (C.2) includes actuarial gains (Euro 16.4 million), in addition to the portion of termination indemnities transferred to complementary pension funds (Euro 7.2 million).

9.2 Other information

The following tables detail the changes in employee termination indemnities, as well as the principal demographic and financial assumptions made in order to quantify the provision using the Projected Unit Credit Method (pursuant to IAS 19 Revised, § 65-67); lastly, table 9.2.3 presents the comparative information required by law.

9.2.1 Changes in employee termination indemnities during the year

Description/Amounts	31.12.2022	31.12.2021
A. Opening balance	174,110	107,416
B. Increases	26,374	81,608
1. Current service cost	-	-
2. Financial charges	674	22
3. Contribution to the plan by employees	-	-
4. Actuarial losses	-	2,833
5. Exchange differences	-	-
6. Past service cost	-	-
7. Other increases	25,700	78,753
C. Decreases	47,555	14,914
1. Benefits paid	23,901	8,625
2. Past service cost	-	-
3. Actuarial gains	16,414	-
4. Exchange differences	-	-
5. Curtailments	-	-
6. Settlement	-	-
7. Other decreases	7,240	6,289
D. Closing balance	152,929	174,110

The caption "Other increases" (B.7) includes the portion of termination indemnities acquired from the business combination with Banca Carige and Banca del Monte di Lucca (Euro 25 million).

The caption "Other decreases" (C.7) includes the portion of termination indemnities transferred to complementary pension funds (Euro 7.2 million).

9.2.2 Description of the main actuarial assumptions - termination indemnities

Main actuarial assumptions/Percentages	31.12.2022	31.12.2021
Discount rates	3.71%	0.41%
Expected increase in remuneration	n/a	n/a
<i>Turnover</i>	1.99%	1.99%
Inflation rate	2.30%	1.75%
Interest rate adopted for the calculation of interest cost	0.42%	0.02%

In addition to the average data included in the table, the approach taken to identify the principal actuarial assumptions is described below:

- Discount rates: the curve of "Euro Composite AA" rates for prime corporate bonds listed in the Euro market on the measurement date has been used.
- Turnover: time series analysis of the events giving rise to terminations and adjustments to take account of any "anomalies" that occurred in the past. The assumptions made about turnover took account of grade, seniority, age and gender.
- Inflation rate: a rate of 2.30% was used.
- Net interest cost: it was calculated at a rate that reflected the duration of the liability.

Demographic assumptions

As regards the demographic bases, the analyses performed on the time series of staff of companies included in the scope of consolidation focused on monitoring the trend in the following reasons for elimination:

- rate of employee mortality: the ISTAT life expectancy table of resident population was used, broken down by age and gender;
- rate of employee disability: the tables used for the INPS model to generate "Initial projections for 2010" were used;
- frequency and amount of advances on termination indemnities: in order to take into account the effects that these

advances have on the timing of severance payments and, consequently on the discounting of the Company's liability, a probability table for the release of part of the accrued volumes was created. The frequency of advance payments and the average percentage of termination indemnities requested as an advance were taken from corporate data;

- probability of retirement, resignation, dismissal: this was taken from corporate data; in particular, a table showing the propensity of departure from the Company was created, based on age and gender. With regard to retirement, the calculation considered a 100% probability of satisfying the AGO requirements aligned with Decree 4/2019.

9.2.3 Comparative information: history of plan

Description/Amounts	31.12.2022	31.12.2021	31.12.2020	31.12.2019
1. Present value of provisions (+)	152,929	174,110	107,416	123,302
2. Fair value of assets servicing the plan (-)	-	-	-	-
3. Plan deficit (surplus) (+/-)	152,929	174,110	107,416	123,302
4. Adjustments to plan liabilities based on historical experience - actuarial (gains)/losses	(16,414)	2,833	997	5,076
5. Adjustments to plan assets based on historical experience	-	-	-	-

The "Adjustments to plan assets based on historical experience" solely comprise actuarial gains and losses.

9.2.4 Sensitivity analysis and information on the amount, timing and uncertainty of financial cash flows

As required by IAS 19 Revised, we carried out a sensitivity analysis on employee termination indemnities with respect to the more significant actuarial assumptions to show how the liability would change in relation to possible fluctuations in each of these assumptions. In particular, the following table shows how the provision would change in the event of a 50 basis point increase or decrease in the discount and inflation rates compared with the parameters actually used.

Employee termination indemnities	31.12.2022	+50 bps	-50 bps
	DBO	DBO	DBO
discount rates	152,929	149,891	159,831
inflation rate	152,929	157,974	151,561

In compliance with the requirements of IAS 19 Revised with regard to additional disclosures, an estimate of future cash flows was carried out at 31 December 2022, as shown in the following table:

Employee termination indemnities	1st year	2nd year	3rd year	4th year	5th year
Future cash-flows	29,167	10,586	9,745	9,962	6,402

Section 10 – Provisions for risks and charges

Caption 100

10.1 Provisions for risk and charges: breakdown

Description/Amounts	31.12.2022	31.12.2021
1. Impairment provisions for credit risk related to commitments and financial guarantees granted	60,071	46,882
2. Impairment provisions related to other commitments and guarantees granted	72,077	34,499
3. Provisions for pension and similar obligations	115,166	139,744
4. Other provisions for risk and charges	854,218	450,692
4.1 legal and fiscal disputes	215,539	133,504
4.2 personnel charges	452,903	288,202
4.3 other	185,776	28,986
Total	1,101,532	671,817

10.2 Provisions for risks and charges: annual changes

	Impairment provisions related to other commitments and guarantees granted	Provisions for pensions and similar obligations	Other provisions for risk and charges	Total
A. Opening balance	34,499	139,744	450,692	624,935
B. Increases	53,689	18,701	632,816	705,206
B.1 Provisions for the year	48,750	-	291,854	340,604
B.2 Time value changes	-	1,312	2,732	4,044
B.3 Changes due to discount-rate adjustments	-	-	-	-
B.4 Other increases	4,939	17,389	338,230	360,558
- of which: business combinations	4,939	17,374	288,307	310,620
C. Decreases	16,111	43,279	229,290	288,680
C.1 Use during the year	16,111	7,964	136,202	160,277
C.2 Changes due to discount rate adjustments	-	35,315	16,219	51,534
C.3 Other changes	-	-	76,869	76,869
D. Closing balance	72,077	115,166	854,218	1,041,461

The changes due to discount rate adjustments also include actuarial gains and losses, considering not just interest rate movements, but also other demographic and financial factors, where applicable.

The item “Provisions for the year”, referring to “Other provisions for risks and charges” includes provisions of Euro 132.1 million relating to the extension of the workforce optimisation manoeuvre already set forth in the Business Plan, in addition to Euro 20.9 million attributable to the adjustment of the cost of the workforce optimisation initiative announced in December 2021.

- In this regard, it should be specified that, on 10 June 2022, the Bank presented the market with the 2022/2025 Business Plan which, among other initiatives, provides for the voluntary exit of roughly 3,300 staff, clarifying that there will be an “additional manoeuvre”; the latter augments the initiative formalised on 28 December 2021 with the Trade Union Organisations (with entitlements, criteria and provisions remaining the same) so as to reflect the amount already expensed and contractually agreed by Carige and the merger of Banca Carige into BPER Banca; therefore, additional resources were defined to be managed with voluntary activation of the Solidarity Fund. The beneficiaries will be identified from the surplus applications received in excess of the funds available under the agreement entered into with the Trade Union Organisations on 28 December 2021;
- the allocation of Euro 19.3 million, estimated with respect to operational/compliance risk connected with the tax credits acquired by customers. More specifically, the bank estimated the expense connected to any irregularities caused by the assignor (customer) which may delay the timeframe for using the credits, given that the BPER Banca Group has put stringent control protocols in place both in the phase of acquisition of the individual credit and in the credit's technical analysis;
- the allocation of Euro 16.8 million, estimated with respect to the expense of the BPER Banca Group connected with the disposal to Banco Desio of the business unit composed of 8 branches of the subsidiary Banco di Sardegna (the total provision allocated as at 31 December 2022 amounted to Euro 23.1 million);
- the allocation of Euro 5.7 million to cover the risks connected with the repayment to customers of expenses not accrued in the event of early settlement of the loans disbursed. Ruling no. 263 of 22 December 2022 of the Constitutional Court actually declared art. 11-octies, paragraph 2, of Decree Law no. 73 of 25 May 2021, converted, with amendments, to law no. 106 of 23 July 2021, to be constitutionally illegitimate, limited to the wording “and the secondary rules contained in the transparency and supervisory provisions of the Bank of Italy”. Said ruling has a direct impact on the activities of the Bank given that it declared the reimbursement to customers of unearned recurring and upfront expenses to be legitimate (the latter, in particular, forming the object of the “Lexitor” judgment no. 383 of 11 September of the EU Court of Justice) also for contracts - terminated ahead of time - for fifth-of-salary/pension-backed loans and personal loans taken out before 25.07.2021. This called for an in-depth analysis of all costs impacted by the potential repayment risk, which led to the decision to further add to the amount of funds allocated to cover said risk already in previous years, therefore bringing the amount of provisions to Euro 8.2

million as at 31 December 2022.

The item "Provision for the year", relating to "Provisions for other commitments and other guarantees issued", includes primarily the prudential estimate of Euro 26 million for compensation that potentially may be paid to the acquirers of portfolios of non-performing loan portfolios sold over the years, in relation to claims received, once their validity and consistency have been verified.

The item 'Other increases' includes the liabilities acquired from the merger by absorption of Banca Carige and Banca del Monte di Lucca.

10.3 Impairment provisions for credit risk related to commitments and financial

Impairment provisions for credit risk related to commitments and financial guarantees granted					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total
1. Commitments to distribute funds	11,469	5,275	-	-	16,744
2. Financial guarantees granted	1,937	2,672	38,718	-	43,327
Total	13,406	7,947	38,718	-	60,071

10.4 Provisions for other commitments and other guarantees granted

	31.12.2022
1. Other guarantees granted	40,577
2. Other commitments	31,500
Total	72,077

10.5 Provisions for pension with defined-benefits

10.5.1. Features of provisions and related risks

FIP BPER Banca (BPER Banca Supplementary Pension Fund)

The in-house supplementary pension fund is not a separate legal entity and its assets are held together with those of the Bank; it is made up entirely of Section "A", classifiable as a "defined benefit" scheme.

Under the Regulations for Section A, beneficiaries receive a supplementary pension subject to revaluation, the cost of which is borne entirely by the Bank.

This section comprises all current employees hired by the Bank prior to 28 April 1993; it also includes all retired beneficiaries, or their heirs, of supplementary pension payments deriving from earlier agreements signed by BPER Banca or by the banks absorbed by the latter over time.

The following tables report the changes in the Fund.

The actuarial gains and losses relating to Section A are recognised as an equity reserve.

The benefits provided by Fund Section A represent post-employment defined benefits, as governed by IAS 19 Revised; accordingly, the liability for these benefits is determined using the actuarial "Projected Unit Credit Method" applied in relation to termination indemnities.

The attachments to the financial statements include a "Statement of the staff pension fund", in accordance with the provisions of Bank of Italy's Circular 262/2005.

Following the merger by absorption of Banca Carige, the following pension provisions established within the merged company remained separate, also from an accounting perspective, in BPER Banca s.p.a.:

- The Fund of Banca CARIGE s.p.a. ("FIP Carige -Carige Supplementary Pension Fund);

- the Provision of Cassa di Risparmio di Savona ("FIP Carisa");
- the Provision of Cassa di Risparmio di Carrara ("FIP Carrara").

The three Funds are supplementary pension funds which already existed when Law no. 421 of 23 October 1992 entered into force, and as such, they have been registered with the Registry of Pension Funds under special section III since 14 October 1999. The Carige, Carisa and Carrara funds are respectively registered under no. 9004, 9026 and 9154 and are subject to the supervision of COVIP (Pension Fund Supervisory Commission).

The Funds lack independent legal status; both the Carige and Carisa funds are an item in the Balance Sheet which guarantees the Bank's obligation to maintain the resources necessary at any given time for each Fund to pay the benefits payable. They are therefore a provisioning fund of the Bank which guarantees payment of a future obligation.

FIP Carrara was established as a separate and autonomous fund pursuant to art. 2117 of the Italian Civil Code, as part of the Bank's overall assets.

The Funds are not structured in individual accounts and are closed to new participants.

A brief description is provided below.

FIP Carige (Carige Supplementary Pension Fund)

During 2015 the Bank and the unions agreed to undertake a project involving the transformation of the Fund for working participants, retired employees and former employees awaiting a deferred pension from the Fund ("deferred pension recipients"). As a result of this transformation, individual asset packages were calculated on the basis of the benefits accrued to each participant as at 30 June 2015 ("transferable packages"). Such transferable packages are to be transferred, following voluntary enrolment, to another defined-contribution pension fund, along with the employer's future contribution; in the cases of retirees and deferred pension recipients, the transformation called for payment of (current or future) pensions in lump-sum form and the calculation of the sums to be offered at 30 June 2015, also through voluntary enrolment, with the exclusion of all other benefits from the Bank.

In implementation of the resolution of the Board of Directors of 27 October 2015, agreements were entered into with the unions to formalise the arrangements indicated above.

Following the aforementioned operation, which continued even after 2015 and which provided, in the case of working participants, for their voluntary enrolment to another defined contribution pension fund, along with the employer's future contribution and, in the case of retirees and deferred pension recipients, payment of the pension principal amount, likewise on a voluntary enrolment basis; the group of participants in the Fund as at the end of the period consisted of 3 deferred pension recipients and 128 retirees.

FIP Carisa (Carisa Supplementary Pension Fund)

During 2016, the same actions as those concerning FIP Carige were implemented for FIP Carisa, with only 1 deferred pension recipients and 6 retirees participating in the Carisa Fund as at the end of the period.

FIP Carrara (Carrara Supplementary Pension Fund)

Only retired employees are registered with FIP Carrara, as the defined contribution section which the employees participated in, was settled in February 2015, in compliance with the resolution taken by the Board of Directors of Cassa di Risparmio di Carrara on 10 November 2014.

Currently, the Carrara Fund has functions limited to a group of 35 retired employees.

10.5.2 Changes in the year of net liabilities (assets) with defined-benefits and redemption rights

Description/Amounts	31.12.2022	31.12.2021
Opening balance	139,744	147,829
A. Increases	18,701	370
1. Current service cost	-	-
2. Financial charges	1,312	370
3. Contribution to the plan by employees	-	-
4. Actuarial losses	-	-
5. Exchange differences	-	-
6. Past service cost	-	-
7. Other increases	17,389	-
B. Decreases	43,279	8,455
1. Benefits paid	7,964	6,754
2. Past service cost	-	-
3. Actuarial gains	35,315	658
4. Exchange differences	-	-
5. Curtailments	-	-
6. Settlement	-	-
7. Other decreases	-	1,043
Final balance	115,166	139,744

Actuarial gains are mostly attributable to gains obtained from the revision of financial assumptions primarily as a result of the growth in the curve of the inflation rates

Other changes include pension funds acquired from the merger of Banca Carige.

10.5.3 Information on fair value of plan assets

As mentioned already, the staff pension funds are in-house defined-benefit plans; the resources to be utilised to cover these liabilities are invested, without separate identification, in operating assets.

10.5.4 Description of the main actuarial assumptions

Main actuarial assumptions/Percentages	31.12.2022	31.12.2021
Discount rates	3.75%	0.82%
Expected increase in remuneration	n/a	n/a
Turnover	n/a	n/a
Inflation rate	2.30%	1.75%
Interest rate adopted for the calculation of interest cost	0.81%	0.26%

In addition to the average data included in the table, the approach taken to identify the principal actuarial assumptions is described below:

- the demographic assumptions made for the measurement were based on A62 tables on the probability of death of retired staff by gender;
- discount rates: the curve of "Euro Composite AA" rates for prime corporate bonds listed in the Euro market on the measurement date has been used.
- inflation rate: a fixed rate of 2.30% was used
- interest cost: it was calculated at a rate that reflected the duration of the liability.

10.5.5. Information on the amount, timing and uncertainty of financial cash flows

As required by IAS 19 Revised, a sensitivity analysis was carried out on the obligation of pension funds with respect to the more significant actuarial assumptions to show how the liability would change in relation to reasonably possible movements in each of these assumptions. The following table shows how the provision would change in the event of a 50 basis point increase or decrease in the discount rate compared with the parameters actually used.

Funds	31.12.2022	Discount rate +50 basis points	Discount rate -50 basis points
	DBO	DBO	DBO
Fund Section A	99,915	95,035	105,248
FIP Carige (Carige Supplementary Pension Fund)	12,170	11,790	12,578
FIP CR Savona	220	213	227
FIP Carrara	2,861	2,771	2,956

In compliance with the requirements of IAS 19 Revised with regard to additional disclosures, an estimate of future cash flows was carried out at 31 December 2022, as shown in the following table:

Funds	1st year	2nd year	3rd year	4th year	5th year
Fund Section A	7,377	7,255	7,126	6,991	6,845
FIP Carige (Carige Supplementary Pension Fund)	1,535	1,412	1,299	1,193	1,094
FIP CR Savona	29	27	25	22	20
FIP Carrara	385	356	328	300	273

10.5.6 Multi-employer plans

At 31 December 2022 there were no multi-employer plans in place.

10.5.7 Defined-benefit plans that share risks between entities under common control

At 31 December 2022 there were no plans of this type.

10.6 Provisions for risks and charges - other provisions

10.6.1 Legal disputes

	31.12.2022	31.12.2021
A. Opening balance	133,504	112,693
B. Increases	114,814	55,470
Provisions for the year	51,232	36,181
Other increases	63,582	19,289
C. Decreases	32,779	34,659
Other decreases	18,880	20,012
Uses for the year	13,899	14,647
D. Closing balance	215,539	133,504

Provisions for legal and tax disputes amounted to Euro 213 million and Euro 2.5 million respectively.

The Bank operates in a highly regulated sector, that of banking, which exposes banks to various types of legal risks. We refer mainly to the disputes relating to the banking and financial services typically provided to Group customers, therefore relating mainly to aspects of compound interest and usury, contractual invalidity and unauthorised activities, tax disputes, loan origination and management in its various phases, performing or non-performing, including therein bankruptcy claw-backs.

The Bank and legal entities merged by absorption into the Parent Company were also subject to various audits by the Tax Authorities. These activities concerned the taxable income declared for the purpose of income tax, VAT, registration tax, and more generally the manner in which the tax legislation in force at the time was applied. As a consequence of said inspections, the BPER Banca Group is involved in a number of legal proceedings.

All Legal and tax disputes are subject to specific analysis by the competent structures of the Parent Company, in order to identify those for which the settlement is likely to require the use of resources intended to produce economic benefits and, consequently, require the allocation of provisions.

The legal and tax risks in respect of which no allocations were recognised were identified as “contingent liabilities”, consisting in:

- possible obligations, in that it has yet to be confirmed whether the entity has a present obligation that could lead to an outflow of resources embodying economic benefits;
- present obligations that do not meet the recognition criteria in this Standard (because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made).

Lastly, contingent liabilities with the possibility of any outflow in settlement being deemed “remote” do not require any disclosure, pursuant to the provisions of IAS 37.

In relation to the contingent liabilities (possible risks) stemming from disputes brought in civil proceedings by customers who were the recipients of banking and financial services provided by the bank, it should be noted that the high number of cases makes it difficult to provide a detailed list, while their varying natures makes it extremely difficult to group them into similar types. The total damages claimed by the claimants amounted to Euro 292.6 million as at 31 December 2022. In respect of this risk, even though not expressly required by IAS 37, the Bank has provisions in place mainly due to the acquisition of positions of possible risk from business combinations⁴⁵, the estimate and allocation of non-recurring legal expenses and the substantially prudential approach adopted in the risk assessments.

The update of the main situations of legal risk is presented below.

BPER Banca (formerly Emro Finance Ireland Ltd) - fiscal years 2005-2009

Recalling that the Bologna Regional Tax Commission ruled on the appeal filed by the Revenue Agency, reversing the first instance sentences, entirely in favour of the Bank, the Bank submitted an appeal to the Court of Cassation in partial acceptance of the appeal filed by the Revenue Agency and in the absolute conviction of the correctness of its actions, as early as on 13 June 2018 and is still awaiting a date to be set for the hearing.

In the meantime, the Commission accepted the Bank's request to suspend the enforceability of the second-level sentence. Also in light of the fiscal opinion issued by professionals and advisors with proven experience who do not consider the risk of losing as probable, at the date of preparation of these financial statements no amount was set aside in the provisions for risks and charges, but a provision for the estimated legal fees was recorded.

BPER Banca (former Banca Carige): DTA and ACE exemption of goodwill - tax year 2013

The event stems from an official tax audit report, notified to the Company on 26 February 2016 by the Italian Revenue Agency - Regional Department of Revenue of Liguria, in which the time sequence of the impairment procedure was contested concerning the goodwill recognised in 2012 by the subsidiary Banca Carige Italia s.p.a. (in the meantime merged by absorption into Banca Carige) upon transfer of a banking carve-out and regarding the tax relief pursuant to article 176 of the TUIR (Consolidated Income Tax Act).

Said specific accounting dispute led to the derecognition of a portion of the deferred tax assets (DTAs) recognised in connection with the tax relief of the aforementioned goodwill and then subject to conversion into tax credit.

In particular, in the aforementioned tax measure:

- the tax credit recognised in due course by Banca Carige Italia s.p.a. in relation to the conversion of DTAs for an amount of roughly Euro 205 million was partially derecognised;

⁴⁵ Pursuant to IFRS 3 - Business Combinations, possible risks also require fair value measurement at the Purchase Price Allocation stage.

- higher IRES payable for approximately Euro 2.1 million (plus interest and the application of the relevant administrative sanctions) was ascertained, as a result of the reduction of the ACE tax base generated due to the derecognition of the positive effect stemming from the allocation to reserves of a portion of the 2012 profit.

The Bank lodged an appeal to the Provincial Tax Commission of Genoa, which fully cancelled the tax claim by ruling no. 708/2018 filed on 19 June 2018.

The Tax Authorities lodged an appeal in relation to which the Bank entered an appearance before the court.

The hearing to discuss the case was held on 25 November 2021 before the Regional Tax Commission. On 2 February 2023, the second instance Court of Tax Justice of Liguria filed a ruling which fully upheld the appeal submitted by the Office against the first instance ruling, with the consequent unfavourable outcome for the Bank; it should be noted however that, in the meantime, BPER Banca had initiated discussions with the Regional Department of the Italian Revenue Agency - Liguria to reach an out-of-court settlement. The outcomes of said discussions are still unknown as at the date of approval of these financial statements.

Also considering more recent events, the risk was qualified as possible pursuant to IAS 37; however, it should be noted that, as part of the Purchase Price Allocation (PAA) valuation process relating to the business combination with the Carige Group, the tax risk deemed possible was also subject to assessment and estimation of the associated contingent liabilities. For more information, please see part G in these Explanatory Notes.

BPER Banca (former Banca Carige): DTAs and ACE from tax alignment of goodwill - tax year 2014

In December 2019, the Italian Revenue Agency served an IRES (corporate income tax) assessment notice to the Company for 2014 relating to Banca Carige Italia s.p.a.'s position (in the meantime merged by Banca Carige, essentially replicating the arguments already presented in the tax measure concerning 2013).

By means of said tax measure, the Tax Authorities derecognised a portion of the tax credit deriving from the conversion of the DTAs recognised due to the tax relief of goodwill for Euro 668 thousand and ascertained a higher tax amount due of Euro 2.9 million.

The company lodged an appeal against the tax measure to the Provincial Tax Commission which, with judgment no. 32/04/2021, rejected it with the subsequent confirmation of the tax claim.

The company then filed an appeal and is waiting for a hearing to be set.

For the same reasons outlined above, the tax risk is qualified as possible for IAS purposes, therefore, in compliance with IAS 37, no provision has been allocated. The contingent liability was subject to fair value measurement as part of the Purchase Price Allocation (PAA) process. For more information, please see part G in these Explanatory Notes.

BPER Banca (former Banca Carige): DTA and ACE exemption of goodwill - tax year 2015

In March 2021, the Tax Authorities served a notice of assessment to the Company regarding corporate income tax IRES, relating to the position of Banca Carige Italia s.p.a., in the meantime merged by and into Banca Carige.

The arguments proposed at the assessment phase are the same as those outlined in previous paragraphs.

At said juncture, the Office derecognised a portion of the tax credit deriving from the conversion of DTAs for an amount of Euro 247 thousand.

The company lodged an appeal to the Provincial Tax Commission and, on 24 May 2022, the hearing of the case was held which concluded with a favourable outcome.

Based on the likeness of the *thema decidendum* (matter to be decided) with similar claims concerning the 2013 and 2014 tax periods, the risk is qualified as possible for IAS purposes, therefore, in compliance with IAS 37, no provision has been allocated. The contingent liability was subject to fair value measurement as part of the Purchase Price Allocation (PAA) process. For more information, please see part G in these Explanatory Notes.

10.6.2 Personnel charges

Description/Amounts	Other personnel provisions	
	31.12.2022	31.12.2021
Opening balance	288,202	122,234
Change in opening balances	-	-
A. Increases	286,313	229,951
1. Current service cost	203,562	181,487
2. Financial charges	2,732	89
3. Contribution to the plan by employees	-	-
4. Actuarial losses	94	3,157
5. Exchange differences	-	-
6. Past service cost	-	-
7. Other changes	79,925	45,218
B. Decreases	121,612	63,983
1. Benefits paid	93,402	58,317
2. Past service cost	-	-
3. Actuarial gains	10,327	-
4. Exchange differences	-	-
5. Curtailments	-	-
6. Settlement	-	-
7. Other changes	17,883	5,666
Final balance	452,903	288,202

The item “Current service cost” includes provisions of Euro 132.1 million relating to the extension of the workforce optimisation manoeuvre already set forth in the Business Plan, in addition to Euro 20.9 million attributable to the adjustment of the cost of the workforce optimisation initiative announced in December 2021.

With reference to the extension of the workforce optimisation effort, on 10 June 2022, the Bank presented the 2022/2025 Business Plan to the market. Among the other initiatives, the Business Plan provides for the voluntary exit of roughly 3,300 staff, clarifying that there will be an “additional manoeuvre” in addition to the one formalised with the Trade Union Organisations on 28 December 2021 (with entitlements, criteria and provisions remaining the same) so as to reflect the amount already expensed and contractually agreed by Banca Carige and by the merger of Banca Carige and Banca del Monte di Lucca, while defining additional resources to be managed with the activation of the Solidarity Fund. These additional resources are to be identified from the surplus applications received in excess of the funds available under the agreement entered into with the Trade Union Organisations on 28 December 2021.

“Actuarial losses” refer to a “Special one-time long-service payment on termination”, while actuarial gains refer to the sum of the “Seniority bonus” for Euro 0.9 million, the “special long-service payment on termination” for Euro 1.8 million and the “Provision for additional death cover” for Euro 7.6 million.

The item “Other increases” includes the Personnel provisions stemming from the merger by absorption of Banca Carige and Banca del Monte di Lucca.

10.6.3 Other provisions

Captions	31.12.2022		31.12.2021	
	Other provisions	Provision for charitable donations	Other provisions	Provision for charitable donations
A. Opening balance	28,968	18	22,161	18
B. Provisions	225,796	-	14,125	-
C. Uses	(68,988)	(18)	(7,318)	-
D. Closing balance	185,776	-	28,968	18

Section 11 – Redeemable shares

Caption 120

There are no amounts to be disclosed in these Financial Statements.

Section 12 – Shareholders' equity

Captions 110, 130, 140, 150, 160, 170 and 180

12.1 “Share capital” and “Treasury shares”: breakdown

As at 31 December 2022, the share capital amounts to Euro 2,104,316 thousand, corresponding to 1,413,263,512 ordinary shares fully paid-up and with no par value; of these, 1,714,504 are allocated to the proprietary portfolio.

12.2 Share capital – Number of shares: annual changes

Description/Types	Ordinary	Other
A. Initial number of shares	1,413,263,512	-
- fully paid-in	1,413,263,512	-
- not fully paid-in	-	-
A.1 Treasury shares (-)	(2,176,328)	-
A.2 Shares outstanding: opening balance	1,411,087,184	-
B. Increases	3,798,830	-
B.1 New issues	2,587,006	-
- against payment:	2,587,006	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	2,587,006	-
- for free:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sales of treasury shares	1,211,824	-
B.3 Other increases	-	-
C. Decreases	750,000	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	750,000	-
C.3 Business disposal transactions	-	-
C.4 Other decreases	-	-
D. Shares outstanding: closing balance	1,414,136,014	-
D.1 Treasury shares (+)	1,714,504	-
D.2 Final number of shares	1,415,850,518	-
- fully paid-in	1,415,850,518	-
- not fully paid-in	-	-

Caption B.1 “New Issues” includes new shares that BPER Banca issued following the merger by absorption of Banca Carige s.p.a.- Cassa di Risparmio di Genova e Imperia and Banca del Monte di Lucca s.p.a., through the issuing of 2,587,006 new ordinary shares.

Caption B.2 “Sales of treasury shares” refers to shares that BPER Banca has assigned to employees upon their termination of employment, in line with the provisions of the Remuneration Policies.

Caption C.2 “Purchase of treasury shares” includes the execution of the ordinary treasury share purchase programme - launched on 7 December 2022 and announced to the market in the press release of 6 December 2022 - as part of the 2022 MBO incentive plan as well as any severance payments due.

Further information about transactions is presented in section 4.5 “Treasury shares held” of the Directors' Report on Operations.

12.3 Share capital - other information

The shares that make up the share capital of the Bank are not subject to rights, privileges or restrictions.

At the reporting date, the Bank directly owns 1,714,504 treasury shares.

12.4 Reserves from profits: other information

Nature and description of shareholders' equity	Amount	Tax-deferred reserves	(1) portion available for:		
			Cover losses	Increase in share capital	Allocation
Share capital	2,104,316				
Share capital reserves:	1,737,185		1,886,218	1,886,218	1,886,218
Share premium reserve	1,237,276		1,237,276	1,237,276	1,237,276
other reserves	499,909		648,942	648,942	648,942
- differences of shareholders' equity	(25,377)		-	-	-
- surplus/deficit from mergers	537,730		618,942	618,942	618,942
- reserve for reserved share capital increase	(42,444)		-	-	-
reserve for call option premium on AT1 equity instruments	30,000		30,000	30,000	30,000
Reserves from profits:	2,365,321	89,994	3,153,715	2,790,747	2,785,479
ordinary / legal reserve	353,306		353,306	-	-
other reserves	2,012,015	89,994	2,800,409	2,790,747	2,785,479
- extraordinary reserve (2)	2,419,203	87,815	2,419,203	2,419,203	2,419,203
- reserve for other risks	1,808		1,808	1,808	1,808
- taxed reserve pursuant to Decree Law 660/1973	2,872		2,872	2,872	2,872
- reserve pursuant to art. 55 of Presidential Decree 917/86 (3)	9	9	-	-	-
- special reserve pursuant to art. 6 Law 461/1998	45,711		45,711	45,711	45,711
- concentration reserve under Law 218/1990 (Amato Law) (4)	1,207	1,207	1,207	1,207	1,207
- special reserve pursuant to art. 6 Law 124/93 (5)	963	963	963	963	-
- reserve of dividends on treasury shares in portfolio	9,653		9,653	9,653	9,653
- non-allocatable reserve - gains from FV or SE (6)	13,239		13,239	-	-
- reserve from gains on FVO securities - available portion	254,361		254,361	254,361	254,361
- equity element of convertible instruments - available portion	6,771		6,771	6,771	6,771
- reserve for adjustments to pension Fund Section B	(2,941)		-	-	-
- contribution reserve	728		728	728	-
- reserve for disposal of business unit	3,200		-	-	-
- reserve for acquisition of business unit (4)	-		-	-	-
- FTA reserves	35,733		35,733	35,733	35,733
- profit (Loss) for the year (2004)	8,160		8,160	8,160	8,160
- reserve for First Time Adoption IFRS 9	(744,892)		-	-	-
- reserve for First Time Adoption IFRS 16	(382)		-	-	-
- reserve for revaluation of investment properties under IAS 40 investment	(6,196)		-	-	-
- reserve for Stock Option plan	3,577		-	3,577	-
- interest on AT1 equity instruments	(38,284)		-	-	-
- other reserves (7)	(2,481)		-	-	-
Valuation reserves:	(136,557)	54	-	-	-
- valuation reserves of financial assets measured at fair value through other comprehensive income	(88,893)		-	-	-
- hedge of equity instruments measured at fair value through other comprehensive income	(854)		-	-	-
- fair value valuation reserve for property, plant and equipment	51,371		-	-	-
- reserve for cash flow hedges	7,118		-	-	-
- reserve for actuarial gains (losses)	(108,647)		-	-	-
- reserve on financial liabilities designated at fair value through profit or loss (variation due to changes in creditworthiness)	3,294		-	-	-
- reserve for income balances of revaluation pursuant to art. 23 of Law no. 576/1975 (4)	54	54	-	-	-
Treasury shares	(5,672)		-	-	-
Equity instruments	150,000		-	-	-
Total shareholders' equity	6,214,593	90,048	5,039,933	4,676,965	4,671,697

(1) There have been no utilisations in the past 3 years.

(2) The portion of the extraordinary reserve under tax suspension derives, for Euro 87.7 million, from the restriction put in place

as a result of the realignment of tax values to the higher carrying values of certain properties and goodwill to the carrying values carried out in accordance with art. 110, paragraphs 8 and 8-bis of the Decree Law. 104/2020. Any distribution of the reserve subject under tax suspension to shareholders determines taxation for the corresponding amount - before substitute tax paid for realignment purposes - at both the company and the recipient shareholders. The remaining Euro 0.1 million relates to a reserve under tax suspension which contributes to the formation of income in the year and to the extent in which it is utilised for purposes other than the coverage of operating losses which was replenished pursuant to art. 172, paragraph 5 of the TUIR (Consolidated Income Tax Act) following the merger by absorption of former Cassa di Risparmio di BRA s.p.a..

(3) The reserve contributes to the formation of income in the year and to the extent in which it is utilised for purposes other than the coverage of operating losses.

(4) In the event of distribution of the reserve to shareholders, the amount distributed contributes to the formation of the company's taxable income and the taxable income of shareholders. If the reserve is used to cover losses, profits shall not be distributed until the reserve has been reinstated or accordingly reduced through a resolution by the Extraordinary Shareholders' Meeting.

(5) The reserve contributes to the formation of the company's income in the year if and to the extent in which it is utilised for purposes other than the coverage of operating losses and the classification as capital.

(6) Pursuant to art. 6 of Legislative Decree 38/05, these reserves can only be used after using all other available reserves and the legal reserve.

(7) The other reserves include the transfer to Other reserves of the Valuation reserves from realised gains/losses on equities at fair value through other comprehensive income, the transfer to Other reserves of the Valuation reserves from realised gains/losses on property used in operations and the deferred tax assets recorded on the impact of transition to IFRS 9, also taking into account the modification of the reference tax law, implemented with the 2019 Budget Law.

The negative elements of shareholders' equity reduce the availability of the positive elements.

Reserves from profits are generally established when the profit shown in the financial statements is specifically allocated to reserves.

The Italian Civil Code requires companies to set aside at least 5% of their profit for the year to a special reserve until it reaches one-fifth of the share capital. If, for whatever reason, the amount of the legal reserve falls below this limit of one-fifth of share capital, it has to be reinstated by setting aside at least one-twentieth of the profit until the shortfall is covered.

This caption also includes the effects generated by the transition to international accounting standards.

For further details regarding the allocation of the profit for the year, please refer to the Directors' report on operations contained in these separate financial statements.

12.5 Equity instruments: breakdown and annual changes

Issuer	Interest rate	Step up	Issue date	Maturity date	Currency	Nominal Value (in Euro)
BPER Banca	8.75% fixed rate (up to the first Reset Date)	NO	25.07.2019	perpetual	Euro	150,000,000

During the year, the "Additional Tier 1" convertible bond did not show any changes.

12.6 Other information

There are no amounts to be disclosed other than those already provided in this section.

Other information

1. Commitments and financial guarantees given (other than those designated at fair value)

	Nominal value on commitments and financial guarantees granted				Total 31.12.2022	Total 31.12.2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
1. Commitments to distribute funds	29,102,457	2,840,709	214,518	-	32,157,684	29,794,805
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	846,970	19,865	1,428	-	868,263	937,783
c) Banks	1,338,586	68,780	-	-	1,407,366	1,175,775
d) Other financial companies	2,403,439	28,092	18	-	2,431,549	2,534,027
e) Non-financial companies	22,727,241	2,514,251	208,107	-	25,449,599	23,236,789
f) Households	1,786,221	209,721	4,965	-	2,000,907	1,910,431
2. Financial guarantees granted	905,987	39,986	43,109	-	989,082	742,905
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	24,566	-	-	-	24,566	1,186
c) Banks	47,818	-	-	-	47,818	344
d) Other financial companies	300,728	288	61	-	301,077	299,828
e) Non-financial companies	496,611	35,897	41,867	-	574,375	394,371
f) Households	36,264	3,801	1,181	-	41,246	47,176

2. Other commitments and other guarantees granted

	Nominal value 31.12.2022	Nominal value 31.12.2021
Other guarantees granted	4,918,861	4,443,145
of which: non-performing	93,464	73,000
a) Central Banks	-	-
b) Public Administrations	21,898	16,183
c) Banks	313,424	227,845
d) Other financial companies	121,509	94,503
e) Non-financial companies	4,318,812	3,975,079
f) Households	143,218	129,535
Other commitments	31,500	17,400
of which: non-performing	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	31,500	17,400
f) Households	-	-

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31.12.2022	Amount 31.12.2021
1. Financial assets measured at fair value through profit or loss	1,920	124,430
2. Financial assets measured at fair value through other comprehensive income	5,299,667	3,832,352
3. Financial assets measured at amortised cost	10,014,402	28,986,269
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

The assets sold to vehicle companies as part of Covered Bond transactions amounted to Euro 16,847 million.

4. Asset management and trading on behalf of third parties

Type of service	Amount
1. Trading on behalf of customers	-
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Individual portfolio management	3,803,905
3. Custody and administration of securities	292,319,210
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	-
1. securities issued by the Bank preparing the financial statements	-
2. other securities	-
b) third party securities held in deposit (excluding portfolio management): other	126,203,763
1. securities issued by the Bank preparing the financial statements	3,735,318
2. other securities	122,468,445
c) third party securities deposited with third parties	124,786,849
d) own portfolio securities deposited with third parties	41,328,598
4. Other transactions	23,619,108

5. Financial assets subject to offsetting, master netting agreements and similar

Type	Gross amount of financial assets (a)	Amount of financial liabilities offset in the balance sheet (b)	Net amount of financial assets shown in the balance sheet (c=a-b)	Related amounts not subject to offsetting in the balance sheet		Net amount (f=c-d-e) 31.12.2022	Net amount (f=c-d-e) 31.12.2021
				Financial instruments (d)	Cash deposit pledged as collateral (e)		
1. Derivatives	2,401,409	-	2,401,409	121,935	1,363,133	916,341	30,131
2. Repurchase agreements	1,524,103	-	1,524,103	1,505,591	-	18,512	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total	31.12.2022	3,925,512	-	3,925,512	1,627,526	1,363,133	934,853
Total	31.12.2021	2,128,654	-	2,128,654	2,097,523	1,000	X
							30,131

The amounts shown in the table relate to standard master agreements such as ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements for derivatives and GMRA (Global Master Repurchase Agreement) for repurchase agreement transactions.

Under the agreements executed using the ISDA standard, offsetting of OTC derivative contracts is permitted in the event of default of either party to the agreement and, for almost all institutional counterparties, the terms of the CSA provide for cash collateral that is revised daily based on the contracts' underlying value. Repurchase agreement transactions entered into with institutional counterparties are governed by the GMRA standard, which, in addition to the delivery of the securities pertaining to the transactions, provide for cash collateral that is revised daily based on the value of the securities. None of the amounts shown has been offset in the financial statements as the criteria in paragraph 42 of IAS 32 are not satisfied.

For derivatives, the gross amounts (a) are recognised under caption 20 a) "Financial assets measured at fair value through profit or loss - Financial assets held for trading" for Euro 593.4 million and under caption 50 "Hedging derivatives" for Euro 1,808 thousand; the related financial instruments (d) consist of derivatives recorded under caption 20 "Financial liabilities held for trading" and under caption 40 "Hedging derivatives", whereas cash deposits received (e) are recorded under caption 10 a) "Due to banks" and under caption 10 b) "Due to customers".

For repurchase agreements, the gross amounts (a) are recognised under caption 40 a) "Financial assets measured at amortised cost - Loans to banks" for an amount of Euro 1,524 million; the related financial instruments (d) represent the value of the securities pertaining to the transactions, whereas cash deposits received (e) are recognised under caption 10 a) "Due to banks".

6. Financial liabilities subject to offsetting, master netting agreements and similar

Type	Gross amount of financial assets (a)	Amount of financial assets offset in the balance sheet (b)	Net amount of financial liabilities shown in the balance sheet (c=a-b)	Related amounts not offset in the balance sheet		Net amount (f=c-d-e) 31.12.2022	Net amount (f=c-d-e) 31.12.2021
				Financial instruments (d)	Cash deposit pledged as collateral (e)		
1. Derivatives	715,122	-	715,122	123,416	192,137	399,569	3,751
2. Repurchase agreements	3,783,286	-	3,783,286	3,777,600	-	5,686	21,324
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total	31.12.2022	4,498,408	-	4,498,408	3,901,016	192,137	405,255
Total	31.12.2021	6,624,497	-	6,624,497	6,498,920	100,502	X
							25,075

The same considerations of the previous table are valid for framework agreements.

None of the amounts shown has been offset in the financial statements as the criteria in paragraph 42 of IAS 32 are not satisfied.

For derivatives, the gross amounts (a) are recorded under caption 20 "Financial liabilities held for trading" for an amount of Euro 216.6 million and under caption 50 "Hedging derivatives" for an amount of Euro 498.6 million; the related financial instruments (d) consist of opposite sign derivatives recorded under caption 20 a) "Financial assets measured at fair value through profit or loss - Financial assets held for trading" and under caption 50 "Hedging derivatives", whereas cash deposits made (e) are recorded under caption 40 a) "Loans to banks" and caption 40 b) "Loans to customers".

For repurchase agreements, the gross amounts (a) are recognised under caption 10 a) "Due to banks" for an amount of Euro 3,783.3 million. The related financial instruments (d) represent the value of the securities pertaining to the transactions, whereas cash deposits made (e) are recognised under caption 40 a) "Loans to banks".

7. Securities lending transactions

Type of lender/ Use	As collateral of own financing operations	Sold	Subject to repurchase agreements	Other	31.12.2022
a) Banks	652,858	-	-	-	652,858
b) Public Entities		-	-	-	-
c) Non-financial companies		-	-	-	-
d) Financial companies	782,032	-	-	-	782,032
e) Insurance companies		-	-	-	-
f) Other	-	-	-	-	-
Total	1,434,890	-	-	-	1,434,890

8. Disclosure on joint control activities

There are no amounts to be disclosed in these Financial Statements.

Part C – Information on the income statement

Section 1 – Interest

Captions 10 and 20

1.1 Interest and similar income: breakdown

Captions/Technical forms	Debt securities	Loans	Other transactions	Total 31.12.2022	Total 31.12.2021
1. Financial assets measured at fair value through profit or loss:	31,629	339	-	31,968	7,766
1.1 Financial assets held for trading	2,189	-	-	2,189	2,036
1.2 Financial assets measured at fair value	27,037	-	-	27,037	3,413
1.3 Other financial assets mandatorily measured at fair value	2,403	339	-	2,742	2,317
2. Financial assets measured at fair value through other comprehensive income	39,493	-	X	39,493	31,434
3. Financial assets measured at amortised cost:	127,467	1,614,659	X	1,742,126	1,236,954
3.1 Loans to banks	34,985	119,057	X	154,042	31,702
3.2 Loans to customers	92,482	1,495,602	X	1,588,084	1,205,252
4. Hedging derivatives	X	X	(15,300)	(15,300)	(40,605)
5. Other assets	X	X	35,773	35,773	1,454
6. Financial Liabilities	X	X	X	21,637	188,204
Total	198,589	1,614,998	20,473	1,855,697	1,425,207
of which: interest income on impaired financial assets	-	73,150	-	73,150	66,575
of which: interest income on finance lease	X	4,169	X	4,169	181

Caption "6. Financial liabilities" includes the interest accrued on the funds obtained from the ECB under the TLTRO III programme for Euro 11.6 million. The following contributed to the net accrual in FY 2022:

- the interest accrued until 23 June 2022 and determined, according to the economic conditions established by the ECB, by applying the "negative" rates envisaged in the assumption of full achievement of the lending growth objectives (both in the special reference period and in the additional special reference period) – an objective attained by the BPER Banca Group - for a total of Euro 89.4 million;
- the interest accrued from 24 June 2022 until 22 November 2022 (term introduced by the amendment made by the ECB to the economic conditions recognised on TLTRO III operations on 27 October 2022) and from 23 November 2022 until 31 December 2022, based on the weighted average rate recognised on cash deposits at the ECB, for a total of Euro -90.8 million;
- the interest deriving from the reclassification to the income statement of the second half of 2022 of the cash flow hedge reserves accumulated until the date of early closure of qualified hedging relationships by the subsidiary Banca Carige on its TLTRO III lines, for a total Euro 13 million.

1.2 Interest and similar income: other information

1.2.1 Interest income on foreign currency financial assets

Captions	31.12.2022	31.12.2021
Interest income on foreign currency financial assets	9,708	(8,111)

The caption includes flows from derivatives hedging securities shown under assets.

1.3 Interest and similar expense: breakdown

Captions/Technical forms	Loans	Debt securities	Other transactions	Total 31.12.2022	Total 31.12.2021
1. Financial liabilities measured at amortised cost	214,199	153,564	X	367,763	174,701
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	93,080	X	X	93,080	13,488
1.3 Due to customers	121,119	X	X	121,119	80,745
1.4 Debt securities issued	X	153,564	X	153,564	80,468
2. Financial liabilities held for trading	-	-	26,843	26,843	1,857
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	4,821	4,821	(2,456)
6. Financial assets	X	X	X	47,213	83,816
Total	214,199	153,564	31,664	446,640	257,918
of which: interest expense on lease liabilities	6,739	X	X	6,739	4,185

Caption "6. Financial assets" includes the interest calculated by applying negative interest rates on the available liquidity deposited with the ECB for Euro 41 million.

1.4. Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

Captions	31.12.2022	31.12.2021
Interest expense on foreign currency liabilities	64,902	6,403

Interest in foreign currency relates mainly to repurchase agreements with non-resident banks.

1.5 Spreads on hedging transactions

Captions	Total 31.12.2022	Total 31.12.2021
A. Positive spreads on hedging transactions	139,541	79,148
B. Negative spreads on hedging transactions	(159,662)	(117,297)
C. Balance (A-B)	(20,121)	(38,149)

Section 2 – Commissions

Captions 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	Total 31.12.2022	Total 31.12.2021
a) Financial instruments	371,582	339,992
1. Placement of securities	315,127	289,055
1.1 Through underwriting and/or on a firm commitment basis	517	-
1.2 Without a firm commitment basis	314,610	289,055
2. Reception and transmission of orders and execution of orders on behalf of customers	19,925	16,492
2.1 Reception and transmission of orders for one or more financial instruments	19,925	16,492
2.2. Execution of orders on behalf of customers	-	-
3. Other commission income related to activities connected to financial instruments	36,530	34,445
of which: dealing on own account	137	-
of which: individual portfolio management	36,393	34,444
b) Corporate Finance	2,639	1,946
1. Mergers and acquisitions advisory	756	94
2. Treasury services	-	-
3. Other commission income related to corporate finance services	1,883	1,852
c) Investment advice	2,202	845
d) Clearing and settlement	-	-
e) Custody and administration	37,272	38,318
1. Depositary bank	-	-
2. Other commission income related to custody and administration services	37,272	38,318
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary services	-	-
h) Payment services	584,048	469,004
1. Current accounts	325,757	256,044
2. Credit cards	-	-
3. Debit cards and other payment cards	98,616	82,582
4. Bank transfers and other payment orders	100,181	76,712
5. Other commission income related to payment services	59,494	53,666
i) Distribution of third-party services	321,605	232,386
1. Collective portfolio management	5,241	3,711
2. Insurance products	198,364	149,006
3. Other products	118,000	79,669
of which: individual portfolio management	9,979	9,426
j) Structured finance	29,073	7,408
k) Securitisation servicing	941	96
l) Commitments to disburse funds	-	-
m) Financial guarantees granted	43,416	39,651
of which: credit derivatives	-	-
n) Financing operations	191,936	168,815
of which: factoring transactions	-	-
o) Currency dealing	14,516	11,242
p) Commodities	-	-
q) Other commission income	51,454	42,845
of which: management of multilateral trading facilities	-	-
of which: management of organised trading facilities	-	-
Total	1,650,684	1,352,548

With respect to the qualitative information on the types of revenue from relations with customers falling within the scope regulated by IFRS 15, we think that the level of detail required by Bank of Italy Circular n. 262 is adequate.

Commission income includes the following types of variable income:

- commissions related to the placement of “profit share” mutual funds, the amount of which is only estimated in the financial statements, although the related Performance Obligation (PO) is satisfied in full by the end of the year;
- placement fees for “credit protection” insurance products with a single initial premium, which incorporate the possibility of having to repay (ultimately to customers) part of the placement fees received by the distributor, for the portion of the premium not received up front of an insurance contract terminated in advance of the contractual expiry date. This type of product therefore requires an estimate of the amount of commission not subject to repayment risk (hence the variable nature of the revenue), against an OP that has been fully fulfilled at the balance sheet date (placement of the insurance product);

- performance fees provided for in asset management mandates, calculated as a percentage of the difference between the actual operating result and the benchmark result for the period. These commissions are determined quarterly or annually and recognised once the result of the managed line has been ascertained, which required them to be estimated at the end of the period;
- additional commission amounts on insurance products, which represent the additional remuneration of the bank's performance with respect to certain quality levels. The variable amount is based on the total placed and is estimated at the end of the year based on the degree of achievement of the objectives required to obtain it.

2.2 Commission income: distribution channels of products and services

Channels/Amounts	Total 31.12.2022	Total 31.12.2021
a) at own branches:	673,125	555,885
1. portfolio management	36,393	34,444
2. securities placement	315,127	289,055
3. third party services and products	321,605	232,386
b) out-of-branch offer:	-	-
1. portfolio management	-	-
2. securities placement	-	-
3. third party services and products	-	-
c) other distribution channels:	-	-
1. portfolio management	-	-
2. securities placement	-	-
3. third party services and products	-	-

2.3 Commission expense: breakdown

Type of services/Amounts	Total 31.12.2022	Total 31.12.2021
a) Financial instruments	18,985	15,990
of which: trading in financial instruments	2,116	1,875
of which: placement of financial instruments	3,394	1,315
of which: individual portfolio management	13,475	12,800
- Own portfolios	-	-
- Third party portfolios	13,475	12,800
b) Clearing and settlement	-	-
c) Custody and administration	5,327	4,940
d) Collection and payment services	46,300	43,976
of which: credit cards, debit cards and other payment cards	39,465	37,556
e) Securitisation servicing	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	3,635	3,323
of which: credit derivatives	-	-
h) "Out-of-branch" offer of financial instruments, products and services	7,783	9,506
i) Currency dealing	-	-
j) Other commission expense	34,711	14,890
Total	116,741	92,625

Section 3 – Dividends and similar income

Caption 70

3.1 Dividends and similar income: breakdown

Captions/Income	Total 31.12.2022		Total 31.12.2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	2,305	-	2,261	1
B. Other financial assets mandatorily measured at fair value	812	4,433	88	5,730
C. Financial assets measured at fair value through other comprehensive income	14,281	-	11,892	-
D. Equity investments	34,781	-	40,229	-
Total	52,179	4,433	54,470	5,731

Section 4 – Net income from trading activities

Caption 80

4.1 Net income from trading activities: breakdown

Transactions/Income items	Capital gains (A)	Profits on trading (B)	Capital losses (C)	Losses on trading (D)	Net Result [(A+B) - (C+D)]
1. Financial assets held for trading	2,937	5,559	(13,651)	(12,838)	(17,993)
1.1 Debt securities	1,624	4,306	(2,585)	(5,669)	(2,324)
1.2 Equity instruments	1,313	1,250	(11,066)	(7,169)	(15,672)
1.3 UCITS units	-	3	-	-	3
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	X	X	X	X	31,508
4. Derivative instruments	604,210	373,340	(667,239)	(232,491)	62,024
4.1 Financial derivatives:	604,210	372,475	(666,837)	(232,163)	61,889
- on debt securities and interest rates	502,964	361,253	(569,207)	(221,287)	73,723
- on equities and stock indexes	101,091	10,150	(97,486)	(10,829)	2,926
- on currency and gold	X	X	X	X	(15,796)
- other	155	1,072	(144)	(47)	1,036
4.2 Credit derivatives	-	865	(402)	(328)	135
<i>of which: natural hedges connected with the fair value option</i>	X	X	X	X	-
Total	607,147	378,899	(680,890)	(245,329)	75,539

The caption includes capital losses on valuation relating to the operational hedging of Certificates, for a total of Euro 51.2 million.

Section 5 – Net income from hedging activities

Caption 90

5.1 Net income from hedging activities: breakdown

Income items/Amounts	Total 31.12.2022	Total 31.12.2021
A. Income from:		
A.1 Fair value hedging derivatives	1,797,916	323,965
A.2 Hedged financial assets (fair value)	1,416	1,421
A.3 Hedged financial liabilities (fair value)	350,641	14,523
A.4 Cash-flow hedging derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging activity (A)	2,149,973	339,909
B. Charges from:		
B.1 Fair value hedges	352,742	15,726
B.2 Hedged financial assets (fair value)	1,798,470	326,438
B.3 Hedged financial liabilities (fair value)	46	-
B.4 Cash-flow hedging derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	2,151,258	342,164
C. Net income from hedging activities (A-B)	(1,285)	(2,255)
of which: result of hedging on net positions	-	-

Section 6 – Gains (Losses) on disposal or repurchase

Caption 100

6.1 Gains (Losses) on disposal or repurchase: breakdown

Captions/Income items	Total 31.12.2022			Total 31.12.2021		
	Gains	Losses	Net result	Gains	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	72,179	(10,040)	62,139	96,311	(29,870)	66,441
1.1 Loans to banks	-	-	-	-	(147)	(147)
1.2 Loans to customers	72,179	(10,040)	62,139	96,311	(29,723)	66,588
2. Financial assets measured at fair value through other comprehensive income	3,883	(701)	3,182	15,474	(76)	15,398
2.1 Debt securities	3,883	(701)	3,182	15,474	(76)	15,398
2.2 Loans	-	-	-	-	-	-
Total assets (A)	76,062	(10,741)	65,321	111,785	(29,946)	81,839
B. Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities issued	7,641	(808)	6,833	2	(469)	(467)
Total liabilities (B)	7,641	(808)	6,833	2	(469)	(467)

The net result relating to “Financial assets” includes net profits deriving from transfers of loans for Euro 38 million plus the gains realised on the disposal of debt securities classified in the HTC and HTC&S portfolios.

Section 7 – Net income on other financial assets and liabilities measured at fair value through profit or loss

Caption 110

7.1 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

Transactions/Income items	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net Result [(A+B) - (C+D)]
1. Financial assets	-	-	(339)	(21,378)	(21,717)
1.1 Debt securities	-	-	(339)	(21,378)	(21,717)
1.2 Loans	-	-	-	-	-
2. Financial Liabilities	83,427	161	(277)	(2)	83,309
2.1 Debt securities issued	83,427	161	(277)	(2)	83,309
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	X	X	X	X	-
Total	83,427	161	(616)	(21,380)	61,592

The "Capital gains" shown on Securities in Issue refer to the Certificates issued during the year and are attributable to the change in fair value attributable to interest rate risk, to the change in fair value of the derivative component embedded in the instruments issued (which is similarly recognised with an entry of opposite sign in Item 80 "Net income from trading activities" against the valuation of derivatives entered into on the market to balance the bank's position), as well as to so-called "commercial margins", which pass through the Income Statement at the time of the first valuation of the financial instrument.

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income items	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net Result [(A+B) - (C+D)]
1. Financial assets	9,186	4,442	(54,277)	(1,712)	(42,361)
1.1 Debt securities	1,385	2,743	(7,842)	(452)	(4,166)
1.2 Equity instruments	59	-	(3,027)	(596)	(3,564)
1.3 UCITS units	7,223	1,699	(37,863)	(664)	(29,605)
1.4 Loans	519	-	(5,545)	-	(5,026)
2. Foreign currency financial assets: exchange differences	X	X	X	X	(393)
Total	9,186	4,442	(54,277)	(1,712)	(42,754)

Section 8 – Net impairment losses for credit risk

Caption 130

8.1 Net impairment losses for credit risk relating to financial assets measured at amortised cost: breakdown

Transactions/Income items	Impairment losses (1)						Write-backs (2)				Total 31.12.2022	Total 31.12.2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. Loans to banks	(3,493)	(19,579)	-	-	-	-	4,389	-	-	-	(18,683)	1,707
- Loans	(3,482)	(19,579)	-	-	-	-	4,375	-	-	-	(18,686)	997
- Debt securities	(11)	-	-	-	-	-	14	-	-	-	3	710
B. Loans to customers	(53,895)	(171,956)	(36,041)	(370,400)	(8,512)	(118,279)	9,261	-	210,175	102,823	(436,824)	(645,704)
- Loans	(53,349)	(171,956)	(36,041)	(370,400)	(8,512)	(118,279)	8,905	-	210,175	102,823	(436,634)	(645,470)
- Debt securities	(546)	-	-	-	-	-	356	-	-	-	(190)	(234)
Total	(57,388)	(191,535)	(36,041)	(370,400)	(8,512)	(118,279)	13,650	-	210,175	102,823	(455,507)	(643,997)

8.1a Net impairment losses for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures: breakdown

Transactions/Income items			Net impairment losses						Total 31.12.2022	Total 31.12.2021
			Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired			
					Write-offs	Other	Write-offs	Other		
1. Loans subject to forbearance measures compliant with GL		1	-	-	-	-	-	1	(2,669)	
2. Loans subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures		-	-	-	-	-	-	-	(3,412)	
3. Loans subject to other forbearance measures		-	(80)	-	(80)	-	(173)	(333)	(23,367)	
4. New loans		(4,592)	(12,363)	(1)	(7,430)	-	(2,340)	(26,726)	(4,687)	
Total	31.12.2022	(4,591)	(12,443)	(1)	(7,510)	-	(2,513)	(27,058)	(34,135)	
Total	31.12.2021	(2,236)	(19,152)	-	(10,584)	-	(2,163)	(34,135)		

8.2 Net impairment losses for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income items	Impairment losses (1)						Write-backs (2)				Total	Total
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
											31.12.2022	
A. Debt securities	(605)	-	-	-	-	-	46	141	-	-	(418)	2,107
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(605)	-	-	-	-	-	46	141	-	-	(418)	2,107

8.2a Net impairment losses for credit risk relating to loans measured at fair value through other comprehensive income subject to Covid-19 support measures: breakdown

No table is provided in these financial statements as the circumstances do not apply.

Section 9 - Gains (Losses) from contractual modifications without derecognition

Caption 140

9.1 Gains (Losses) from contractual modifications: breakdown

The caption in question includes the economic impact of contractual modifications that do not qualify for derecognition of the assets and which, as a result, entail a change in the related amortised cost based on discounting the new contractual flows at the original Internal Rate of Return (IRR).

The scope of the exposures under consideration is represented by a portion of the forbore exposures (performing and non-performing) or situations in which the contractual modification is linked to the borrower's financial difficulty and does not fall within the concept of a "substantial modification" for BPER Banca.

The impact calculated on the basis of this scope is added to the write-downs envisaged by the Bank in application of its own policies for the assessment of performing and non-performing loans and, for the two types of exposures, comes to a total amount of Euro 29 thousand.

Section 10 – Administrative expenses

Caption 160

10.1 Staff costs: breakdown

Type of costs/Amounts	Total 31.12.2022	Total 31.12.2021
1) Employees	1,399,258	1,216,091
a) wages and salaries	907,176	777,441
b) social security charges	238,707	202,378
c) termination indemnities	47,024	42,882
d) pension expenses	-	-
e) provision for employee termination indemnities	674	22
f) provision for pension and similar commitments:	1,071	368
- defined contribution plan	-	-
- defined benefit plans	1,071	368
g) payments to external supplementary pension funds:	32,948	22,901
- defined contribution plan	32,948	22,901
- defined benefit plans	-	-
h) costs from share-based payments	539	3,025
i) other employee benefits	171,119	167,074
2) Other not-retired employees	29,653	32,831
3) Directors and Statutory Auditors	5,531	4,749
4) Retired employees	302	65
5) Recovery of costs for employees seconded to other companies	(17,321)	(15,733)
6) Reimbursement of cost of third-party employees seconded to the Bank	17,789	20,748
Total	1,435,212	1,258,751

The caption "other employee benefits" includes the allocation of Euro 132.1 million in expenses relating to the extension of the workforce optimisation manoeuvre already envisaged in the Business Plan, and Euro 20.9 million attributable to the adjustment of the cost of the workforce optimisation effort announced in December 2021.

With reference to the extension of the workforce optimisation effort, on 10 June 2022, the Bank presented the 2022/2025 Business Plan to the market. Among the other initiatives, the Business Plan provides for the voluntary exit of roughly 3,300 staff, clarifying that there will be an "additional manoeuvre" in addition to the one formalised with the Trade Union Organisations on 28 December 2021 (with entitlements, criteria and provisions remaining the same) so as to reflect the amount already expensed and contractually agreed by Banca Carige and by the merger of Banca Carige and Banca del Monte di Lucca, while defining additional resources to be managed with the activation of the Solidarity Fund. These additional resources are to be identified from the surplus applications received in excess of the funds available under the agreement entered into with the Trade Union Organisations on 28 December 2021.

10.2 Average number of employees by category

	31.12.2022	31.12.2021
Employees:	15,807	14,020
a) Managers	248	198
b) Middle managers	5,757	5,124
c) Remaining employees	9,802	8,698
Other personnel	516	599

The increase in the number of employees is due primarily to the merger by absorption of Banca Carige and Banca del Monte di Lucca.

10.2 bis Final number of employees by category

	31.12.2022	31.12.2021
Employees:	18,302	15,326
a) Managers	288	242
b) Total 3rd and 4th level middle managers	2,413	2,140
c) Total 1st and 2nd level middle managers	4,110	3,525
d) Remaining employees	11,491	9,419
Other personnel	808	474

The number of employees does not include staff on leave.

10.3 Defined benefit company pension funds: costs and revenues

Type of costs/Amounts	31.12.2022	31.12.2021
Provisions for defined-benefit pension plans	1,071	368

For more information on defined-benefit pension plans, please refer to Part B of these Explanatory notes, section 10 "Provisions for risks and charges".

10.4 Other employee benefits

Type of costs/Amounts	31.12.2022	31.12.2021
Other employee benefits	171,119	167,074

For more information on the composition of the item, please refer to the footnotes in table 10.1 Personnel expenses: breakdown

10.5 Other administrative expenses: breakdown

Captions	31.12.2022	31.12.2021
Indirect taxes and duties	354,204	225,234
Stamp duty	199,554	188,582
Other indirect taxes with right of recourse	16,256	12,084
Municipal property tax	12,507	8,951
Other	125,887	15,617
Other costs	866,323	647,485
Maintenance and repairs	113,553	107,092
Rental expense	22,315	24,902
Post office, telephone and telegraph	16,259	14,851
Data transmission fees and use of databases	83,441	51,768
Advertising	19,169	27,673
Consulting and other professional services	163,392	98,853
Lease of IT hardware and software	58,357	61,627
Insurance	15,934	8,834
Cleaning of office premises	10,291	16,844
Printing and stationery	5,517	5,460
Energy and fuel	45,124	16,079
Transport	13,790	10,331
Staff training and expense refunds	11,876	10,507
Information and surveys	12,574	10,632
Security	9,067	8,634
Administrative services	35,384	27,863
Use of external data gathering and processing services	40,733	2,940
Membership fees	7,928	7,087
Condominium expenses	8,351	4,575
Contribution to SRF, DGS, IDPF-VS	154,437	117,933
Sundry other	18,831	13,000
Total	1,220,527	872,719

The caption "Contributions to SRF, DGS, FITD-VS" includes the 2022 ordinary contribution to the SRF (European Single Resolution Fund) of Euro 42.7 million and the 2022 ordinary contribution of Euro 111.7 million to the DGS (Deposit Guarantee Scheme).

The caption "Indirect taxes and duties - Other" includes the fee paid for the conversion of the tax losses of Banca Carige into DTAs (Euro 111.5 million).

One-off expenses relating to the absorption of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. were registered under "Other administrative expenses". (Euro 55 million).

Section 11 – Net provisions for risks and charges

Caption 170

11.1 Net provisions for credit risk on commitments to distribute funds and financial guarantees granted: breakdown

Type of risks and charges	Impairment losses				Write-backs				31.12.2022	31.12.2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit	Stage 1	Stage 2	Stage 3	Purchased or originated credit		
Commitments to disburse funds	(1,691)	(1,870)	-	-	1,097	353	-	-	(2,111)	(1,311)
Financial guarantees granted	(21)	(938)	(13,129)	-	-	-	12,602	-	(1,486)	(2,154)
Total	(1,712)	(2,808)	(13,129)	-	1,097	353	12,602	-	(3,597)	(3,465)

11.2 Net provisions on other commitments and other guarantees granted: breakdown

Type of risks and charges	Impairment losses	Write-backs	31.12.2022	31.12.2021
Other guarantees granted	(26,000)	11,900	(14,100)	(10,400)
Other commitments	(22,750)	4,211	(18,539)	(773)
Total	(48,750)	16,111	(32,639)	(11,173)

11.3 Net provisions for other risks and charges: breakdown

Type of risks and charges	31.12.2022	31.12.2021
A. Provisions	(88,292)	(47,410)
1. for legal disputes	(51,232)	(36,181)
2. other	(37,060)	(11,229)
B. Write-backs	12,956	9,579
1. for legal disputes	11,960	8,894
2. other	996	685
Total	(75,336)	(37,831)

Section 12 – Net adjustments to property, plant and equipment

Caption 180

12.1. 14.1 Net adjustments to property, plant and equipment: breakdown

Asset/Income items	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
1. Used in operations	(129,878)	(3,637)	1,929	(131,586)
- Owned	(55,628)	-	1,929	(53,699)
- Rights of use acquired through leases	(74,250)	(3,637)	-	(77,887)
2. Held for investment	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3. Inventories	X	-	-	-
Total	(129,878)	(3,637)	1,929	(131,586)

The caption "Impairment losses" (Euro 3.6 million) refers to rights of use acquired through leases following the early closure of certain branches.

Section 13 – Net adjustments to intangible assets

Caption 190

13.1 Net adjustments to intangible assets: breakdown

Asset/Income items	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	(61,129)	(6,953)	-	(68,082)
A.1 Owned	(66,337)	(6,953)	-	(73,290)
- Generated internally by the company	-	-	-	-
- Other	(66,337)	(6,953)	-	(73,290)
A.2 Rights of use acquired through leases	-	-	-	-
Total	(66,337)	(6,953)	-	(73,290)

The caption "Impairment losses" (Euro 7 million) refers to software deemed to have reached the end of its useful life ahead of time.

Section 14 – Other operating expense (income)

Caption 200

14.1 Other operating expense: breakdown

Description/Amounts	31.12.2022	31.12.2021
Loss from loss data collection	22,121	22,916
Amortisation of leasehold improvement expenditure	3,645	3,994
Other expense	44,681	40,000
Total	70,447	66,910

The caption “Other expenses” includes charges for the refund of fast-track loan approval process fees (CIV) to customers for the years 2012 - 2015 (Euro 18.5 million) and compensation relating to loan assignment transactions (Euro 11.9 million).

14.2 Other operating income: breakdown

Description/Amounts	31.12.2022	31.12.2021
Rental income	5,320	3,480
Recovery of taxes	214,155	199,652
Income from Loss data collection	22,295	16,194
Fast-track facility fee	8,802	8,421
Recovery for intercompany services	67,081	50,809
Other income	272,905	31,900
Total	590,558	310,456

The item Other income includes the capital gain from the transfer to Nexi s.p.a. of the business unit regarding merchant acquiring and POS management activities (Euro 227.1 million) and the capital gain from the transfer of the business units of Banca Carige and Banca del Monte di Lucca active in pledge lending (Euro 7.6 million) and the adjustment of the cost incurred for the workforce manoeuvre in 2019 (Euro 3.4 million).

Section 15 – Gains (Losses) of equity investments

Caption 220

15.1 Gains (Losses) on equity investments: breakdown

Income items/Amounts	Total 31.12.2022	Total 31.12.2021
A. Gains	-	-
1. Revaluations	-	-
2. Gains on disposals	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Losses	(28,066)	(5,004)
1. Write-downs	-	-
2. Impairment losses	(28,066)	(5,000)
3. Losses from disposals	-	(4)
4. Other charges	-	-
Net result	(28,066)	(5,004)

The amount shown under "Impairment losses" refers to the impairment test on equity investments which led to the write-down of the interest held in Sardaleasing s.p.a. (Euro 27.5 million), Italiana Valorizzazioni Immobiliari s.r.l. (Euro 0.3 million) and Immobiliare Oasi nel Parco s.r.l. (Euro 0.2 million).

Section 16 – Valuation differences on property, plant and equipment and intangible assets

Caption 230

16.1 Net result of measurement at fair value (or at a revalued amount) or at the estimated realisable value of property, plant and equipment and intangible assets: breakdown

Asset/Income items	Revaluations	Write-downs	Exchange differences		Net result
	(a)	(b)	Positive (c)	Negative (d)	(a-b+c-d)
A. Property, plant and equipment	5,580	(25,592)	-	-	(20,012)
A.1 Used in operations:	979	(17,562)	-	-	(16,583)
- Owned	979	(17,562)	-	-	(16,583)
- Rights of use acquired through leases	-	-	-	-	-
A.2 Held for investment	4,601	(8,030)	-	-	(3,429)
- Owned	4,601	(8,030)	-	-	(3,429)
- Rights of use acquired through leases	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
A. Intangible assets	-	-	-	-	-
B.1 Owned	-	-	-	-	-
- Generated internally by the company	-	-	-	-	-
B.1.2 Other	-	-	-	-	-
B.2 Rights of use acquired through leases	-	-	-	-	-
Total	5,580	(25,592)	-	-	(20,012)

Section 17 – Impairment losses on goodwill

Caption 240

There are no amounts to be disclosed in these Financial Statements.

Section 17 bis - Gain on a bargain purchase

Caption 245

Reported under “Gain on a bargain purchase” is the “Badwill” difference between the purchase price and the fair value of the assets and liabilities purchased, stemming from the merger by absorption of Banca Carige and Banca del Monte di Lucca. The amount determined at the end of the Purchase Price Allocation (PPA) process amounted to Euro 948.1 million. For more information, please see part G in these Explanatory Notes.

Section 18 – Gains (Losses) on disposal of investments

Caption 250

18.1 Gains (losses) on disposal of investments: breakdown

Income items/Amounts	Total 31.12.2022	Total 31.12.2021
A. Real estate	2,947	265
- Gains on disposal	2,999	424
- Losses on disposal	(52)	(159)
B. Other assets	(271)	268
- Gains on disposal	6	971
- Losses on disposal	(277)	(703)
Net Profit	2,676	533

Section 19 – Income taxes for the year on current operations

Caption 270

19.1 Income taxes for the year on current operations: breakdown

Income items/Amounts	Total 31.12.2022	Total 31.12.2021
1. Current tax (-)	34,715	(57,931)
2. Change in current taxes of prior years (+/-)	(8,435)	21,152
3. Reduction in current taxes of the year (+)	111,549	-
3. bis Reductions in current taxes of the year due to tax credits pursuant to Law 214/2011 (+)	10,643	92,530
4. Changes in deferred tax assets (+/-)	(16,960)	(197,656)
5. Changes in deferred tax liabilities (+/-)	2,819	17,392
6. Tax for the year (-) (-1+/-2+3+3bis+/-4+/-5)	134,331	(124,513)

"Income taxes for the year" were determined by applying the regulations in force at 31 December 2022.

The item does not include the deferred and current taxes referring to the value adjustments made to the assets and liabilities of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. as part of the *purchase price allocation* (PPA) for a total amount of Euro 162.3 million.

No deferred tax assets have been recognised on temporary differences due to reverse after the five-year time horizon considered for the probability test (2023-2027). In addition, following the test, deferred tax assets were recognised on tax losses and ACE (Allowance for Corporate Equity) for an amount of Euro 173.1 million.

The reduction in current taxes recorded in the period with respect to the previous year is attributable primarily to the presence of income not taxable for IRES and IRAP purposes and, more specifically, the goodwill recognised following the merger of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. and the capital gain, amounting to Euro 227.1 million, resulting from the transfer of the acquiring business unit to Nexi Payment s.p.a..

19.2 Reconciliation of theoretical and actual tax charges

In consideration of the fact that item 270 "Income taxes on continuing operations" of the 2022 financial statements was positive and the fact that the tax effects of the fair value measurement of the assets and liabilities of the Banca Carige Group companies conducted as part of the Purchase Price Allocation (PPA) process were accounted for in item 245 "Badwill" of the 2022 income statement, the reconciliation between the theoretical tax charge and the actual balance sheet tax charge relating to 31 December 2022 produced a result that is not representative of the factual reality and, therefore, the relevant table was not prepared.

Section 20 – Gains (Losses) from non-current assets and disposal groups classified as held for sale after tax

Caption 290

There are no amounts to be disclosed in these Financial Statements.

Section 21 – Other information

The information contained in the above sections is deemed to be detailed and completed, thus providing a full picture of the income statement.

Section 22 – Earnings per share

IAS 33 requires disclosure of basic and diluted earnings per share (EPS), specifying how each is calculated.

Basic earnings per share reflect the relationship between:

- the earnings attributable to ordinary shareholders,
- and the weighted average number of shares outstanding during the year.

Diluted earnings per share reflect the relationship between:

- the earnings used to calculate Basic EPS, as adjusted by the economic effects of converting all outstanding convertible bonds into shares at period end;
- the number of shares in circulation used to calculate basic EPS, as adjusted by the weighted average of the potential ordinary shares with a diluting effect deriving from the conversion of bonds outstanding at period end.

	31.12.2022			31.12.2021		
	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)
Basic EPS	1,293,880	1,411,912,243	0.916	567,203	1,412,323,581	0.402
Diluted EPS	1,290,271	1,447,626,529	0.891	567,203	1,448,037,867	0.392

The following tables reconcile the weighted average number of ordinary shares outstanding used to calculate basic earnings per share with the number of ordinary shares used to calculate diluted earnings per share; they also reconcile net profit for the year with the net income used to determine basic and diluted earnings per share.

22.1 Average number of ordinary shares (fully diluted)

	31.12.2022	31.12.2021
Weighted average number of outstanding ordinary shares for Base EPS calculation	1,411,912,243	1,412,323,581
Weighted dilutive effect deriving from the potential conversion of convertible bonds	35,714,286	35,714,286
Weighted average number of outstanding ordinary shares for diluted EPS calculation	1,447,626,529	1,448,037,867

22.2 Other information

	31.12.2022	31.12.2021
Profit (Loss) for the year	1,293,880	567,203
Allocations not attributable to the shareholders	-	-
Net profit for Basic EPS calculation	1,293,880	567,203
Change in income and charges deriving from conversion	(3,609)	-
Net profit for diluted EPS calculation	1,290,271	567,203

Part D – Other comprehensive Income

Detailed statement of other comprehensive income

Captions		31.12.2022	31.12.2021
10.	Profit (Loss) for the year	1,293,880	567,203
	Other comprehensive income that will not be reclassified to profit or loss	112,392	76,743
20.	Equity instruments measured at fair value through other comprehensive income:	61,554	40,535
	a) change in fair value	58,433	2,082
	b) transfer to other components of shareholders' equity	3,121	38,453
30.	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness):	3,295	-
	a) change in fair value	3,295	-
	b) transfer to other components of shareholders' equity	-	-
40.	Hedge of equity instruments measured at fair value through other comprehensive income:	112	86
	a) change in fair value (hedged instrument)	(597)	291
	b) change in fair value (hedging instrument)	709	(205)
50.	Property, plant and equipment	7,731	61,102
60.	Intangible assets	-	-
70.	Defined benefit plans	53,427	(3,038)
80.	Non-current assets and disposal groups classified as held for sale	-	-
90.	Share of the valuation reserves of equity investments carried at equity	-	-
100.	Income taxes relating to other comprehensive income that will not be reclassified to profit or loss	(13,727)	(21,942)
	Other comprehensive income that may be reclassified to profit or loss	(209,490)	(33,271)
110.	Hedge of foreign investments:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) change in value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	(14,744)	469
	a) changes in fair value	(1,453)	469
	b) reclassification to profit or loss	(13,291)	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (not designated elements):	-	-
	a) change in value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (no equity instruments) measured at fair value through other comprehensive income:	(305,789)	(50,178)
	a) changes in fair value	(302,913)	(27,379)
	b) reclassification to profit or loss	(2,858)	(22,799)
	- impairment losses for credit risk	418	(2,107)
	- gains/losses on disposal	(3,276)	(20,692)
	c) other changes	(18)	-
160.	Non-current assets and disposal groups classified as held for sale:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of the valuation reserves of equity investments carried at equity:	-	-
	a) changes in fair value	-	-
	b) reclassification to profit or loss	-	-
	- impairment adjustments	-	-
	- gains/losses on disposal	-	-
	c) other changes	-	-
180.	Income taxes relating to other comprehensive income that may be reclassified to profit or loss	111,043	16,438
190.	Other comprehensive income	(97,098)	43,472
200.	Total other comprehensive income (Captions 10+190)	1,196,782	610,675

Part E - Information on risks and related hedging policies

Introduction

A summary of the organisation of the Group's risk governance and the related processes and key functions involved is described below. A description of the "culture of risk" in the BPER Banca Group and the methods through which it is disseminated is also provided.

The Board of Directors of the Parent Company⁴⁶ has defined the principles governing the design, implementation and assessment the BPER Banca Group's internal control system (the "internal control system") by issuing and implementing the "Group Policy - Internal Control System"⁴⁷, in line with the Supervisory instructions for banks⁴⁸.

It should also be noted that, in compliance with the prudential regulations intended to strengthen the ability of banks to absorb shocks deriving from economic and financial tensions, the Group monitors capital adequacy, the exposure to risks and the general characteristics of the related management and control systems, in order to facilitate market discipline.

The document "Public Disclosure - Pillar 3" as at 31 December 2022, prepared pursuant to the requirements of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and subsequent updates, illustrates the key metrics used by the BPER Banca Group (own funds, capital requirements, financial leverage and liquidity coverage ratio) as required by art. 447 of Regulation (EU) 575/2013 I, as later amended.

The disclosure at 31 December 2022 is published on the same date as or as soon as possible after the Consolidated report is published on the Parent Company's website <https://istituzionale.bper.it>.

Risk management (RAF)

As part of the Group's Internal Control System, the BPER Banca Group identifies the Risk Appetite Framework (RAF) as a tool for overseeing the risk profile that the Group intends to take in the implementation of its business strategies, considering it as an essential element to ensure that the risk governance policy and process by which risks are managed comply with the principles of sound and prudent business management.

The key principles of the RAF are formalised and approved by the Parent Company, which periodically reviews them, ensuring that they are in line with the strategic guidelines, business model and regulatory requirements in force at the time.

Through a coordinated and representative series of metrics, the RAF outlines the risk objectives (risk appetite), any tolerance thresholds (risk tolerance) and the operating limits under both normal and stressed operating conditions, which the Group intends to comply with in the pursuit of its strategic guidelines, defining the levels of consistency with the maximum risk that can be accepted (risk capacity).

In order to ensure effective and pervasive transmission of the risk objectives, the Group sets its overall risk appetite, establishing risk limits that govern the operations of the organisational structures to which they are assigned (so-called "risk takers"), in a structured framework consistent with the policies of governance and control of individual risks.

The activities comprising this process are updated annually, or more frequently, and whenever necessary following changes in the internal or external conditions.

In 2022, the Risk Appetite Statement was calibrated on various occasions, considering the evidence of the Business Plan and the inclusion of the CARIGE Group, involving the Corporate Bodies: the final version was examined by the Board of Statutory Auditors and by the Control and Risk Committee on 27 September 2022 and by the Board of Directors on 29 September 2022. The Group periodically monitors the RAF metrics, in order to control on a timely basis any breaches of the tolerance thresholds and/or risk limits set in the individual risk governance policies and, if appropriate, direct the necessary communications to the Corporate Bodies and subsequent remedies.

Development of the internal control system

The Parent Company manages the Group's Internal Control System through a process that involves the following phases:

- design;
- implementation;
- assessment;
- external communication.

Some additional information is provided below regarding the various stages of development and the related responsibilities of the Corporate Bodies⁴⁹.

⁴⁶ Throughout the chapter, any reference to the Board of Directors or the Chief Executive Officer or any other Corporate Bodies are to be understood as referring to the Parent Company BPER Banca, unless otherwise specified.

⁴⁷ Last update approved by Board of Directors of the Parent Company on 28 April 2022.

⁴⁸ Bank of Italy Circular no. 285/2013 and subsequent updates.

⁴⁹ Corporate Bodies include all bodies with strategic supervision, management and control functions. The definition of Corporate Body also includes the sub-

Design of the internal control system

The Board of Directors of the Parent Company defines and approves:

- the Internal Control System of the Parent Company and the Group;
- the risk objectives, tolerance thresholds (where identified) and risk governance;
- the remedies needed to restore a normal situation after any overrun of the tolerance thresholds;
- the criteria for identifying significant transactions to be submitted to the risk management function;
- system standards for carrying out all activities;
- Code of Ethics of the Parent Company.

More specifically, at least once a year, the Board of Directors of the Parent Company, with the assistance of the Control and Risks Committee and on proposal of BPER Banca's CEO, establishes and approves for the Group as a whole and for its components:

- the plan of activities and examines the annual reports prepared by the Corporate Control Functions and by the Manager Responsible for Preparing the Company's Financial Reports - Financial Disclosure Unit;
- the business model;
- Strategic Plan;
- Internal system for reporting violations (whistleblowing);
- Stress testing programme;
- the structure of the Corporate Control Functions and other Control Functions and their coordination methods;
- internal information flows to ensure that the Corporate Bodies and Control Functions are fully aware of the various risk factors and have the ability to govern them;
- formalised coordination and liaison procedures between the Companies of the Group and the Parent Company;
- the ICAAP and ILAAP processes, ensuring consistency with the RAF;
- the Recovery Plan;
- the process for managing anomalies identified by the Control Functions, as well as the methods of handling, and perhaps accepting, residual risk in compliance with the RAF;
- asset measurement policies and processes;
- the process for the development and validation of internal risk measurement;
- the "Product Governance" process for approving new products and services, the launch of new activities, entering new markets;
- Group policy for outsourcing business functions.

The Parent Company's Board of Directors ensures that:

- implementation of the RAF is consistent with the approved levels of risk appetite and risk tolerance thresholds (where identified);
- the strategic plan, the RAF, the ICAAP, ILAAP, budgets and Internal Control System are consistent, bearing in mind any developments in the internal and external conditions in which the Group operates;
- the amount and the allocation of capital and liquidity held are consistent with the risk appetite, risk governance policies and risk management process;
- adequate governance processes are in place to support resolution planning activities.

The Board of Directors of the Parent Company appoints and dismisses the heads of the Corporate Control Functions and the Manager responsible for preparing the company's financial reports, based on prior identification and proposal by the Control and Risk Committee, with the contribution of the Nominations and Corporate Governance Committee, the Board of Statutory Auditors and the Chief Executive Officer, each for matters within their competence.

The Boards of Directors of the Group Companies integrates the framework of the respective Internal Control Systems in line with the coordination and reconciliation procedures defined by the Parent Company.

Implementation of the internal control system

The Board of Directors of the Parent Company vests the Chief Executive Officer with adequate duties, powers and resources to implement the strategic guidelines, RAF and risk governance policies defined by the Board when the Internal Control System is designed. The Chief Executive Officer is responsible for adoption of all the actions needed to ensure the compliance of the organisation and the Internal Control System with the standards and requirements provided for under supervisory laws, monitoring them to ensure continued compliance.

The Chief Executive Officer has the power to propose resolutions regarding the Internal Control and Risk Management System and oversees the execution of the resolutions of the Board of Directors.

The Chief Executive Officer, supported by the competent functions:

- ensures integrated management of all corporate risks, evaluating the internal and external factors from which they may originate and their reciprocal interrelationships and is responsible for adopting the necessary initiatives to ensure the compliance of the organisation and the Internal Control System with the regulatory principles and requirements, continuously monitoring their observance in the Bank and in the Group;
- assumes the provisions designed to ensure that the various Corporate Functions implement the risk management and control process for the Bank and the Group, also overseeing the set-up and the functioning of the internal risk measurement systems and the ICAAP and ILAAP processes, in line with the Supervisory Provisions, the strategic guidelines, the RAF and the risk governance policies defined and approved by the Board.

Furthermore, the Chief Executive Officer additionally has the power to request audits or investigations to be carried out, also with regard to specific irregularities, without prejudice to similar powers lying with the Bodies of strategic supervision, management and control, of the Parent Company and/or of the Group Companies.

The Board of Directors of each Group Company vests its corporate functions with the task of implementing the choices made by the Parent Company when planning the Internal Control Systems in their own organisations.

Assessment of the internal control system

The Parent Company's Board of Directors:

- periodically assesses the adequacy and effectiveness of the RAF and the compatibility between the risk objectives and actual risk;
- periodically assesses, with the support of the Control and Risk Committee, the adequacy and compliance of the Group's internal control system⁹⁰, identifying possible improvements and defining the steps needed to correct any weaknesses.

With regard to internal risk measurement systems for the determination of capital requirements, the Board of Directors of the Parent Company:

- periodically verifies the choices of model made to ensure that they remain valid over time, approving significant changes to the system and carrying out overall supervision to ensure that it functions properly;
- monitors, with the assistance of the relevant functions, effective use of internal systems for management purposes and their compliance with regulatory requirements;
- reviews at least once a year the results of the validation process and passes a formal resolution, with the approval of the Board of Statutory Auditors, by which it certifies compliance with the requirements for the use of internal measurement systems.

The Parent Company's Board of Directors periodically assesses:

- the adequacy and effectiveness of the RAF and the compatibility between actual risk and the risk objectives;
- the adequacy and effectiveness of the Group's internal control and risk management system - with the help of the Control and Risk Committee - identifying possible areas of improvement and defining the steps needed to correct any weaknesses. To this end, the Internal Audit Function prepares the overall assessment of the Internal Control System which also capitalises on the results of the activities performed by the other Corporate Control Functions and by the Manager Responsible for Preparing the Company's Financial Reports - Financial Disclosure Unit.

The Board of Directors:

- receives, either directly or through the CEO, the information flows required to gain full awareness of the various risk factors and the ability to govern them, so as to plan and implement interventions to ensure the compliance and adequacy of the Internal Control System;
- receives the reports drawn up by the Control Functions along with the Board of Statutory Auditors, the Control and Risk Committee and the Chief Executive Officer.

⁹⁰ Supervisory instructions for banks – Circular 285 of the Bank of Italy, Part I, Title IV, Chapter 3, Section II, paragraph 2 "assures that: [...] "b) the internal control system and corporate structure are consistently in line with the principles mentioned in Section I and the control functions satisfy the requirements and comply with the provisions of Section III. In the event of weaknesses or anomalies, it promotes timely adoption of appropriate corrective measures and assesses their effectiveness".

External communication on the internal control system

The Board of Directors of each Group company, especially that of the Parent Company as regards the Group internal control system, ensures that information on the internal control and risk management system is given in all cases foreseen by law, guaranteeing the correctness and completeness of the information provided. In this context, it is important to make the disclosures to the general public required by Pillar 3. For this, the Board of Directors of the Parent Company assigns control responsibilities and duties to the Corporate Bodies and the various functions involved in the different stages of the process of governing internal controls.

Levels of control envisaged by the Supervisory Authority

As part of the Group internal control system, the following control functions are identified at the levels provided for in the Supervisory instructions for banks, taking into account of the fact that the second and third level control functions always apply to the entire Group:

- Third-level controls: designed to identify violations of procedures and regulations and to assess periodically the completeness, suitability, functionality (in terms of efficiency and effectiveness) and reliability of the Internal Control System and information systems (ICT audit), in relation to the nature and intensity of the risks involved. They are conducted on an ongoing basis, periodically or at random, by various structures that are independent of production, including spot checks. This activity is entrusted to the Internal Audit Function;
- Second-level controls ("risk and compliance controls"): the second level control functions have been developed and identified with the following objectives:
 - to check on an ongoing basis that company procedures are consistent with the goal of preventing money laundering and financing of terrorism and to prevent and combat money laundering and financing of terrorism by reporting suspicious transactions and by performing constant checks. This activity is entrusted to the Anti-Money Laundering Function;
 - to identify non-compliance risks, examining the standards applicable to the Group on an ongoing basis and assessing their impact on Group companies. To establish, depending on the risks that have been identified and assessed, the control objectives foreseen, by proposing organisational and procedural interventions to ensure adequate protection from any risks of non-compliance and monitoring their implementation. These activities are entrusted to the Compliance Function;
 - to collaborate in the definition and implementation of the RAF and the related risk governance policies, through an adequate risk management process, verifying the adequacy thereof. To define methodologies, processes and tools to be used for risk management. To ensure consistency of the measurement and risk control systems with processes and methodologies to assess business operations. To ensure the correct representation of the risk profile and assessment of loan positions, to perform assessments of loan monitoring and recovery processes, to supervise the process for the allocation/monitoring of the official rating and to perform second-level controls over the lending process. These activities are entrusted to various offices and units of the Risk Management Function;
 - qualitative and quantitative ratification of internal risk measurement models adopted by the Parent Company, as used to estimate internal capital and capital requirements, ensuring compliance with the instructions issued by the Supervisory Authority for this process, as well as consistency with the operational needs of the company and the evolution of the market. This activity is carried out by the Internal Validation Office which reports directly to the Chief Risk Officer. The organisational positioning of this Office guarantees independence from the structures responsible for the development and use of internal risk models subjected to validation.
- First level controls ("line controls") (designed to ensure that operations are carried out properly by the operating teams or embedded in procedures or performed as part of back-office activities). In addition to the levels of control laid down by Supervisory Regulations, the legal system and the sources of self-regulation attribute monitoring roles to specific structures/roles other than the Corporate Control Functions, whose activities are incorporated in the Internal Control System (Supervisory Body, Manager Responsible for Preparing the Company's Financial Reports).

Control roles and duties attributed to BPER Banca Group functions

Internal Audit Function

Internal Audit carries out independent, objective work of assurance and advisory in order to improve the effectiveness and efficiency of BPER Banca.

The Internal Audit Function assesses:

- the adequacy of the governance framework;
- the adequacy of the existing policies and procedures and their compliance with the legal and regulatory requirements and strategy in the area of risk and risk appetite of the Company;
- the compliance of the procedures with the applicable laws and regulations and the decisions of the Management Body;
- the validity of the various company activities, including the outsourced ones, the proper and effective implementation of the internal procedures (for example compliance of the transactions, the actual level of risk incurred, etc.) and changes in risk factors. It performs periodic tests on the functioning of operating and internal control procedures;
- It verifies compliance, in the various operating sectors, with the limits set by the delegation mechanisms and the full and correct use of the information available in the various activities;
- the adequacy, quality and effectiveness of the controls carried out and the reports made by the operating units and by the risk management and compliance functions;
- the effectiveness of the powers of the risk control function to provide prior opinions on the consistency with the Risk Appetite Framework of the Significant Transactions;
- It verifies the adequacy and correct functioning of the processes and methods for measuring company assets, financial assets in particular;
- the adequacy, overall reliability and security of the ICT system;
- the completeness, adequacy, functionality and reliability of the organisational structure and of the other components of the Internal Controls System;

On the basis of the results of its controls, it:

- identifies the possible improvements - with specific reference to the RAF, the risk management process and their measurement and control tools - bringing them to the attention of the Corporate bodies;
- formulates specific recommendations to be submitted to a formal monitoring procedure in order to guarantee (and report about) their effectiveness and timely implementation.

The Function carries out its activities:

- as part of the management and coordination of the Parent Company, vis-à-vis the Group Companies;
- based on specific outsourcing contracts, for the Companies that have outsourced Internal Audit to the Parent Company, i.e. all Italian companies with an Internal Audit Department with the exception of Arca Fondi s.p.a. SGR.

Risk Management Function

The Risk Management Function, which includes the model validation function,⁵¹ reports directly to the Parent Company's CEO and, as the Group's risk management function, aims to collaborate in the definition and implementation of the Risk Appetite Framework and the related risk governance policies, through adequate risk management.

An integral part of its mission is to ensure adequate reporting to the Corporate Bodies of the Parent Company and Group companies.

The Risk Management Function extends its area of responsibility to all of the Group companies included in the current risk map, given that the "Group Policy - Internal Control System" provides for centralised management of the risk management function by the Parent Company.

The Group companies that have this function outsource it to the Parent Company, with the exception of the Luxembourg based company⁵².

The mission of the Risk Management Function is carried out as part of the Parent Company's direction and coordination activity as an outsourcer for Group Banks and Companies.

The Risk Management Function operates at Group companies through a Contact (who functionally reports to it) identified at the various Group companies.

ARCA Fondi SGR is an exception to this approach⁵³ because of the specific nature of the company's operations. Decentralisation makes for continuity in the risk management of the subsidiary, also in application of the principle of cost-effectiveness. It also increases the specialist expertise of the decentralised structure in managing the principal risks of ARCA Fondi SGR, while ensuring that the Corporate Bodies of the Parent Company are kept adequately informed about the subsidiary's business risks. The responsibilities of the Risk Management function are entrusted to the Chief Risk Officer (CRO), who reports directly to the corporate bodies and performs the role with support from the organisational units that report hierarchically to the CRO function; its main activities include:

- within the ambit of the Risk Appetite Framework, proposing to the Corporate Bodies the quantitative and qualitative parameters necessary for its definition, both in the normal course of business and in situations of stress, ensuring their

⁵¹ Bank of Italy Circular no. 285 of 2013 of the Bank of Italy, part I, title IV, section III, point 3.3. The banks adopt internal systems for risk measurement, if consistent with the nature, size and complexity of the activities carried out, and identify, within the risk control function, units responsible for validating said systems independent from the units responsible for developing them.

⁵² Circular CSSF 14/597 – Update of circular CSSF 12/552 on the central administration, internal governance and risk management "17. Outsourcing the compliance function and risk control function is not authorised."

⁵³ Part of the Group since 22 July 2019.

- adequacy over time in relation to changes in the internal and external context;
- proposing the risk governance policies that do not fall within the competence of the other control functions, ensuring the adequacy and update with regard to risk management and exposure and operating limits, and helps in implementing them, ensuring consistency with the Risk Appetite Framework;
- developing risk management methodologies, processes and tools⁵⁴ via the identification, measurement/assessment, monitoring and reporting of risks inclusive of prospective and retrospective analyses, ensuring their adequacy over time through the development and application of indicators designed to highlight anomalous situations and inefficiencies;
- monitoring the actual risk profile assumed in relation to the risk objectives defined in the Risk Appetite Framework, collaborating in the definition and monitoring of operating limits for the assumption of various types of risk and constantly verifying their adequacy, reporting any overruns to Corporate Bodies;
- providing prior opinions on the consistency with the Risk Appetite Framework of the Most Significant Transactions;
- supporting the CEO in implementing the ICAAP and ILAAP;
- coordinating the process of preparing and updating the BPER Banca Group's Recovery Plan;
- coordinating the various activities involved in the internal stress testing programme;
- checking the adequacy and effectiveness of the measures taken to correct weaknesses in the risk management process;
- controlling the macro process of assigning and monitoring the official rating;
- developing, ratifying⁵⁵ and maintaining the IFRS 9 model framework for calculation of provisions and the internal systems of risk measurement, ensuring compliance with the instructions issued by the Supervisory Authority, as well as consistency with the operational needs of the company and the evolution of the market;
- analysis of risks deriving from new products/services and from entry into new business segments;
- performance of second-level checks on the lending process, verifying the existence of effective supervision over credit exposures (especially if impaired), the proper classification of risk and the adequacy of provisions; the comprehensive effectiveness of the bad loan recovery process;
- overseeing management of the Risk Committee of the Parent Company.

The risk management function also:

- takes part in definition of the Group strategy, assessing the related impacts on risk;
- takes part in the definition of the strategic developments of the Internal Control System of the Group.

Anti-money laundering function

The Anti-Money Laundering Function's duty is:

- to prevent and combat money laundering and financing of terrorism through the reporting of suspicious transactions and the execution of continuing control activities (Anti-Money Laundering control);
- to check that the IT and organisational procedures adopted by Group companies are consistent with laws and regulations, as well as self-regulation in the field of money laundering and financing of terrorism (Anti-Money Laundering function).

The organisational model adopted by the Group provides for centralised management at the Parent Company of the anti-money laundering function and supervision of the Italian Group banks and non-banking companies subject to money laundering regulations, except for Arca SGR, in light of the specific nature of its business.

As regards the Parent Company's guidance and coordination activities, performed for all Group companies subject to anti-money laundering regulations, the Anti-Money Laundering Function has the following responsibilities:

- it identifies and evaluates the Group's exposure to the risk of money laundering and financing of terrorism;
- it identifies any risk of non-compliance with anti-money laundering legislation to which the Group is exposed, continuously examining the rules applicable to the Group and assessing their impact on Group companies;
- it makes an annual assessment of the principal money laundering and terrorism financing risks, at Group level and for each Group Bank and Company, and presents that assessment ("Report of the Anti-Money Laundering Function of the BPER Banca Group") to the Management Bodies of the Parent Company. This report identifies the action taken and the training provided to personnel, highlighting any issues and making planning proposals for the related corrective actions, as well as for the preventive actions needed to tackle any new non-conformity risks identified. The report also includes the results of the self-assessment carried out. With regard to Arca, a self-assessment carried out independently by the subsidiary is acquired. For the Luxembourg subsidiary, it reports in the same document any critical issues arising from the opinions expressed and data provided by its relevant Corporate Functions;
- it proposes changes to the Group policy for governing the risks of money laundering and the financing of terrorism;
- it defines methods, processes and tools for performing the activities of the Anti-Money Laundering Function and uses the reports defined in coordination with other control functions (corporate or otherwise);
- for the foreign companies that have not outsourced the function to the Parent Company (the Luxembourg subsidiary BPER Bank Luxembourg SA), it defines the general standards regarding customer due diligence, retention of data and

⁵⁴ With the participation of the organisational units of the Chief Operating Officer and the Chief Information Officer

⁵⁵ Through the Internal Validation Service.

- reports on suspicious transactions, making sure they are implemented;
- it ensures adequate reporting on the outcome of its activities to the Corporate Bodies, highlighting the main non-compliance issues and events of particular risk as they emerge;
- it proposes organisational and procedural changes to the guidance and coordination processes aimed at preventing and combating money laundering, in order to ensure adequate control over the non-compliance risks that have been identified and to monitor that it is carried out;
- it supports the Head of the Anti-Money Laundering Function, as Group Delegate, in examining and evaluating, from a Group perspective, the reports filed and the transactions reported to the Bank of Italy's Financial Intelligence Unit. This type of support is also provided with reference to reports filed and transactions reported to the competent local authorities by the Group's Luxembourg subsidiary;
- it supports the General Manager of the Parent Company, or the person appointed by him, or other person with management or administrative powers, both in the evaluation of the opening of correspondence accounts with correspondent entities of third countries by the Parent Company and by the Group's Companies, both in the authorisation process for the opening, or the maintenance, of ongoing relationships or for the execution of occasional transactions with "politically exposed persons" by the Parent Company and by the Group's Companies based in Italy. For non-banking Companies, it receives the information report regarding the implementation of continuous relationships / maintenance of relationships/ performance of transactions with "Politically exposed persons" and evaluates any weaknesses;

Among other things, the Function also:

- manages relations with the UIF (Financial Intelligence Unit), the Investigative Authorities and the Judicial Authorities whenever there is need for in-depth investigation or discussion about the anti-money laundering and anti-terrorism legislation;
- supports the Company Delegate in assessing and investigating reports of suspicious transactions and their transmission to the Financial Intelligence Unit if considered justified;
- checks on proper compliance with the requirements for adequate verification, the risk profiling of customers, the recognition and reporting of suspicious transactions, the limits on cash usage, and data retention.

With reference to the Luxembourg subsidiary, which does not fall within the scope of the Anti-Money Laundering Function, the direction and coordination activity is supported by monitoring the reports on suspicious transactions and by specific instructions in the field of customer identification and data retention.

Compliance Function

The Compliance Function's task is to ensure the adequacy of internal procedures to prevent the violation of external rules (e.g. laws and regulations) and/or self-regulation (e.g. Articles of association, codes of conduct, corporate governance codes) applicable to Group Companies.

The Function also plays an important advisory role in the design of processes and projects that the bank intends to undertake, offering assistance and advice to the bank's corporate bodies in all matters in which compliance risk takes on significance, collaborating in personnel training activities with regard to the provisions applicable to the activities carried out and promoting the dissemination of a culture based on principles of integrity, fairness and respect for the spirit and letter of the law, as an indispensable element of the successful operation of the company.

The Data Protection Officer (DPO), who operates within the Function, possesses specialist knowledge of the legislation and of the cases regarding personal data protection, set forth in EU Regulation no. 2016/679 (GDPR), to which the legislation attributes the primary duties of verification of compliance and of control of respect for the privacy provisions.

The Compliance Function, as part of the management of compliance risk, oversees - directly or through the Specialist Controls - regulations that concern the entire banking activity, with the exception of those for which there are Corporate Functions and other dedicated control functions.

Pursuant to art. 88 of the Intermediaries Regulations adopted by CONSOB with resolution 20307 of 15 February 2018, the Compliance Function also carries out regular checks on the effective application (or functioning) of the procedures and the measures taken to resolve any weaknesses.

In line with its mission, it extends the scope of its guidance, control and coordination activities to all Group companies. Group companies under Italian law with this function centralise their regulatory compliance activities with the Parent Company, while the Group bank based in Luxembourg (BPER Luxembourg) and Arca Fondi SGR, as an exception to the centralised model, are only subject to guidance and coordination activities.

As part of the direction and coordination activity exercised by the Parent Company on behalf of the Group companies, the Compliance Function has the following duties:

- it identifies non-compliance risks, at Group level, examining the standards applicable to the Group on an ongoing basis

- and assessing their impact on Group companies;
- it establishes, depending on the risks that have been identified and assessed, the control objectives foreseen for the Companies that have outsourced this function to the Parent Company, and verifies that the planning of Compliance activities of the individual companies that did not outsource this function to the Parent Company guarantees adequate risk control;
- it ensures adequate reporting on the outcome of its activities to the Corporate Bodies, promptly highlighting the main non-compliance issues and events of particular risk as they emerge;
- it proposes organisational and procedural changes to processes of the Parent Company and Group companies in order to ensure adequate control over the non-compliance risks that have been identified and to monitor that it is carried out.

Other control functions

In addition to the levels of control laid down by Supervisory Regulations, the legal system and the sources of self-regulation attribute monitoring roles to specific structures/roles other than the Corporate Control Functions, whose activities are incorporated in the Internal Control System; in particular, the following are identified in the Group:

- Supervisory Bodies pursuant to Legislative Decree 231/2001;
- the Manager Responsible for Preparing the Company's Financial Reports established on the basis of the provisions of Law 262/2005, who, in order to carry out his/her duties, makes use of the Financial Disclosure Unit, now the Financial & Sustainability Reporting Supervision service (hereinafter also "Service")⁵⁶. The Manager responsible for preparing the Company's financial reports and this unit are therefore part of the Group's Internal Control System.

Manager responsible for preparing the Company's financial reports – Financial & Sustainability Reporting Supervision

The Manager responsible for preparing the Company's financial reports, a role established by the Parent Company - as a "Listed issuer with Italy as its member state of origin" - in accordance with the regulatory provisions, receives support from the Financial & Sustainability Reporting Supervision unit, which directly reports to the Manager.

The Financial & Sustainability Reporting Supervision unit is responsible for defining the "Financial Disclosure Control Model", understood as the set of requirements to be respected for the correct management and control of the risks of unintentional errors and fraud in financial disclosure, to be applied to BPER Banca and, with reference to the procedures for the preparation of the consolidated financial statements, to the companies included in the scope of consolidation.

The definition of the Model includes the set of rules, procedures and resources aimed at identifying, measuring or evaluating, monitoring, mitigating and communicating the risk of unintentional errors and fraud in financial disclosure to the appropriate levels; the Unit also include reporting, with the objective of identifying, among other aspects, the responses to plausible risk in consideration of the risk profile identified and their disclosure to the different organisational levels concerned.

The DP is responsible for ensuring the reliability of the separate and consolidated financial statements, the financial disclosures, the supervisory reports on an individual and consolidated basis, and any other financial communication, pursuant to article 154-bis of the Consolidated Law on Finance, and governs the "Financial Disclosure Control Model" (hereinafter also "Model"), understood as the set of requirements to be complied with for the correct management and control of the risks of unintentional errors and fraud in financial disclosure.

For the process of appointing the Manager responsible for preparing the Company's financial reports, reference should be made to the Articles of Association⁵⁷ (updated as at 28 November 2022), or article 25, paragraph 3 "Without prejudice to the responsibilities that under current legislation cannot be delegated, the following decisions are the sole prerogative of the Board of Directors:the appointment and dismissal of the heads of the functions that the provisions of the Bank of Italy and the other Supervisory Authorities assign to the body that has the function of strategic supervision, and the appointment and dismissal of the Manager responsible for preparing the Company's financial reports"

Art. 37, para. 1 of the Articles of Association establishes that "the Board of Directors, having heard the required opinion of the Board of Statutory Auditors, shall appoint a person in charge of preparing the corporate accounting documents, allocating him suitable powers and resources for the performance of the assigned tasks pursuant to legal requirements. Having received the opinion required from the Board of Statutory Auditors, the Board of Directors is also entitled to revoke the appointment of the Manager responsible for preparing the Company's financial reports".

Article 37, paragraph 2 of the Articles of Association provides that "The Manager responsible for preparing the Company's financial reports shall be appointed from among the Company's managers who have held management responsibility for

⁵⁶ The Board of Directors of the Parent Company BPER Banca, at the meeting on 19 January 2023, approved the strengthening and the organisational and operational efficiency of the structure, which was renamed as "Financial & Sustainability Reporting Supervision".

⁵⁷ In order to appoint the Manager responsible for preparing the Company's financial reports, reference is not made to the provisions contained in Circular 285 of 17 December 2013 - 41st update (Part I – Implementation in Italy of the CRD IV - Title IV - Corporate governance, internal controls, risk management - Chapter 3 – The internal control system - Section III – Control corporate functions. These provisions apply to the corporate control functions as defined by the aforementioned Circular.

accounting and administrative matters for at least three years”

The Manager responsible for preparing the Company's financial reports has the duty to govern and supervise the Control Model and the organisational unit directly reporting to the Manager is in charge of the related planning, implementation and maintenance of the Control Model to be applied to the Parent Company and, with reference to the procedures for preparing the consolidated financial statements, to the subsidiary banks and companies, regardless of whether they are registered or not with the banking Group. Moreover, the Service constantly strengthens the methodological tools to be adopted for monitoring and controlling financial disclosure at BPER Banca s.p.a. Group level, taking account of the various regulatory changes and the BPER Group's governance and operational structure.

The model is a set of requirements to be met for proper management and control of the risks of unintentional errors and fraud in financial reports. It is structurally made up of the following documents:

- Group policy for managing the risk of unintentional errors and fraud in financial reports (high level legislative source);
- Regulation of the Function of Manager Responsible for preparing the Company's financial reports (high level legislative source);
- Methodological note addressing macro-process management of unintentional errors and fraud in financial disclosures (high level atypical source).

In order to carry out their mission, the Manager Responsible for preparing the Company's financial reports and the Financial & Sustainability Reporting Service make use of a Contact person, identified for each individual subsidiary Bank/Company, registered or not with the Banking Group, who reports functionally to the Manager Responsible for preparing the Company's financial reports.

For more details regarding the main characteristics of the current risk management and internal control systems in relation to the financial reporting process, please refer to the 2022 Report on corporate governance and ownership structure, prepared in accordance with art. 123-*bis* of the Consolidated Law on Finance.

Supervisory Body pursuant to Legislative Decree 231/01

The Parent Company, in compliance with arts. 6 and 7 of Legislative Decree 231/01, adopted a Model of Organisation and Management (MOM) in order to prevent the commission and/or the attempted commission of the types of offence provided for in this Decree. In accordance with this law, the Parent Company has established a Supervisory Body to supervise the functioning, compliance with and update of its Model of Organisation and Management.

These activities principally comprise:

- monitoring the functioning of the Model: in all business areas, checking that the risk of committing offences identified in Legislative Decree 231/01 is identified, mapped and monitored; with regard to the risk areas and sensitive processes identified, ensuring the adequacy of the protocols adopted to prevent and stop unlawful conduct and requiring their adoption or amendment in the event of weaknesses, inadequacies or changes in internal organisation and/or business activities;
- monitoring compliance with the Model: in the context of the risk areas and sensitive processes identified, checks compliance with the protocols adopted to prevent and impede unlawful conduct; checks the efficacy of the organisational/managerial changes following the update of the Model; promotes training, communications and dissemination of the Model and the Code of Ethics; receives reports and notifies infringements of the Model of Organisation and Management to the competent bodies;
- monitoring the updating of the Model: makes observations requiring the adjustment of the Model to the Board of Directors, or in cases of particular urgency, to the Chief Executive Officer in the event of changes in the laws on the administrative liability of entities pursuant to Legislative Decree 231/01, changes in the company's internal governance and/or business or significant findings of shortcomings/breaches of the Model.

The Supervisory Body supervises the functioning of and compliance with the Model by implementing and executing periodic audit activities, even without giving prior notice.

The Supervisory Body reports every six months to the Board of Directors and the Board of Statutory Auditors regarding the verification work and checks carried out, and on any Model weaknesses identified, suggesting as necessary the relevant corrective actions.

The Supervisory Body of the Parent Company also coordinates the Supervisory Bodies of the Companies subject to Group instructions in relation to Legislative Decree 231/01 (Banco di Sardegna, Bibanca, Banca Cesare Ponti, Bper Credit Management, Optima SIM, BPER Real Estate, Sifà, BPER Factor, Carige REOCO, Sardaleasing and Finitalia) and monitors that they adopt these instructions, albeit with the necessary adjustments to take account of the special responsibilities and characteristics of each legal entity.

Section 1 – Credit risk

Qualitative Information

The Group's organisation provides for centralisation of the credit risk control function at the Parent Company; consequently, the qualitative information set out below also reflects the individual position of BPER Banca.

1. General aspects

In 2022, the Italian economy performed positively despite the slowdown in the second half. The impact of the war is still being measured by the market providers, and is set within a positive phase of the cycle characterised by growth in certain sectors, in investment and the labour market in the first part of 2022, elements that support the overall dynamics of the year. The performance of the fundamentals, more favourable than expected, determined an upward revision of GDP for the two-year period 58 '22-'23 (+3.8%, +0.4% respectively) and for 2024 (+1.2%).

During the second half of the year, production for companies slowed down and consumption weakened following inflation linked to price hikes in energy and food products, within an economic cycle of uncertainty due to the international geopolitical situation resulting from the ongoing conflict between Russia and Ukraine.

Consumer inflation expectations have reached historically high levels, corporate prices have accelerated under the pressure of the energy shock.

Consumer inflation, 8.8% on average in 2022, is expected to decline to 7.3% in 2023, before settling at 2.6% the year after. This decline is assumed to mainly reflect the net decrease in the contribution of the energy component, connected with the assumption of a reduction in the prices of raw materials.

In 2022, loan growth remained essentially stable. The terms of lending remain relaxed, despite the cost of bank lending having increased slightly. The impairment rates for banking assets are still at very contained levels. The portion of performing loans for which banks have recognised a significant increase in credit risk remains limited.

Management objectives and macroeconomic uncertainties

In pursuit of the general objectives of credit policy and with the desire to support customers affected by the economic consequences of the Covid-19 pandemic and most exposed to the effects of the Russia-Ukraine war, a forward-looking approach was adopted with the aim of:

- Incorporating sectoral and micro-sectoral forecasts;
- assessing the resilience of individual companies' financial position by applying simulations of stress;
- extending portfolio segmentation to the various branches of the economy in order to intercept dissimilar micro-sector dynamics within the same business areas;
- introducing assessments of climatic, environmental and sustainability risks, with particular reference to those sectors with greater energy absorption or characterised by a high dependence on fossil fuels;
- providing for the development of "green financing" and "technological innovation", transversal to all sectors of the economy and intended to ensure greater competitiveness for the companies concerned;
- continuing to finance consumer households in the various technical forms (home mortgages, personal loans, etc.).

2. Credit risk management policies

Based on the generally improved economic expectations, despite the slowdown, elements such as high inflation and uncertainty deriving from the persistence of the Russia-Ukraine conflict, in July 2022, the BPER Banca Group approved a partial revision to the sectoral guidelines of its credit policy, and therefore its asset allocation targets, with the objective of supporting the banking system and its resilience. The guidelines for promoting "green financing" and "technological innovation" are confirmed, as they cross cut all sectors of the economy and make it possible to ensure greater competitiveness for recipient companies. More specifically, in December 2022, the Group approved a specific "ESG-linked Loan Origination Policy", which sets out the principles adopted by the Group during the credit assessment. In fact, this document⁹⁸ indicates:

- The general limitation and exclusion criteria for counterparty and/or project financeability, consistently with the "ESG Policy" of the BPER Group and its voluntary commitments (Net-Zero Banking Alliance, PRB);
- detailed criteria applying to counterparties belonging to "risk-sensitive" sectors;
- strategies to support transition and the increasing "alignment" of counterparties with the principles of the EU Taxonomy,

⁹⁸ Bank of Italy, Macroeconomic projections for the Italian economy, December 2022

⁹⁹ For more information on the "ESG-linked Loan Origination Policy", adopted by the Group, please refer to the disclosure provided in the consolidated Non-Financial Statement ("consolidated NFS") of the BPER Banca Group as at 31 December 2022, prepared in accordance with Legislative Decree no. 254/16 and available on the website [://istituzionale.bper.it](http://istituzionale.bper.it).

including via dedicated products or services.

The credit management policy of the BPER Banca Group continues to pursue the aim of carefully selecting counterparties through an analysis of their creditworthiness, including the use of well-established tools such as the internal rating system, having regard for the achievement of commercial and support objectives, including in an ESG perspective.

In view of the Group's strategic objectives and operations, the general risk management strategy was to accept a moderate level of risk involving:

- the assessment of the current and prospective creditworthiness of counterparties;
- the diversification of the portfolio, limiting the concentration of exposures towards individual counterparties and sectors of economic activity.

2.1 Organisational aspects

The Group's credit risk management model has the following objectives:

- apply the instructions issued by the Supervisory Authorities, while taking account of the Group's specific operating characteristics;
- ensure that credit risk is managed appropriately by each bank/company and at a Group level.

These objectives are achieved via the segregation of responsibilities and duties between the bodies that manage credit risk and those with a control function.

The following elements underpin work to manage and control the exposure to credit risk:

- independence of the function responsible for the measurement of credit risk with respect to the various business functions;
- clear definition of delegated powers and the resulting structure of limits imposed by the Board of Directors of the Parent Company;
- coordination by the Parent Company of credit risk management processes, while leaving individual companies with operational autonomy for the management of credit risk;
- consistent application of measurement models throughout the Group, in line with international best practice;
- transparent methodology and measurement criteria to facilitate understanding of the risk measures adopted;
- performance of periodic stress tests which use endogenous and exogenous shock scenarios to provide deterministic and/or probability-based indicators of risk.

2.2 Systems for managing, measuring and monitoring

The management of risk involves applying a system of methodologies and approaches for the ongoing measurement and/or assessment of risk. This system helps to guide operational decisions and quantify the level of capital required by the Group in order to cover the risks that have been accepted. Each Group bank/company analyses the various components of credit risk and identifies the exposure associated with the loan portfolio using suitable measurement methodologies. In particular, the Group uses many tools to measure and monitor credit risk in relation to both performing and non-performing loans.

As part of its policies for managing loans to customers, the Group has adopted rules and processes for monitoring relationships, which have involved, among other things, a complex activity of classifying them into homogeneous risk categories. In particular, on the basis of "rating" and "early warning" systems, the Group has analysed performing loans to customers valued at amortised cost and identified those most at risk.

The characteristics of the rating models developed by the Parent Company for the calculation of PD (Probability of default: i.e. the probability that the borrower will not be able to meet their commitments) depend on the risk segment to which the counterparty belongs, the amount of the exposure and the stage in the lending process at which they are applied (initial pay-out or monitoring). The classifications are represented by 1.360 creditworthiness classes differentiated by risk segment. All of the Parent Company's systems share a number of common characteristics:

- the rating is determined with reference to the specific counterparty;
- the rating models are established with reference to the loan portfolio of the BPER Banca group (the rating is unique for each counterparty, even if shared by several Group Banks and Companies);
- the models process internal performance information derived from reports issued by the Central Risk Database, as well as financial information in the case of businesses;
- the models for Corporate SMEs, Long-term Property SMEs, Holding Companies, Financial Companies and Large Corporates add a qualitative element to the purely statistical side. The rating assignment process for these segments involves expert attribution for Holding Companies, Financial Companies and Large Corporates that exceed a certain threshold, via a central structure operating at Group level. For Corporate SMEs, Real Estate Multiannual and Large

⁶⁰ Except for the Large Corporate model, which has 9 classes.

- Corporates that fall below the threshold, there is also the possibility for the relationship manager to activate an override, i.e. to request an exception from the quantitative rating on the basis of solid, documented information not processed by the model. The requested exception is evaluated by a central structure that operates at Group level;
- in addition to the model that evaluates the individual counterparty, the rating model for Large Corporates, Holding Companies, Financial Companies, Corporate SMEs and Multiannual-Real Estate SMEs is supplemented by a component that, where applicable, takes into consideration the fact that they belong to a consolidated corporate group;
 - the Probability of Default is calibrated with reference to regulatory anomalies, which include past due amounts;
 - the time series used in order to develop and calibrate the models cover a broad time horizon, consistent with the requirements of current regulations;
 - the ratings are reviewed at least once each year; the Bank has also defined a process for the monitoring of each rating, causing the rating to lapse if it no longer represents the true risk profile of the counterparty and there are signs of deterioration in the quality of the related lending;
 - use is made of a rating calculation model for counterparties acting as guarantors for individuals, aimed at the quantification and measurement of credit risk attributable to private counterparties that provide personal guarantees to BPER Banca Group's customers.

The estimation of LGD (Loss Given Default represents the extent of the loss expected to occur on default of the borrower, dependent on type of exposure to the counterparty) is based on information on the borrower (segment, geographical area, internal administrative status), the product (technical form, size of exposure), and the presence, type and coverage of guarantees. LGD estimation includes the impact of the recession phase in the economic cycle (downturn LGD).

The significant activities of 2022 are summarised below:

- with reference to the application requests sent to the Supervisory Authority in June 2021, the on-site Internal Model Inspection on the new internal rating system and implementation of the Roll-Out plan was completed in the first quarter of 2022. On 16 February 2023, the Bank received the ECB's final follow-up letter containing the authorisation for release into production of the new models;
- The "Return to Compliance Plan" was approved on 4 August 2022. The plan is designed to extend BPER's AIRB models to the former Carige Group loan portfolio acquired in the first half of 2022 and merged into BPER Banca in November 2022;
- the continuation of the project to update the IFRS9 framework through the revision of the IFRS9 LGD and EAD models, which incorporate the main innovations introduced in the AIRB models, and the revision of the LGD satellite models. Based on the appropriate quantitative analyses, a specific LGD value was also defined for the Public Administrations sector.

In addition to indicating the principles of governance, assumption and management of credit risk, the Group Credit Risk Governance Policy defines the BPER Banca Group's credit risk appetite. For this purpose, the policy provides for a new system of credit risk exposure limits, establishing supervisory thresholds that have to be monitored periodically. The document also explains the principles for calculating analytical and collective loan loss provisions and for the classification of loans by status.

In order to manage credit risk, the Group has developed a system of credit limits designed to regulate the lending process, together with a system for authorisations that takes account of the riskiness of the customer and/or the transaction, consistent with the risk evaluation systems adopted. This system ensures compliance with the principle that the level of authorisation be consistent with the riskiness of the transaction, envisaging that the limits on decision making are established with reference to one or more aspects of the specific counterparty and transaction risk (in particular counterparty rating, expected loss, amount of the facility).

The internal rating system's risk measures are used for management reporting purposes; in particular:

- a Credit Risk Report is prepared for management every quarter and the results are included in the quarterly risk report, which is then sent to Top Management and the various Corporate Bodies of the Parent Company and of Group Banks and Companies. The information is discussed by the Risks Committee and presented by the Chief Risk Officer to the Control and Risk Committee and the Board of Directors of the Parent Company;
- a summary report is prepared on a monthly basis, including the monitoring of supervisory thresholds set for credit risk;
- a network reporting tool is also available, characterised by different views of the loan portfolio, with different levels of aggregation (Branch, Territorial Division, General Management, Bank/Company and Group) and hierarchical visibility cones.

Advanced methodologies (AIRB) have long been used as part of the process of defining capital adequacy (ICAAP). To be precise, the BPER Banca Group has adopted the advanced methodologies (AIRB) starting from the Supervisory Reports of June 2016 with reference to the Banks falling within the scope of first validation (BPER Banca, Banco di Sardegna and BiBanca), subsequently extended to the Cassa di Risparmio di Bra⁶¹ starting from the Supervisory Reports of March 2019.

Starting from Supervisory Reporting as at 31 December 2021, after the ex-ante notification was sent to the Supervisory Authorities in October 2021, the use of the Group internal models for the calculation of credit risk capital requirements was

⁶¹ Subsequently absorbed by BPER Banca in July 2020.

extended to the credit exposures acquired from the Intesa Sanpaolo business units.

The following asset classes are subject to AIRB methodologies:

- “Exposures to retail businesses”;
- “Exposure to companies”.

The other Group Companies/Banks and asset classes for which Permanent Partial Use (PPU) is not required or which are not included in the roll-out plan, the BPER Group has continued to use the Standardised Approach and the external ratings supplied by the ECAIs (External Credit Assessment Institutions) recognised by the Supervisory Authority. In particular, the Cerved, Fitch, Moody's and Standard & Poor's ratings were used for “Exposure to corporates”; the ratings of Fitch, Moody's and Standard & Poor's were used for “Exposures to supervised intermediaries” and “Covered bonds”. The ratings by Scope Ratings AG were used for “Exposures to central governments or central banks”; Fitch Ratings were used for “Financial Instruments used as collateral”, and the ratings by Standard & Poor's were used for “Securitisation exposures”. Through the implementation of the “second best rating” rule, in compliance with the provisions of the CRR (Capital Requirements Regulation), article 138 (d)(e)(f), where two credit assessments are available for the same customer, the more prudential one is adopted; in the case of three credit assessments, the intermediate one; if all credit assessments are available, the second best one. In addition, in line with the contents of the CRR, article 444 (d) regarding the association of the external rating of each ECAI with the credit quality steps prescribed in the CRR, it is confirmed that the BPER Banca Group complies with the standard association published by the EBA.

2.3 Methods for determining the extent of impairment

The ECL model for calculating expected credit losses is based on the risk parameters estimated for regulatory purposes, whose main characteristics were described in the previous paragraphs, appropriately modified to ensure that they fully comply with IFRS 9. For information about the impairment models and related risk parameters, please refer to Part A of these Explanatory Notes.

Update of macroeconomic scenarios and ECL sensitivity

As stated in Part A.1, Section 5 and Part A.2 of these Explanatory Notes, the BPER Banca Group develops forward-looking impairment models using three macroeconomic scenarios that are consistent with those considered in other business areas requiring similar forecasts, such as planning (including the determination of lending policies) and risk management.

The time horizon for the macroeconomic forecasts is 3 years for each of the 3 scenarios used:

- Adverse Scenario (in its “Extreme Adverse” version);
- Baseline Scenario;
- Best Scenario.

Development of the scenarios is outsourced to a leading company that carries out economic research, which provides the BPER Banca Group with short and medium-term forecasts for the Italian and international economies and long-term forecasts for the Italian economy.

The macroeconomic scenarios used by the Bank for the estimate of the multi-scenario ECL as at 31 December 2022, are different from those used in relation to the financial statements for the period ended 31 December 2021 as a result of the evolution of the international context in the first half of 2022, in relation to well-known geopolitical and economic factors. These include:

- albeit on the one hand leading to a generalised climate of uncertainty regarding expectations of economic growth, the Russian invasion of Ukraine and the persistence of the war are on the other hand putting serious pressure on all international prices of raw materials, with particular reference to the oil and gas markets. The effect of the war on global supply chains and on the prices of raw materials may last longer than expected, interrupting or further slowing production at global level and/or triggering socio-economic tensions;
- despite the government intervention to contain energy prices, inflation is accelerating sharply and is spreading to all categories of goods and services. By contrast, salaries have not experienced a similar increase, with the subsequent erosion of families' purchase power and, therefore, with an inevitable contraction in consumption;
- uncertainty on the geopolitical and economic context is reflected in the climate of investor confidence, generating tensions on the global financial markets and capitalisation losses.

Therefore, the result has been a downward revision of the main indicators of the real and financial economy, as highlighted in the following tables, which compare the main indicators used in estimating collective impairment, in relation to the two reference dates of 31 December 2022 and 31 December 2021.

Scenarios used to determine the multi-scenario ECL in relation to the financial statements as at 31 December 2021

		BASELINE				EXTREME ADVERSE SCENARIO		
		2021	2022	2023	2024	2022	2023	2024
Brent oil: \$ per barrel	lev	69.0	70	67	66	80	75	75
Italy equity index	% chg.	24.5	8.1	6.9	9.4	-16	0.5	5.6
Italian GDP	% chg.	6.0	3.8	2.8	2	0.6	0.8	0.5
Spending of resident families and lsp	% chg.	4.8	3.8	2.8	2.6	1.5	0.9	1.3
Spending of public administrations	% chg.	1.4	0.5	0.1	-0.2	0.4	-0.1	-0.2
Investments in machinery and means of transport	% chg.	11.2	9.4	6.2	5.7	-4	-4.1	-2.6
Export of goods and services	% chg.	12.6	9.2	5.8	3.6	2.7	1.1	0.3
Industrial production	% chg.	11.1	2.7	3.3	2.7	-5.1	-2.2	-0.7
10Y BTP-Bund Spread	%	1.1	0.99	0.94	0.91	1.56	2.05	2.22
BTP 10Y interest rate	%	0.7	0.96	1.21	1.5	1.44	2.22	2.72
Commercial property price index	% chg.	-0.7	0.8	1.6	1.8	-1.8	-1.3	-0.9
Residential property price index	% chg.	1.4	1.4	1.8	1.8	-0.7	-1	-1.6

Scenarios used to determine the multi-scenario ECL in relation to the financial statements as at 31 December 2022

		BASELINE				EXTREME ADVERSE SCENARIO		
		2022	2023	2024	2025	2023	2024	2025
Brent oil: \$ per barrel	lev	100	90	86	84	125	111	100
Italy equity index	% chg.	-6.5	2.9	6.3	5.3	-32.0	-5.2	3.1
Italian GDP	% chg.	3.8	0.3	1.1	1.3	-2.7	0.0	0.7
Spending of resident families	% chg.	4.2	0.5	1.3	1.3	-1.4	-0.1	0.2
Spending of public administrations	% chg.	0.6	0.6	-0.2	-0.1	0.6	0.1	0.0
Investments in machinery and means of transport	% chg.	7.2	-0.8	3.1	3.1	-12.6	-3.3	-1.2
Export of goods and services	% chg.	11.3	2.1	2.9	3.1	-1.1	0.7	2.4
Industrial production	% chg.	0.8	-0.8	1.5	1.9	-6.7	-2.7	0.3
10Y BTP-Bund Spread	%	1.9	2.3	2.1	2.0	5.4	5.4	5.2
BTP 10Y interest rate	%	3.1	4.7	4.7	4.6	7.5	7.6	7.4
Commercial property price index	% chg.	1.5	1.6	1.4	1.3	0.5	-0.1	-0.5
Residential property price index	% chg.	4.9	2.9	1.9	1.8	1.4	-0.7	-1.0

A comparison of the two dates clearly shows:

- a slowdown in the growth in domestic demand, with the production of goods and services revised downwards significantly compared to December 2021 (ITALIAN GDP), despite the forecast for 2022 being exactly correct;
- the price of oil, the result of the energy crisis and the Russia-Ukraine crisis, accelerated significantly with respect to December 2021;
- in 2022, the FTSE-MIB bucked the trend expected in December 2021, with more contained growth estimates;
- the energy crisis, inflation and the geopolitical context fuel the perception of a higher sovereign risk than December 2021 (BTP-BUND Spread): long-term Government bonds actually offer much higher returns than expected in December 2021;
- the real estate market recorded changes in the growth of price indexes (especially the real estate index) with respect to the estimates in December 2021.

Changes due to Covid-19 and the Russia-Ukraine conflict

Based on the arguments already highlighted in Part A of these Explanatory Notes, given the uncertainty still present at the date of the financial statements as at 31 December 2022 due to the evolution of the pandemic and the containment measures in place, the continuation of the Russia/Ukraine war with the consequent international sanctions, the awareness of climate risk acquired at international level, as well as the rapid rise in inflation and the sudden increase in market rates, the Group considered it appropriate to update its macroeconomic scenario, by using the preview of the scenario released in November 2022.

Furthermore, given the high volatility of the macroeconomic context as a result of geopolitical tensions, the energy crisis and the rise in interest rates, the Group has deemed it necessary to continue maintaining a prudential stance by applying an Overlay approach to update the IFRS 9 ECL based on the expert attribution of the probability of occurrence of the various scenarios considered by the model. Both the baseline and adverse scenarios (adopted in its "extreme adverse" version) have been assigned a probability of occurrence of 50%.

Shown below is the sensitivity of the ECL in response to a change in the probability of occurrence attributed to each of the (multiple) scenarios considered by the model adopted by the BPER Banca Group, applied on a "recurring" basis by the BPER Banca Group, without taking account of the overlays identified in relation to the uncertainties of the macroeconomic context ("post-model adjustments").

As at 31 December 2022, the sensitivity of the ECL in response to a change in the probability of occurrence attributed to the favourable and adverse (extreme) scenario with respect to the baseline scenario, ranges between -5.41 % / +15.51% (-5.34% / +15.21% as BPER Banca stand alone).

The total amount of ECL in the accounts as at the reporting date, including the effect of the overlays applied, is confirmed to be 11.26% higher at 31 December 2022 (12.09% as BPER Banca stand alone) than the value resulting from the 100% risk weight of the adverse scenario.

2.4 Credit risk mitigation techniques

Mitigation techniques are an important tool for reducing or transferring part of the credit risk associated with the portfolio of exposure. Consistent with the low propensity to accept risk that characterises operations, the Group seeks to mitigate credit risk, in particular, by obtaining and managing secured and unsecured guarantees. For this purpose, the Group has prepared suitable IT procedures and systems for managing mortgages and financial guarantees in compliance with prudent supervisory requirements, as well as appropriate internal regulations for managing the life-cycles of other collateral obtained.

The collateral mostly used by the Group generally comprise mortgages on residential and non-residential property, as part of retail lending and, to a lesser extent, loans to Corporate customers, as well as pledges on securities, receivables and cash. An internal procedure developed over a number of years gathers information in an organised fashion on the property assets of borrowers and on the properties given in guarantee. As a guarantee of both performing and non-performing positions, properties are periodically revalued and updated with new appraisals or indexed revaluations based on the statistical databases of a primary operator in the sector. A dedicated procedure is used to check every month whether a new appraisal or index-based revaluation is needed, in compliance with the Guidelines for banks on non-performing loans (NPL) and EU Regulation no. 575/2013, as later amended. An internal function covering the entire banking group has been established to supervise this process and monitor constantly the value obtained to cover exposures, as required by current regulations. The Group also has a new appraisal management system that automatically directs requests to providers according to the rules consistent with the relevant legislation. The same application monitors the state of the appraisals in progress and acts as a historical archive that preserves the previous assessments in digital format with all the accompanying documents.

Likewise, the collateral represented by financial instruments is managed within a procedure that updates the fair value on the basis of market trends.

The principal types of unsecured guarantees consist of "specific guarantees" and "restricted omnibus guarantees", mainly given by entrepreneurs in favour of their companies and by parent companies in favour of their subsidiaries in the form of binding comfort letters. Guarantees given by various guarantee consortia in favour of their members firms are becoming more significant, as well as guarantees given by third party institutions, such as SACE, MCC (Guarantee Fund for SMEs), EIF (European Investment Fund) and Guarantee Fund for the First Home and EIB (Life for Energy), which are also subject to periodic monitoring and, lastly, the state guarantees issued following the crisis triggered off by the Covid-19 pandemic.

3 Non-performing exposures

3.1. Strategies and management policies

In relation to the general management aspects of the NPE portfolio, it should be noted that the classification of financial assets within the risk categories envisaged by supervisory regulations is based on the identified risk profile.

The classification of a position is determined both automatically and using an analytical methodology. These processes are

governed by an internal regulation that applies the guidelines for identifying any deterioration in creditworthiness and assigns the most appropriate administrative status to the position. When not automatic, the classification of positions as anomalous is based on assessments made by account managers who actively monitor conditions within the lending system. The Early Warning tools available make it possible to detect, at an early stage, any signs of deterioration of relationships potentially at risk, enabling the analysis of creditworthiness and classification of the position to the correct risk category, if required.

Since the end of 2019, the BPER Banca Group has adopted the new definition of default for the purposes of classifying credit exposures, adapting processes and procedures to the new rules for interception and management of defaults at the Banking Group level.

The following are some of the most significant interventions developed at Banking Group level, which contributed to better processing of anomalous and non-performing loans:

- Organisation and governance: as part of compliance with the Supervisory requirements (NPL Guidance) for the greater monitoring of loans and operational specialisation by segment, structures have been set up for the dedicated management of default positions (Non-Performing Loans and BPER Credit Management – BCM) and “Pro-active Management” activities have been introduced for performing accounts with loan anomalies. More specifically:
 - the handling of non-performing loans has been focused on managing counterparties already classified as in default (non-performing past due exposures and unlikely to pay loans), which have been grouped into three clusters (Retail, Corporate and Real Estate);
 - Pro-active Management, instead, supervises performing loans with anomalies, in order to avoid the deterioration of the lending relationship and provide constant support to the commercial network in determining the best operational strategies. The loan counterparties under pro-active management have been grouped into the same clusters as those applying to Non-Performing Loans (Retail, Corporate, Real Estate). In this context, further specialist functions are envisaged for the management of Watch List positions and performing positions subject to forbearance measures;
 - BPER Credit Management is sub-divided into specialist operational and recovery teams focused on specific asset types (Corporate, Retail, centralised or outsourced recovery), thus changing completely the approach to managing bad loans”;
 - following the integration of the former Carige Group, the geographical area structures were also reorganised in order to ensure adequate coverage of the non-performing portfolios and the application of models, processes and procedures to the new positions acquired by the Group.
- Processes and procedures acting on Non-Performing Loans: non-performing loan management and monitoring processes have been adopted, with the introduction of procedures that have been further developed and improved over the last three years. More specifically:
 - the Early Warning model, with the development over time of 6 specialised anomaly detection engines by customer segment (Corporate, Private, Small Business, Construction, Real Estate and Finance & PA) and optimisation of anomaly detection performance, in particular with the insertion of anomalies dictated by the NPL Guidance (which act as “triggers”);
 - Electronic Dossier Management - EDM, optimised with the gradual inclusion of new management measures and new information available to the manager to gain a better understanding of the potential evolution of the position, with targeted links to other procedures;
 - external collection system that seeks to recover smaller loans via “phone collection” and “home collection” activities;
 - a much more precise monitoring system, focused not only on the quality of the overall portfolio, but also on the performance of the individual structures;
 - more extensive use of the forbearance tool and introduction of sustainability tools and monitoring of the effectiveness of the agreed measures;
 - greater use of write-offs, especially for Minor Positions (an instrument that in any case is used in an extremely prudent way).
- Processes and procedures acting on Forbearance: a decision-making system is planned to be introduced to prevent potential deterioration already at the time of the forbearance. In particular:
 - development of precise credit policies, characterised by indications of asset allocation based on risk/return/capital absorption indicators. These indications, valid for each individual counterparty, have been included in the Electronic Loan File procedure, therefore visible to the proposer and to the decision maker. In this way the quality of the performing portfolio has improved over the years, shifting its concentration towards the best rating classes;
 - strengthening of the preliminary investigation of top management loan files, with the need for a much more complete set of information, similar to structured finance transactions, strengthening the functions to which this task is delegated;
 - a very precise monitoring system also for the Granting process, the timing of approvals and the quality of the approved portfolio.
- Incentive systems: credit quality objectives are allocated to the network and head office teams, addressing the activities of each function, in order to achieve complementary results that are fully consistent with Group objectives.
- Training on lending activities: in order to strengthen credit monitoring in application of current legislation, (NPL Guidance and Guidelines on the application of the definition of default), training cycles segmented by functions are provided to central structures and training cycles with more general content and strategic management indications to pursue are

provided to the network.

The consistency of the classification of a position in the right risk category, with respect to internal rules and Bank of Italy regulations, is also ensured by second-level checks that, by applying a suitable method, verify not only that classifications are correct, but also the adequacy of provisions, the presence of first-level controls and the effectiveness of recovery processes, so as to ensure strong supervision throughout the entire credit chain. The improvement in the risk profile of counterparties leads to a transfer to better internal classifications and may result in a return to "performing" status.

With regard to the cycle for the management of non-performing exposures, macro strategies for internal recoveries are envisaged within the Group, which apply specific methods depending on the type of debtor, how critical the anomalies are and an assessment of the entire exposure to the debtor and any related parties.

The main strategies that can be followed are:

- management of arrears/overdrafts, also through outsourcing;
- reshaping of the credit line and/or guarantee framework;
- granting of forbearance measures;
- waiver of loan (with or without debt forgiveness)
- transfer of loans to third parties;
- repossession of the asset.

The recovery of arrears and the granting of forbearance measures without remission - even partial - of the debt, where judged practicable, are to be preferred to alternative strategies such as a waiver or assignment of loans and the use of debt recovery procedures and enforcement actions, and will be pursued as a matter of priority.

The resolution approving the management strategy envisages a system of increasing delegated powers, consistent with the powers of classification and the estimate of value adjustments, also with the intervention of specialist units competent in the various phases of the relationship, and with different degrees of centralisation of decision-making skills in relationship management.

3.2 Write-offs

In general, and in line with the relevant legislation, the elimination of the loan from the financial statements must be carried out when:

- there is no reasonable prospect of recovery as a result of facts of any nature that make it impossible for the customer to fully meet their obligations ("write-off"), or
- the certainty of a loss materialises (for example, because of definitive legal events).

The assessment and proposal of write-offs, foreseen exclusively for the positions classified as "unlikely to pay" and "bad" loans according to certain events, must be adequately motivated and documented. In line with the recommendations of the supervisory authority, in cases of non-recoverability of the loan, it is best to write off a loan as soon as its non-recoverability has been ascertained.

In line with the reference guidelines:

- write-off of a financial asset in its entirety or in part constitutes an accounting elimination and the derecognised amount cannot be subject to write-backs. Write-offs should not be written-back and if cash or other assets are eventually collected these collections should be directly recognised as income in the statement of profit or loss;
- a write-off can take place before legal actions against the borrower to recover the debt have been concluded in full;
- A write-off does not involve the bank forfeiting the legal right to recover the debt. A bank's decision to forfeit the legal claim on the debt is called "debt forgiveness". Detailed evidence of NPL write-offs at portfolio level is maintained, as well as information on financial assets that, although written off the balance sheet, are subject to enforcement activity.

3.3 Purchased or originated credit-impaired financial assets

If a credit exposure classified in caption 30 "Financial assets measured at fair value through other comprehensive income" or in caption 40 "Financial assets measured at amortised cost" at the time of initial recognition becomes impaired, it is identified as "Purchased or Originated Credit Impaired - POCI".

By convention, POCI financial assets are classified in Stage 3 on initial recognition.

Should these assets become performing, following an improvement in the creditworthiness of the counterparty, they are reclassified to Stage 2.

They can never be classified in Stage 1, as the expected credit loss must always be calculated over the residual duration.

The BPER Banca Group identifies as "Purchased or originated credit-impaired financial assets":

- exposures already impaired at the time of purchase, also as part of business combinations;
- exposures originated as part of restructuring transactions of impaired exposures that led to the disbursement of new finance, or introduced substantial changes to the original contractual conditions.

4. Renegotiated financial assets and forbore exposures

The BPER Banca Group adopts the definition of "Forbearance Measure" of the Implementing Regulation EU 227/2015.

Measures of forbearance, or "tolerance", consist of concessions to a debtor who is or is about to find themselves in difficulty in meeting their financial commitments (i.e. in financial difficulty). The exposures subject to forbearance measures are identified as forbore.

"Forbearance" means facilitating measures in favour of the customer which can be summarised in the following categories:

- "modifications", made to the terms and conditions of a loan agreement due to the debtor's inability to perform financially in the commitments assumed previously;
- total or partial "refinancing" of the debt.

An intrinsic characteristic of forbearance is the state of financial difficulty of the debtor: it is based on an overall assessment of the debtor for which the rating is one of the elements to be considered. Financial difficulty is objectively recognised when the counterparty position is classified among the non-performing loans, while it is presumed when loan anomalies envisaged under current regulations are detected, including but not limited to:

- existence during the past 3 months, or potential existence in the absence of assistance granted to the debtor, of past due and/or overdrawn relationships for periods of at least 30 days;
- allocation of new loans, in whole or in part, to paying down existing credit lines that were past due and/or overdrawn for 30 days at least once during the 3-month period prior to granting the new loans to the debtor.

The Group adopts standardised decision-making trees and/or customised solutions in order to apply efficient and effective debt rescheduling solutions, based on customer characteristics and type of exposure, which constitute one of the Group's strategies for reducing non-performing exposures.

The forbearance measures are divided, depending on the time horizon over which they extend, into:

- short-term forbearance measures, or temporary changes in the reimbursement conditions, aimed at facing short-term financial difficulties, and have a duration of less than 24 months;
- long-term forbearance measures, or changes in the reimbursement conditions aimed at definitively resolving the debtor's financial difficulty, and lasting more than 24 months (also in combination with short-term measures).

Not all contractual modifications in favour of the customer ("concessions") give rise to forbore exposures, but only if there are also elements of financial difficulty. In their absence, the concessions are configured as transactions for merely commercial purposes.

Forborne positions are monitored by the Bank to check the effectiveness and efficiency of the assistance provided, in order to verify that the financial difficulties have been overcome. The minimum observation period is:

- 24 months if the counterparty is classified as performing (probation period);
- 36 months if the counterparty is in default (12-month cure period and 24-month probation period).

Once the debtor's financial difficulty has been established, the conditions for classification as an unlikely to pay position must also be verified when the measure is granted.

Positions may be forbore in both macro-categories of credit classification ("performing" and "default") and, in accordance with current regulations, may result in the counterparty being classified as non-performing: for example, a counterparty with credit lines that are forbore under probation, that has therefore completed the 12-month cure period and is now in the probation period following reclassification as "performing" from "default", is automatically classified as unlikely to pay if they are overdrawn for more than 30 days or a new concession is made (re-forborne).

Quantitative Information

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, adjustments, changes and economic distribution

A.1.1 Breakdown of financial assets by portfolio classification and credit quality (book values)

Portfolios/quality	Bad loans	Unlikely-To-Pay loans	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	120,126	830,228	67,132	836,123	104,261,594	106,115,203
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	7,202,398	7,202,398
3. Financial assets designated at fair value	-	-	-	-	2,381	2,381
4. Other financial assets mandatorily measured at fair value	-	-	-	-	198,972	198,972
5. Financial assets held for sale	-	7,510	735	17,591	888,680	914,516
Total 31.12.2022	120,126	837,738	67,867	853,714	112,554,025	114,433,470
Total 31.12.2021	362,022	704,690	57,820	531,191	117,393,015	119,048,738

Details of forborne exposures (book values)

Portfolios/quality	Bad loans	Unlikely-To-Pay loans	Non-performing past due exposures	Performing past due exposures	Performing exposures	Total
1. Financial assets measured at amortised cost						
- Loans to customers	24,310	465,352	213	74,964	1,727,083	2,291,922

A.1.2 Breakdown of financial assets by portfolio classification and credit quality (gross and net values)

Portfolios/quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total impairment provisions	Net exposure	Overall partial write-offs (*)	Gross exposure	Total impairment provisions	Net exposure	
1. Financial assets measured at amortised cost	2,179,899	1,162,413	1,017,486	34,066	105,708,450	610,733	105,097,717	106,115,203
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	7,205,869	3,471	7,202,398	7,202,398
3. Financial assets designated at fair value	-	-	-	-	X	X	2,381	2,381
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	198,972	198,972
5. Financial assets held for sale	11,789	3,544	8,245	-	920,771	14,500	906,271	914,516
Total 31.12.2022	2,191,688	1,165,957	1,025,731	34,066	113,835,090	628,704	113,407,739	114,433,470
Total 31.12.2021	2,882,984	1,758,452	1,124,532	287,397	118,013,597	363,985	117,924,206	119,048,738

* Amount to be shown for information purposes

Details of counterparties	Total write-offs	
	31.12.2022	31.12.2021
Financial companies	-	16,000
- of which: financial and non-resident companies	-	-
Non-financial companies	33,335	258,941
- of which: non-financial and non-resident companies	-	-
Households	731	12,456
- of which: non-resident households	-	3
Total	34,066	287,397
- of which: non-resident	-	3

Previous write-offs do not include those carried out during the year on bad loans as part of credit extinction events, also reported in the tables A.1.9 and A.1.11, as detailed below.

Details of counterparties	Total write-offs	
	31.12.2022	31.12.2021
Financial companies	101	10,209
- of which: financial and non-resident companies	-	-
Non-financial companies	10,810	120,615
- of which: non-financial and non-resident companies	32	621
Households	9,379	25,487
- of which: non-resident households	-	-
Total	20,290	156,311
- of which: non-resident	32	621

The amounts shown above are gross of default interest.

Portfolios/quality	Low credit quality assets		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	1,340	677,710
2. Hedging derivatives	-	-	1,808,028
Total 31.12.2022	-	1,340	2,485,738
Total 31.12.2021	3,898	4,899	432,195

A.1.3 Breakdown of financial assets by past due buckets (book values)

Portfolios/Risk stage	Stage 1			Stage 2			Stage 3			Purchased or originated credit impaired		
	1 to 30 days	> 30 to 90 days	> 90 days	1 to 30 days	> 30 to 90 days	> 90 days	1 to 30 days	> 30 to 90 days	> 90 days	1 to 30 days	> 30 to 90 days	> 90 days
1. Financial assets measured at amortised cost	408,814	34,767	266	197,070	161,472	22,675	26,738	46,882	324,826	23,212	24,167	274,582
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	3,487	-	27	7,008	5,641	1,048	46	253	364	510	634	3,349
Total 31.12.2022	412,301	34,767	293	204,078	167,113	23,723	26,784	47,135	325,190	23,722	24,801	277,931
Total 31.12.2021	268,889	-	-	118,141	121,828	14,387	18,823	34,760	444,396	24,830	22,724	246,557

A.1.4 Financial assets, commitments to disburse funds and financial guarantees granted: changes in total impairment provisions

Sources/Risk stages	Total impairment provisions											
	Financial assets classified in stage 1						Financial assets classified in stage 2					
	On-demand loans to banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	On-demand loans to banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses
Total opening adjustments	1,280	134,392	2,364	-	-	138,036	-	218,160	334	-	-	218,494
Increases in purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Net impairment losses for credit risk (+/-)	3,482	40,257	909	-	-	44,648	-	191,534	(136)	-	-	191,398
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	6	10,896	-	-	-	10,902	-	(365)	-	-	-	(365)
Total closing adjustments	4,768	185,545	3,273	-	-	193,586	-	409,329	198	-	-	409,527
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-

A.1.4 Financial assets, commitments to disburse funds and financial guarantees granted: changes in total impairment provisions

(cont.)

Sources/Risk stages	Total impairment provisions										
	Financial assets classified in stage 3						Purchased or originated credit-impaired				
	On-demand loans to banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment losses	of which: collective impairment losses
Total opening adjustments	-	1,108,366	5	-	1,108,371	-	658,815	-	-	-	658,815
Increases in purchased or originated financial assets	-	-	-	-	-	-	X	X	X	X	X
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	-	-
Net impairment losses for credit risk (+/-)	-	157,086	(5)	-	157,081	-	15,456	-	-	-	15,456
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	(95,105)	-	-	(95,105)	-	-	-	-	-	-
Other changes	-	(476,988)	-	-	(476,988)	-	(189,360)	-	-	-	(189,360)
Total closing adjustments	-	693,359	-	-	693,359	-	484,911	-	-	-	484,911
Recoveries from financial assets subject to write-off	-	5,995	-	-	5,995	-	-	-	-	-	-
Write-offs recognised directly through profit or loss	-	36,041	-	-	36,041	-	8,512	-	-	-	8,512

A.1.4 Financial assets, commitments to disburse funds and financial guarantees granted: changes in total impairment provisions

(cont.)

Sources/Risk stages	Total provisions on commitments to disburse funds and financial guarantees issued				
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees granted, purchased or originated credit impaired	Total
Total opening adjustments	12,284	4,445	30,153	-	2,170,598
Increases in purchased or originated financial assets	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	-
Net impairment losses for credit risk (+/-)	615	2,455	527	-	412,180
Contractual modifications without derecognition	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	-	-	-	(95,105)
Other changes	507	1,047	8,038	-	(646,219)
Total closing adjustments	13,406	7,947	38,718	-	1,841,454
Recoveries from financial assets subject to write-off	-	-	-	-	5,995
Write-offs recognised directly through profit or loss	-	-	-	-	44,553

A.1.5 Financial assets, commitments to disburse funds and financial guarantees granted: transfers between different credit risk stages (gross and nominal values)

Portfolios/Risk stage	Gross exposure/Nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost	4,390,408	1,090,555	359,951	153,950	170,874	18,507
2. Financial assets measured at fair value through other comprehensive income	6,768	106	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees	2,056,141	577,207	29,486	14,270	73,154	3,094
Total 31.12.2022	6,453,317	1,667,868	389,437	168,220	244,028	21,601
Total 31.12.2021	4,360,967	3,611,321	310,240	146,202	256,744	40,626

A.1.5a Loans subject to Covid-19 support measures: transfers between different credit risk stages (gross values)

Portfolios/quality	Gross values/Nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From stage 1 to stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
A. Loans measured at amortised cost	968,336	119,680	38,438	3,923	33,526	814
A.1 subject to forbearance measures compliant with GL	-	9	-	-	-	-
A.2 subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-
A.3 Subject to other forbearance measures	1,109	-	532	74	-	-
A.4 new loans	967,227	119,671	37,906	3,849	33,526	814
Loans measured at fair value through other comprehensive income	-	-	-	-	-	-
B.1 Subject to forbearance measures compliant with GL	-	-	-	-	-	-
B.2 subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-
B.3 Subject to other forbearance measures	-	-	-	-	-	-
B.4 New loans	-	-	-	-	-	-
Total 31.12.2022	968,336	119,680	38,438	3,923	33,526	814
Total 31.12.2021	598,258	219,097	12,426	6,313	17,297	4,846

A.1.6 On- and off-balance sheet credit exposures to banks: gross and net values

Type of exposures/amounts	Gross exposure					Total impairment provisions					Net exposure	Total partial write-offs (*)
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired				
A. ON-BALANCE SHEET CREDIT EXPOSURES												
A.1. ON DEMAND	13,582,435	13,582,381	54	-	-	4,768	4,768	-	-	-	13,577,667	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	13,582,435	13,582,381	54	X	-	4,768	4,768	-	X	-	13,577,667	-
A.2 OTHER	15,617,714	15,538,031	51,274	-	-	24,846	5,184	19,662	-	-	15,592,868	-
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	72,637	52,485	20,152	X	-	19,581	-	19,581	X	-	53,056	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	15,545,077	15,485,546	31,122	X	-	5,265	5,184	81	X	-	15,539,812	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	29,200,149	29,120,412	51,328	-	-	29,614	9,952	19,662	-	-	29,170,535	-
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	4,169,613	1,671,802	95,380	X	-	8,089	264	7,825	X	-	4,161,524	-
TOTAL (B)	4,169,613	1,671,802	95,380	-	-	8,089	264	7,825	-	-	4,161,524	-
TOTAL (A+B)	33,369,762	30,792,214	146,708	-	-	37,703	10,216	27,487	-	-	33,332,059	-

* Amount to be shown for information purposes

A.1.7 On- and off-balance sheet credit exposures to customers: gross and net values

Type of exposures/amounts	Gross exposure					Total impairment provisions					Net exposure	Total partial write-offs (*)
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired				
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Bad loans	453,215	X	-	324,687	128,528	333,089	X	-	245,386	87,703	120,126	34,066
- of which: forborne exposures	87,499	X	-	73,560	13,939	63,189	X	-	52,726	10,462	24,310	2,868
b) Unlikely-to-pay loans	1,639,878	X	-	850,128	789,750	802,140	X	-	426,125	376,015	837,738	-
- of which: forborne exposures	879,815	X	-	377,935	501,881	414,463	X	-	180,241	234,222	465,352	-
c) Non-performing past due exposures	98,595	X	-	76,264	22,331	30,728	X	-	22,020	8,708	67,867	-
- of which: forborne exposures	253	X	-	253	-	40	X	-	40	-	213	-
d) Performing past due exposures	831,643	397,656	421,999	X	11,987	30,985	2,781	27,655	X	547	800,658	-
- of which: forborne exposures	80,949	-	76,421	X	4,528	5,985	-	5,808	X	177	74,964	-
e) Other performing exposures	97,656,788	88,485,778	8,807,696	X	253,457	572,873	184,788	372,708	X	15,377	97,083,915	-
- of which: forborne exposures	1,839,173	6,540	1,709,044	X	123,590	112,090	-	104,180	X	7,910	1,727,083	-
TOTAL (A)	100,680,119	88,883,434	9,229,695	1,251,079	1,206,053	1,769,815	187,569	400,363	693,531	488,350	98,910,304	34,066
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	350,562	X	-	350,562	-	60,037	X	-	60,037	-	290,525	-
b) Performing	35,994,306	32,710,122	3,267,082	X	-	64,022	48,252	15,770	X	-	35,930,284	-
TOTAL (B)	36,344,868	32,710,122	3,267,082	350,562	-	124,059	48,252	15,770	60,037	-	36,220,809	-
TOTAL (A+B)	137,024,987	121,593,556	12,496,777	1,601,641	1,206,053	1,893,874	235,821	416,133	753,568	488,350	135,131,113	34,066

* Amount to be shown for information purposes

As at 31 December 2022, the performing loans to customers, limited to the portion measured at amortised cost, amounted to a gross exposure of Euro 79,941 million. Net of portfolio adjustments for Euro 582 million, the net exposure totalled Euro 79,359 million; the average coverage ratio is therefore 0.73%.

At the same date, non-performing loans to customers, limited to the portion measured at amortised cost, amounted to a gross exposure of Euro 2,180 million. Net of impairment losses for Euro 1,162 million, the net exposure totalled Euro 1,018 million; the average coverage ratio for this cluster of loans is therefore 53.32%.

Details of impairment losses on an individual and collective basis on performing and non-performing exposures are provided below.

	Non-performing assets				Performing assets		
	Gross exposure	Individual impairment provisions - analytical	Individual impairment provisions - automated	Net exposure	Gross exposure	Collective impairment provisions	Net exposure
On-balance sheet credit exposures to customers (loans and debt securities)	2,179,898	795,124	367,289	1,017,487	92,977,459	587,150	92,390,309
Governments and other public entities	669	37	114	519	13,268,298	6,823	13,261,475
- of which: foreign	-	-	-	-	4,190,523	265	4,190,258
Financial companies	55,009	15,145	1,993	37,871	11,344,466	32,418	11,312,048
- of which: foreign	144	143	1	-	829,905	823	829,082
Non-financial companies	1,543,193	703,711	172,586	666,897	35,366,523	404,055	34,962,468
- of which: foreign	736	-	601	136	680,189	1,192	678,997
Individuals and households	581,027	76,231	192,596	312,200	32,998,172	143,854	32,854,318
- of which: foreign	2,400	70	1,106	1,223	106,047	823	105,224

A.1.7a Loans subject to Covid-19 support measures: gross and net values

Type of exposure/ Amount	Gross exposure				Total impairment provisions					Net exposure	Total partial write-offs (*)	
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired				
A. BAD LOANS	506	-	-	451	55	506	-	-	451	55	-	-
a) Subject to forbearance measures compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	506	-	-	451	55	506	-	-	451	55	-	-
B. UNLIKELY TO PAY LOANS	86,361	-	-	70,336	16,025	16,821	-	-	12,904	3,917	69,540	-
a) Subject to forbearance measures compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to other forbearance measures	1,950	-	-	752	1,198	941	-	-	315	626	1,009	-
d) New loans	84,411	-	-	69,584	14,827	15,880	-	-	12,589	3,291	68,531	-
C. NON-PERFORMING PAST DUE LOANS	14,377	-	-	13,125	1,252	439	-	-	385	54	13,938	-
a) Subject to forbearance measures compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	14,377	-	-	13,125	1,252	439	-	-	385	54	13,938	-
D. OTHER PERFORMING PAST DUE LOANS	70,455	18,634	51,568	-	253	698	55	641	-	2	69,757	-
a) Subject to forbearance measures compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	70,455	18,634	51,568	-	253	698	55	641	-	2	69,757	-
E. OTHER PERFORMING LOANS	7,490,283	5,892,877	1,591,521	-	5,885	21,707	6,933	14,708	-	66	7,468,576	-
a) Subject to forbearance measures compliant with GL	20	15	5	-	-	-	-	-	-	-	20	-
b) subject to outstanding moratoria that are not compliant with the GL and do not qualify as forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to other forbearance measures	2,980	-	2,906	-	74	111	-	102	-	9	2,869	-
d) New loans	7,487,283	5,892,862	1,588,610	-	5,811	21,596	6,933	14,606	-	57	7,465,687	-
TOTAL (A+B+C+D+E)	7,661,982	5,911,511	1,643,089	83,912	23,470	40,171	6,988	15,349	13,740	4,094	7,621,811	-

* Amount to be shown for information purposes

A.1.8 On-balance sheet credit exposures to banks: change in gross non-performing exposures

There are no amounts to be disclosed in this Consolidated Report.

A.1.8bis On-balance sheet credit exposures to banks: change in gross forborne exposures broken down by credit quality

There are no amounts to be disclosed in this Consolidated Report.

A.1.9 On-balance sheet credit exposures to customers: change in gross non-performing exposures

Reasons/Category	Bad loans	Unlikely-To-Pay loans	Non-performing past due exposures
A. Opening balance (gross amount)	1,302,188	1,503,358	77,438
- of which: sold but not derecognised	-	-	-
B. Increases	444,203	1,007,541	104,162
B.1 inflows from performing exposures	43,185	427,121	58,364
B.2 inflows from purchased or originated credit impaired financial assets	51,512	108,034	-
B.3 transfers from other non-performing exposure	132,209	25,108	583
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	217,297	447,278	45,215
C. Decreases	1,293,176	871,021	83,005
C.1 outflows to performing exposures	130	201,530	24,824
C.2 write-offs	20,290	74,814	1
C.3 recoveries	111,325	367,992	24,969
C.4 sales proceeds	193,207	44,262	-
C.5 losses on disposals	5,739	514	-
C.6 transfers to other non-performing exposures	1	124,688	33,211
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	962,484	57,221	-
D. Closing balance (gross amounts)	453,215	1,639,878	98,595
- of which: sold but not derecognised	-	-	-

Item "B.2 "inflows from purchased or originated impaired financial assets" refers to the acquisition and subsequent merger by absorption of Banca Carige and Banca del Monte di Lucca.

During the course of 2022, non-performing loan disposals (explained more fully in para. 3.6 – "Progress of de-risking" in the Consolidated Report on Operations) were completed for an amount of over euro 1 billion.

A.1.9bis On-balance sheet credit exposures to customers: change in gross forborne exposures broken down by credit quality

Description/Quality	Forborne exposures: impaired	Forborne exposures: non impaired
A. Opening balance (gross amount)	1,121,898	1,947,164
- of which: sold but not derecognised	-	-
B. Increases	683,217	1,303,868
B.1 inflows from performing non-forborne exposures	105,033	738,059
B.2 inflows from performing forborne exposures	181,045	X
B.3 inflows from non-performing forborne exposures	X	107,797
B.4 inflows from non-performing non forborne exposure	-	-
B.4 other increases	397,139	458,012
C. Decreases	837,548	1,330,910
C.1 outflows to performing non-forborne exposures	X	392,413
C.2 outflows to performing forborne exposures	107,797	X
C.3 outflows to non-performing forborne exposures	X	181,045
C.4 write-offs	52,033	-
C.5 recoveries	456,799	757,452
C.6 sales proceeds	74,882	-
C.7 losses on disposal	3,072	-
C.8 other decreases	142,965	-
D. Closing balance (gross amounts)	967,567	1,920,122
- of which: sold but not derecognised	-	-

A.1.10 On-balance sheet non-performing credit exposures to banks: change in total impairment provisions

There are no amounts to be disclosed in this Consolidated Report.

A.1.11 On-balance sheet non-performing credit exposures to customers: change in total impairment provisions

Reasons/Category	Bad loans		Unlikely-To-Pay loans		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance: total impairment provisions	940,166	170,590	798,668	457,938	19,618	47
- of which: sold but not derecognised	-	-	-	-	-	-
B. Increases	422,730	43,780	464,241	138,266	27,993	41
B.1 impairment losses on purchased or originated impaired financial assets	-	X	-	X	-	X
B.2. other value adjustments	233,915	12,389	264,573	128,539	23,871	41
B.3 losses on disposals	5,739	2,824	514	248	-	-
B.4 transfers from other non-performing exposure	54,494	10,743	5,729	47	236	-
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	128,582	17,824	193,425	9,432	3,886	-
C. Decreases	1,029,807	151,181	460,769	181,741	16,883	48
C.1 write-backs from assessment	22,814	13,665	213,841	74,051	8,033	-
C.2 write-backs from recoveries	20,618	4,977	53,211	47,937	614	-
C.3 gains on disposal	30,074	17,671	-	-	-	-
C.4 write-offs	20,290	8,820	74,814	43,213	1	-
C.5 transfers to other non-performing exposures	-	-	52,980	10,743	7,479	47
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	936,011	106,048	65,923	5,797	756	1
D. Closing balance: total impairment provisions	333,089	63,189	802,140	414,463	30,728	40
- of which: sold but not derecognised	-	-	-	-	-	-

A.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees granted by external and internal ratings

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees granted by external rating classes (gross amounts)

Exposures	External rating classes						Unrated	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets measured at amortised cost	5,953,431	3,651,879	10,278,984	3,154,533	599,985	71,352	84,178,188	107,888,352
- Stage 1	5,953,431	3,627,398	10,196,546	2,565,312	481,341	22,152	73,713,227	96,559,407
- Stage 2	-	24,481	82,438	543,572	104,630	47,089	8,083,411	8,885,621
- Stage 3	-	-	-	20,283	12,728	-	1,217,207	1,250,218
- Purchased or originated credit impaired	-	-	-	25,366	1,286	2,111	1,164,343	1,193,106
B. Financial assets measured at fair value through other comprehensive income	1,523,142	885,718	3,219,925	53,348	18,952	-	1,504,782	7,205,867
- Stage 1	1,518,202	871,960	3,178,612	53,348	18,952	-	1,504,641	7,145,715
- Stage 2	4,940	13,758	41,313	-	-	-	141	60,152
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. Financial assets classified as held for sale	-	2,807	26,545	84,972	13,024	20,494	784,717	932,559
- Stage 1	-	2,807	21,086	62,437	11,685	2,753	484,819	585,587
- Stage 2	-	-	5,459	22,535	1,325	17,741	286,108	333,168
- Stage 3	-	-	-	-	14	-	845	859
- Purchased or originated credit impaired	-	-	-	-	-	-	12,945	12,945
Total (A + B + C)	7,476,573	4,540,404	13,525,454	3,292,853	631,961	91,846	86,467,687	116,026,778
D. Commitments to disburse funds and financial guarantees granted	211,101	2,389,183	4,531,200	2,223,773	340,011	34,161	30,785,052	40,514,481
- Stage 1	211,101	2,378,687	4,453,075	1,940,279	140,651	16,190	27,659,846	36,799,829
- Stage 2	-	10,496	78,125	282,051	198,918	17,920	2,774,952	3,362,462
- Stage 3	-	-	-	1,443	442	51	350,254	352,190
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	211,101	2,389,183	4,531,200	2,223,773	340,011	34,161	30,785,052	40,514,481
Total (A + B + C + D)	7,687,674	6,929,587	18,056,654	5,516,626	971,972	126,007	117,252,739	156,541,259

As at 31 December 2022, BPER Banca avails itself of the external ratings provided by three other rating agencies with respect to the previous year, Moody's, Standard & Poor's and Fitch, for the calculation of the capital absorptions for exposures to corporates, supervised intermediaries and covered bonds.

Cerved is confirmed to be used for exposures to corporates, Fitch for financial instruments pledged as collateral and Standard & Poor's for exposures to securitisation.

The rating classes of Scope Ratings, Cerved Group, Fitch Ratings and Standard & Poor's used by the BPER Banca Group have been interpreted with reference to the classes of creditworthiness of the debtors/guarantors according to prudential regulations. The rating agencies used are shown below, along with a table for the reconciliation between the external rating classes and the agencies' ratings.

The rating agencies used by the BPER Banca Group are shown below, along with a table for the reconciliation between the external rating classes and the agencies' ratings.

Long-term rating for exposures to companies:

Class of creditworthiness	Risk weighting coefficients	ECAI Cerved Group	ECAI Fitch Ratings	ECAI Moody's Ratings	ECAI S&P Ratings
1	20%	A1.1, A1.2, A1.3	from AAA to AA-	from Aaa to Aa3	from AAA to AA-
2	50%	A2.1, A2.2, A3.1	from A+ to A-	from A1 to A3	from A+ to A-
3	100%	B1.1, B1.2	from BBB+ to BBB-	from Baa1 to Baa3	from BBB+ to BBB-
4	100%	B2.1, B2.2	from BB+ to BB-	from Ba1 to Ba3	from BB+ to BB-
5	150%	C1.1	from B+ to B-	from B1 to B3	from B+ to B-
6	150%	C1.2, C2.1	less than CCC+	lower than Caa1	less than CC+

Long-term rating for exposures to Banks and Supervised Intermediaries:

Class of creditworthiness	Risk weighting coefficients	ECAI Fitch Ratings	ECAI Moody's Ratings	ECAI S&P Ratings
1	20%	from AAA to AA-	from Aaa to Aa3	from AAA to AA-
2	50%	from A+ to A-	from A1 to A3	from A+ to A-
3	50%	from BBB+ to BBB-	from Baa1 to Baa3	from BBB+ to BBB-
4	100%	from BB+ to BB-	from Ba1 to Ba3	from BB+ to BB-
5	100%	from B+ to B-	from B1 to B3	from B+ to B-
6	150%	less than CCC+	lower than Caa1	less than CC+

Long-term rating for exposures to Covered Bonds:

Class of creditworthiness	Risk weighting coefficients	ECAI Fitch Ratings	ECAI Moody's Ratings	ECAI S&P Ratings
1	10%	from AAA to AA-	from Aaa to Aa3	from AAA to AA-
2	20%	from A+ to A-	from A1 to A3	from A+ to A-
3	20%	from BBB+ to BBB-	from Baa1 to Baa3	from BBB+ to BBB-
4	50%	from BB+ to BB-	from Ba1 to Ba3	from BB+ to BB-
5	50%	from B+ to B-	from B1 to B3	from B+ to B-
6	100%	less than CCC+	lower than Caa1	less than CC+

Long-term rating for exposures to securitisations:

Class of creditworthiness	Risk weighting coefficients	ECAI Fitch Ratings	ECAI S&P Ratings
1	20%	from AAA to AA-	from AAA to AA-
2	50%	from A+ to A-	from A+ to A-
3	100%	from BBB+ to BBB-	from BBB+ to BBB-
4	350%	from BB+ to BB-	from BB+ to BB-
5	1250%	less than BB-	less than BB-

Long-term rating for exposures to Public Administrations:

Class of creditworthiness	Risk weighting coefficients	ECAI Scope Ratings
1	0%	from AAA to AA-
2	20%	from A+ to A-
3	50%	from BBB+ to BBB-
4	100%	from BB+ to BB-
5	100%	from B+ to B-
6	150%	from CCC to D

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees granted by internal rating classes (gross amounts)

Exposures	Internal rating classes							
	1	2	3	4	5	6	7	8
A. Financial assets measured at amortised cost	15,745,950	10,604,878	13,318,533	11,917,665	9,845,357	7,429,216	4,654,128	2,257,229
- Stage 1	15,600,304	10,326,572	12,419,984	10,337,034	8,239,554	6,204,176	3,707,114	1,390,062
- Stage 2	140,383	265,517	879,548	1,541,774	1,540,593	1,204,745	912,018	851,700
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	5,263	12,789	19,001	38,857	65,210	20,295	34,996	15,467
B. Financial assets measured at fair value through other comprehensive income	455,220	96,016	385,173	532,714	423,865	1,395,945	435,343	368,926
- Stage 1	455,220	96,016	385,173	527,774	423,865	1,389,508	428,022	334,602
- Stage 2	-	-	-	4,940	-	6,437	7,321	34,324
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. Financial assets classified as held for sale	60,107	72,322	146,517	102,791	148,811	116,577	63,880	37,907
- Stage 1	60,038	70,370	137,628	89,264	33,989	26,292	13,634	7,851
- Stage 2	69	1,835	8,889	13,415	114,796	90,260	49,882	29,926
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	117	-	112	26	25	364	130
Total (A + B + C)	16,261,277	10,773,216	13,850,223	12,553,170	10,418,033	8,941,738	5,153,351	2,664,062
D. Commitments to disburse funds and financial guarantees granted	11,885,165	7,837,277	5,652,022	7,261,654	3,150,265	2,393,915	331,802	393,702
- Stage 1	11,737,323	7,602,880	5,088,500	6,456,907	2,739,711	1,783,251	148,863	131,424
- Stage 2	147,294	234,397	563,522	804,370	410,554	610,664	182,939	262,278
- Stage 3	548	-	-	377	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	11,885,165	7,837,277	5,652,022	7,261,654	3,150,265	2,393,915	331,802	393,702
Total (A + B + C + D)	28,146,442	18,610,493	19,502,245	19,814,824	13,568,298	11,335,653	5,485,153	3,057,764

(cont.)

Exposures	Internal rating classes					Total
	9	10	11	12	13	
A. Financial assets measured at amortised cost	8,438,710	616,623	726,661	70,494	128,760	85,754,204
- Stage 1	8,102,818	150,385	483,150	-	16,762	76,977,915
- Stage 2	326,068	442,701	237,800	68,324	110,426	8,521,597
- Stage 3	-	6	-	-	-	6
- Purchased or originated credit impaired	9,824	23,531	5,711	2,170	1,572	254,686
B. Financial assets measured at fair value through other comprehensive income	2,769,847	125,887	145,512	-	10,571	7,145,019
- Stage 1	2,762,717	125,887	145,512	-	10,571	7,084,867
- Stage 2	7,130	-	-	-	-	60,152
- Stage 3	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-
C. Financial assets classified as held for sale	9,758	6,288	626	65	1,284	766,933
- Stage 1	4,765	-	-	-	-	443,831
- Stage 2	4,993	5,937	626	64	1,283	321,975
- Stage 3	-	-	-	-	-	-
- Purchased or originated credit impaired	-	351	-	1	1	1,127
Total (A + B + C)	11,218,315	748,798	872,799	70,559	140,615	93,666,156
D. Commitments to disburse funds and financial guarantees granted	57,309	27,958	33,092	1,537	8,814	39,034,512
- Stage 1	20,997	-	44	-	-	35,709,900
- Stage 2	35,782	27,958	33,048	1,537	8,713	3,323,056
- Stage 3	530	-	-	-	101	1,556
- Purchased or originated credit impaired	-	-	-	-	-	-
Total (D)	57,309	27,958	33,092	1,537	8,814	39,034,512
Total (A + B + C + D)	11,275,624	776,756	905,891	72,096	149,429	132,700,668

	With internal rating	Unrated	Total
On-balance-sheet exposures	93,666,156	22,360,622	116,026,778
Off-balance-sheet exposures	39,034,512	1,479,969	40,514,481
Total	132,700,668	23,840,591	156,541,259

On 24 June 2016, the ECB authorised the Group to use the IRB Advanced Method (PD, LGD, EAD parameters) for the quantification of the capital requirement for customers' credit risk.

The internal rating classes are shown as they are used in the management of credit risk. The Group's rating system for the valuation of counterparties is divided into a Large Corporate model, a Corporate model and an Individuals model. Creditworthiness classifications are represented by 13 rating classes regarding performing counterparties, differentiated by risk segment, and by a class relating to default. In turn, the 13 rating classes have been grouped into 5 operational classes, which indicate aggregate risk levels:

Operational classes (of risk)	Rating classes
High	10 - 11 - 12 - 13
Significant	8 - 9
Average	5 - 6 - 7
Low	3 - 4
Very low	1 - 2

On-balance sheet exposures include all the financial assets of the "Financial assets measured at fair value through other comprehensive income" portfolio, with the exception of equity instruments and the "Financial assets measured at amortised cost" portfolio; "off-balance sheet" exposures include all financial transactions other than on-balance sheet transactions (guarantees granted, commitments, derivatives) that involve the assumption of a credit risk, whatever the purpose of such transactions is (trading, hedging, etc.)

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.1 Guaranteed on and off-balance sheet credit exposures to banks

	Gross exposure	Net exposures	Collateral (1)				Personal guarantees (2)	
			Property - mortgages	Property - Finance leases	Securities	Other collateral	Credit derivatives	
							CLN	Other derivatives Central counterparties
1. Guaranteed on-balance sheet credit exposures:	1,530,014	1,530,005	-	-	1,499,401	-	-	-
1.1. fully guaranteed	1,525,427	1,525,418	-	-	1,499,401	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
1.2. partially guaranteed	4,587	4,587	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	85,270	85,255	-	-	-	-	-	-
2.1. fully guaranteed	54,578	54,570	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially guaranteed	30,692	30,685	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-

A.3.1 Guaranteed on- and off-balance sheet credit exposures to banks

(cont.)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Endorsement loans				
	Other derivatives			Public Administrations	Banks	Other financial companies	Other entities	
	Banks	Other financial companies	Other entities					
1. Guaranteed on-balance sheet credit exposures:	-	-	-	1,117	-	-	3,868	1,504,386
1.1. fully guaranteed	-	-	-	1,117	-	-	198	1,500,716
- of which non-performing	-	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-	-	3,670	3,670
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	-	-	-	38,717	-	-	37,412	76,129
2.1. fully guaranteed	-	-	-	38,717	-	-	15,852	54,569
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	21,560	21,560
- of which non-performing	-	-	-	-	-	-	-	-

A.3.2 Guaranteed on- and off-balance sheet credit exposures to customers

	Gross exposure	Net exposures	Collateral (1)				Personal guarantees (2)	
			Property - mortgages	Property - Finance leases	Securities	Other collateral	Credit derivatives	
							CLN	Other derivatives
								Central counterparties
1. Guaranteed on-balance sheet credit exposures:	55,679,744	54,380,573	35,935,512	2,180	972,971	373,005	-	-
1.1. fully guaranteed	46,670,867	45,563,144	35,476,904	2,180	649,686	229,886	-	-
- of which non-performing	1,442,191	745,887	602,090	221	3,866	4,291	-	-
1.2. partially guaranteed	9,008,877	8,817,429	458,608	-	323,285	143,119	-	-
- of which non-	282,324	152,288	26,270	-	10,517	470	-	-
2. Guaranteed off-balance sheet credit exposures:	5,495,373	5,481,111	45,690	-	254,074	167,771	-	-
2.1. fully guaranteed	4,650,466	4,637,784	41,794	-	159,866	106,417	-	-
- of which non-performing	67,355	58,494	10	-	2,297	1,969	-	-
2.2. partially guaranteed	844,907	843,327	3,896	-	94,208	61,354	-	-
- of which non-	9,984	9,507	-	-	2,020	385	-	-

A.3.2 Guaranteed on- and off-balance sheet credit exposures to customers

(cont.)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Endorsement loans				
	Other derivatives			Public Administrations	Banks	Other financial companies	Other entities	
	Banks	Other financial companies	Other entities					
1. Guaranteed on-balance sheet credit exposures:	-	-	-	7,087,100	6,718	202,304	7,294,184	51,873,974
1.1. fully guaranteed	-	-	-	3,175,746	6,442	179,061	5,839,247	45,559,152
- of which non-performing	-	-	-	63,161	371	1,476	70,411	745,887
1.2. partially guaranteed	-	-	-	3,911,354	276	23,243	1,454,937	6,314,822
- of which non-performing	-	-	-	55,613	-	1,124	18,744	112,738
2. Guaranteed off-balance sheet credit exposures:	-	-	-	248,628	13,715	111,616	4,345,949	5,187,443
2.1. fully guaranteed	-	-	-	133,076	11,536	108,677	4,072,824	4,634,190
- of which non-performing	-	-	-	1,595	6,653	527	45,442	58,493
2.2. partially guaranteed	-	-	-	115,552	2,179	2,939	273,125	553,253
- of which non-performing	-	-	-	782	-	-	3,241	6,428

A.4 Financial and non-financial assets deriving from the enforcement of guarantees

	Derecognised credit exposure	Gross value	Total impairment provisions	Book Value	
					of which obtained during the year
A. Property, plant and equipment	-	-	-	-	-
A.1. Used in operations	-	-	-	-	-
A.2. Held for investment	-	-	-	-	-
A.3. Inventories	-	-	-	-	-
B. Equity instruments and debt securities	-	-	-	-	-
C. Other assets	-	-	-	-	-
D. Non-current assets and disposal groups classified as held for sale	4,483	6,012	-	6,012	2,366
D.1. Property, plant and equipment	4,483	6,012	-	6,012	2,366
D.2. Other assets	-	-	-	-	-
Total 31.12.2022	4,483	6,012	-	6,012	2,366
Total 31.12.2021	-	-	-	-	-

B. Distribution and concentration of credit exposures

B.1 Breakdown by sector of on- and off-balance sheet credit exposures to customers

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: insurance companies)	
	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions
A. On-balance-sheet exposures						
A.1 Bad loans	75	37	118	524	-	-
- of which: forborne exposures	-	-	-	-	-	-
A.2 Unlikely-To-Pay loans	415	104	37,504	16,381	-	-
- of which: forborne exposures	-	-	34,481	11,443	-	-
A.3 Non-performing past due exposures	45	12	264	234	-	-
- of which: forborne exposures	-	-	-	-	-	-
A.4 Performing exposures	15,895,283	8,029	12,431,146	33,056	182,282	24
- of which: forborne exposures	5,466	81	22,013	813	-	-
Total (A)	15,895,818	8,182	12,469,032	50,195	182,282	24
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures	1,428	-	107	73	-	-
B.2 Performing exposures	916,910	168	2,850,087	426	32,030	1
Total (B)	918,338	168	2,850,194	499	32,030	1
Total (A+B) 31.12.2022	16,814,156	8,350	15,319,226	50,694	214,312	25
Total (A+B) 31.12.2021	15,156,922	7,332	12,836,537	104,559	234,162	209

B.1 Breakdown by sector of on- and off-balance sheet credit exposures to customers

(cont.)

Exposures/Counterparties	Non-financial companies		Households	
	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions
A. On-balance-sheet exposures				
A.1 Bad loans	79,606	272,630	40,327	59,898
- of which: forborne exposures	16,068	48,756	8,242	14,433
A.2 Unlikely-To-Pay loans	567,718	594,476	232,101	191,179
- of which: forborne exposures	321,854	311,281	109,017	91,739
A.3 Non-performing past due exposures	23,772	11,191	43,786	19,291
- of which: forborne exposures	-	-	213	40
A.4 Performing exposures	36,194,024	415,039	33,364,120	147,734
- of which: forborne exposures	1,215,109	99,188	559,459	17,993
Total (A)	36,865,120	1,293,336	33,680,334	418,102
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	281,703	58,941	7,287	1,023
B.2 Performing exposures	29,996,251	52,737	2,166,429	10,691
Total (B)	30,277,954	111,678	2,173,716	11,714
Total (A+B) 31.12.2022	67,143,074	1,405,014	35,854,050	429,816
Total (A+B) 31.12.2021	61,261,767	1,614,272	29,838,756	468,451

B.2 Breakdown by geographical area of on- and off-balance sheet credit exposures to customers

Exposures/Geographical areas	Italy		Other European countries		America
	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure
A. On-balance-sheet credit exposures					
A.1 Bad loans	120,096	332,879	23	210	7
A.2 Unlikely-To-Pay loans	836,596	800,584	897	1,179	218
A.3 Non-performing past due exposures	67,638	30,556	202	129	7
A.4 Performing exposures	90,208,199	599,844	5,397,532	3,199	1,498,944
Total (A)	91,232,529	1,763,863	5,398,654	4,717	1,499,176
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	289,628	60,035	897	2	-
B.2 Performing exposures	35,674,372	63,976	206,477	45	48,455
Total (B)	35,964,000	124,011	207,374	47	48,455
Total (A+B) 31.12.2022	127,196,529	1,887,874	5,606,028	4,764	1,547,631
Total (A+B) 31.12.2022	110,639,871	2,142,176	5,941,964	50,512	1,606,346

B.2 Breakdown by geographical area of on- and off-balance sheet credit exposures to customers

(cont.)

Exposures/Geographical areas	United States		Asia		Rest of the world
	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions
A. On-balance-sheet exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely-To-Pay loans	362	-	-	27	15
A.3 Non-performing past due exposures	17	17	15	3	11
A.4 Performing exposures	715	273,541	61	506,357	39
Total (A)	1,094	273,558	76	506,387	65
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	-	-	-
B.2 Performing exposures	-	160	1	213	-
Total (B)	-	160	1	213	-
Total (A+B) 31.12.2022	1,094	273,718	77	506,600	65
Total (A+B) 31.12.2021	1,807	356,754	66	549,047	53

The territorial distribution of exposures to customers is presented below, considering just the component of loans and distinguishing between Stage classifications:

Exposures/Geographical areas	ITALY			Other European countries			United States		
	Gross exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure
Total	81,661,589	(1,739,741)	79,921,848	420,756	(3,455)	417,301	30,427	(842)	29,585
Stage 1	70,381,735	(174,434)	70,207,301	399,255	(1,275)	397,980	27,393	(384)	27,009
Stage 2	8,841,757	(389,004)	8,452,753	18,502	(676)	17,826	897	(38)	859
Stage 3	1,247,664	(691,909)	555,755	2,214	(1,238)	976	250	(170)	80
Purchased or originated credit-impaired financial assets	1,190,433	(484,394)	706,039	785	(266)	519	1,887	(250)	1,637

(cont.)

Exposures/Geographical areas	Asia			Rest of the world		
	Gross exposure	Total impairment provisions	Net exposure	Gross exposure	Total impairment provisions	Net exposure
Total	6,652	(46)	6,606	1,437	(37)	1,400
Stage 1	6,179	(10)	6,169	1,232	(1)	1,231
Stage 2	441	(21)	420	145	(8)	137
Stage 3	32	(15)	17	58	(27)	31
Purchased or originated credit-impaired financial assets	-	-	-	2	(1)	1

B.2 Breakdown by geographical area of on- and off-balance sheet credit exposures to customers

Exposures/Geographical areas	North West Italy		North East Italy		Centre Italy		South Italy and islands	
	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions
A. On-balance-sheet exposures								
A.1 Bad loans	38,546	65,182	23,535	78,060	22,342	65,904	35,673	123,733
A.2 Unlikely-To-Pay loans	324,700	265,779	194,405	200,284	152,570	148,883	164,921	185,638
A.3 Non-performing past due exposures	26,621	11,751	9,049	3,238	12,922	7,239	19,046	8,328
A.4 Performing exposures	30,211,711	290,159	23,169,428	101,991	22,289,548	122,722	14,537,512	84,972
Total (A)	30,601,578	632,871	23,396,417	383,573	22,477,382	344,748	14,757,152	402,671
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	54,757	17,006	144,815	25,720	62,336	13,242	27,720	4,067
B.2 Performing exposures	15,714,903	44,025	10,564,627	11,886	5,573,928	3,868	3,820,914	4,197
Total (B)	15,769,660	61,031	10,709,442	37,606	5,636,264	17,110	3,848,634	8,264
Total (A+B) 31.12.2022	46,371,238	693,902	34,105,859	421,179	28,113,646	361,858	18,605,786	410,935
Total (A+B) 31.12.2021	38,466,525	562,212	30,222,664	651,011	23,124,658	354,383	18,826,024	574,570

B.3 Breakdown by geographical area of on- and off-balance sheet credit exposures to banks

Exposures/Geographical areas	Italy		Other European countries		America
	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure
A. On-balance-sheet credit exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely-To-Pay loans	-	-	-	-	-
A.3 Non-performing past due	-	-	-	-	-
A.4 Performing exposures	19,723,608	7,641	7,838,046	21,603	215,400
Total (A)	19,723,608	7,641	7,838,046	21,603	215,400
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	-	-	-
B.2 Performing exposures	2,254,030	135	1,078,534	7,854	124,647
Total (B)	2,254,030	135	1,078,534	7,854	124,647
Total (A+B) 31.12.2022	21,977,638	7,776	8,916,580	29,457	340,047
Total (A+B) 31.12.2021	25,856,043	8,566	7,937,914	1,719	246,814

B.3 Breakdown by geographical area of on- and off-balance sheet credit exposures to banks

(cont.)

Exposures/Geographical areas	United States		Asia		Rest of the world	
	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	
A. On-balance-sheet exposures						
A.1 Bad loans	-	-	-	-	-	-
A.2 Unlikely-To-Pay loans	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-
A.4 Performing exposures	244	105,596	47	1,287,885		79
Total (A)	244	105,596	47	1,287,885		79
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures	-	-	-	-		-
B.2 Performing exposures	40	583,593	45	119,699		15
Total (B)	40	583,593	45	119,699		15
Total (A+B) 31.12.2022	284	689,189	92	1,407,584		94
Total (A+B) 31.12.2021	36	563,079	78	1,451,387		84

B.3 Breakdown by geographical area of on- and off-balance sheet credit exposures to banks

Exposures/Geographical areas	North West Italy		North East Italy		Centre Italy		South Italy and islands	
	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions	Net exposure	Total impairment provisions
A. On-balance-sheet exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely-To-Pay loans	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,692,095	2,819	348,258	262	14,128,724	4,560	3,554,531	-
Total (A)	1,692,09	2,819	348,258	262	14,128,72	4,560	3,554,53	-
B. Off-balance sheet credit exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	1,858,418	132	272,740	3	32,244	-	90,628	-
Total (B)	1,858,418	132	272,740	3	32,244	-	90,628	-
Total (A+B) 31.12.2022	3,550,51	2,951	620,998	265	14,160,96	4,560	3,645,15	-
Total (A+B) 31.12.2021	2,097,62	2,824	459,724	139	20,398,30	5,603	2,900,39	-

B.4 Large exposures

	31.12.2022	31.12.2021
a) Book value	28,239,017	25,156,526
b) Weighted value	7,158,967	4,749,727
c) Number	17	16

This measurement was made on the basis of the updates to Circular 285 which regulate "large exposures".

The rules define as a "large exposure" the amount of on-balance-sheet assets at risk and off-balance sheet transactions of a single customer or group of related customers that come to 10% or more of eligible capital.

Note that repurchase agreements are included in the amount of risk activities. These transactions contribute to the value of the counterparty exposure for the amount of "securities to be received", while they contribute to the exposure after CRM and exemptions under art. 400 CRR only for the difference between the amount of "securities to be received" and the cash deposit received.

At 31 December 2022, there are 17 "large exposures" for an overall amount of Euro 28,239 million, corresponding to Euro 7,159 million after CRM and exemptions under art. 400 CRR. Of these, repurchase agreements account for Euro 3,812 million and Euro 235.3 million respectively.

For an amount of approximately 60% of the total, the positions shown include the State Treasury, the Ministry of Economy and Finance and the Cassa di Compensazione e Garanzia (Italian central clearing house) for a total exposure of Euro 14,295 million, Euro 1,187 million after CRM and exemptions.

The rest is made up of leading European and world companies/banks (for Euro 13,944 million, Euro 5,972 million after CRM and exemptions) and an associated/related company."

To facilitate an understanding of the degree of concentration of loans, the nominal value of major exposures has been provided.

Risk concentration:

Reference date: 31.12.2022	Amount of the exposure	Amount of the exposure after CRM and exemptions under art. 400 CRR
First 5 exposures	18,289,310	1,847,281
First 10 exposures	23,571,825	3,574,335
First 20 exposures	29,781,856	8,122,975

Reference date: 31.12.2021	Amount of the exposure	Amount of the exposure after CRM and exemptions under art. 400 CRR
First 5 exposures	16,379,109	1,288,353
First 10 exposures	20,859,119	3,174,474
First 20 exposures	27,059,903	6,441,989

C. Securitisation transactions

Qualitative Information

The primary objectives of the securitisation transactions arranged by the Group in relation to non-performing loans are:

- to improve the asset structure of the banks concerned;
- to facilitate loan recovery strategies and make them more efficient (by centralising work with one group of lawyers);
- to exercise rigorous, direct control over higher risk loans, without modifying the overall risk profile.

Transactions involving performing contracts are, on the other hand, arranged in order to optimise sources of funding.

The transactions of the BPER Banca Group, other than self-securitisations⁶², still outstanding at 31 December 2022 as explained in Section 1.4 below, are as follows:

- Italian Credit Recycle
- Restart
- AQUA SPV
- Spring SPV
- Summer SPV
- Groggi SPV (execution of the “Skywalker” sale project)
- Pillarstone
- Sestante no. 2
- Sestante no. 3
- Grecale 2015
- Brisca Securitisation
- Riviera NPL
- Lanterna Mortgage
- Lanterna Finance 4.

⁶² The information report provided on the so-called “Self-securitisations” is provided in paragraph Section 4 – Liquidity risk, below

Italian Credit Recycle (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	20 June 2017
Seller:	Nuova Cassa di Risparmio di Ferrara s.p.a.
Special purpose vehicle:	Italian Credit Recycle s.r.l., based in Rome
<i>Servicer:</i>	Master Gardant s.p.a., acting as Servicer, Corporate Servicer, Calculation and Paying Agent.
Issue date of securities	28 June 2017
Type of transaction	Traditional
Organisation	Master Gardant s.p.a. prepares a quarterly report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of securitised assets	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 252 million.
Disposal price of securitised assets	The disposal price was Euro 41 million.
Guarantees and credit lines granted by the bank	None.
Guarantees and credit lines granted by third parties	None.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022
IT0005274565	Senior	Dec-37	22,400	-
IT0005274573	Junior	Dec-37	18,600	1
Total			41,000	1

The securities were placed with institutional investors on issue and, for a residual part, were subscribed by BPER Banca (Euro 2.2 million).

Restart (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	20 June 2017
Seller:	Nuova Cassa di Risparmio di Ferrara s.p.a.
Special purpose vehicle:	Restart SPV s.r.l., based in Rome
Servicer:	Master Gardant s.p.a., acting as Servicer, Corporate Servicer, Calculation and Paying Agent.
Issue date of securities	20 June 2017
Type of transaction	Traditional
Organisation	Master Gardant s.p.a. prepares a quarterly report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of securitised assets	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 343 million.
Disposal price of securitised assets	The disposal price was Euro 22 million.
Guarantees and credit lines granted by the bank	None.
Guarantees and credit lines granted by third parties	None.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022
IT0005274532	Senior	Dec-37	18,200	70
IT0005274540	Junior	Dec-37	14,800	679
Total			33,000	749

The securities were placed with institutional investors on issue and, for a residual part, were subscribed by BPER Banca (Euro 1.8 million).

AQUI SPV S.R.L. (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	02 October 2018
Seller:	BPER Banca s.p.a.; Cassa di Risparmio di Bra s.p.a.; Cassa di Risparmio di Saluzzo s.p.a.
Special purpose vehicle:	AQUI SPV s.r.l., based in Conegliano (Treviso)
<i>Servicer:</i>	Prelios Credit Servicing s.p.a., as Servicer.
Issue date of securities	07 November 2018
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Prelios Credit Servicing s.p.a. prepares a half-year report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of securitised assets	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 2,082 million.
Disposal price of securitised assets	The disposal price was Euro 618 million.
Guarantees and credit lines granted by the bank	Subordinated loan of Euro 27.235 million.
Guarantees and credit lines granted by third parties	Cap Agreement to hedge interest rates on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022	Rating Scope	Rating Moody's
IT0005351330	Senior	Oct-38	544,700	305,918	BB	Baa3
IT0005351348	Mezzanine	Oct-38	62,900	3,145	n.r.	n.r.
IT0005351355	Junior	Oct-38	10,852	543	n.r.	n.r.
Total			618,452	309,606		

The notes were fully subscribed by BPER Banca s.p.a. on issue. The Mezzanine and Junior notes were subsequently placed with institutional investors net of a residual part equal to 5% (Euro 3.7 million), kept by BPER Banca in compliance with the retention obligations prescribed by the CRR (Capital Requirements Regulation).

Spring (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	01 June 2020
Seller:	BPER Banca s.p.a.; Banco di Sardegna s.p.a.; Cassa di Risparmio di Bra s.p.a.
Special purpose vehicle:	SPRING SPV s.r.l., based in Conegliano (Treviso)
<i>Servicer:</i>	Prelios Credit Servicing s.p.a., as Servicer.
Issue date of securities	18 June 2020
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Prelios Credit Servicing s.p.a. prepares a half-year report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of securitised assets	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 1,377 million.
Disposal price of securitised assets	The disposal price was Euro 341 million.
Guarantees and credit lines granted by the bank	Subordinated loan of Euro 16.450 million.
Guarantees and credit lines granted by third parties	Cap Agreement to hedge interest rates on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022	Rating Scope	Rating Moody's
IT0005413197	Senior	Sep-40		320,000	150435	BBB+
IT0005413213	Mezzanine	Sep-40		20,000	1000	n.r.
IT0005413221	Junior	Sep-40		3,400	170	n.r.
Total			343,400	151,605		

The securities were fully subscribed by BPER Banca s.p.a. and Banco di Sardegna s.p.a. on issue. The Mezzanine and Junior notes were subsequently placed with institutional investors net of a residual part equal to 5% (Euro 1.2 million), kept by BPER Banca s.p.a. in compliance with the retention obligations prescribed by the CRR (Capital Requirements Regulation).

Summer (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	18 December 2020
Seller:	BPER Banca S.p.A ; Banco di Sardegna s.p.a.
Special purpose vehicle:	SUMMER SPV s.r.l., based in Conegliano (Treviso)
<i>Servicer:</i>	- Fire s.p.a. as Special Servicer and - Banca Finint s.p.a. as Master Servicer.
Issue date of securities	30 December 2020
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Banca Finint s.p.a. prepares a half-year report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of securitised assets	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 322 million.
Disposal price of securitised assets	The disposal price was Euro 86 million.
Guarantees and credit lines granted by the bank	Subordinated loan of Euro 3.666 million.
Guarantees and credit lines granted by third parties	Cap Agreement to hedge interest rates on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022	Rating Scope	Rating Moody's
IT0005432445	Senior	Oct-40		85,400	56921	BBB
IT0005432452	Mezzanine	Oct-40		10,000	500	n.r.
IT0005432460	Junior	Oct-40		1,000	50	n.r.
Total			96,400	57,471		

The Senior notes were fully subscribed by BPER Banca s.p.a. and Banco di Sardegna s.p.a.. The Mezzanine and Junior notes were placed with an institutional investor and for a residual part equal to 5% (Euro 550 thousand), they were subscribed by BPER Banca s.p.a. in compliance with the retention obligations prescribed by the CRR (Capital Requirements Regulation).

Grogu (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	28 July 2021
Seller:	BPER Banca s.p.a.; Banca Intesa San Paolo S.p. A.
Special purpose vehicle:	GROGU SPV s.r.l., based in Conegliano (Treviso)
<i>Servicer:</i>	Prelios Credit Servicing s.p.a., as Special Servicer and Banca Finint s.p.a. as Master Servicer.
Issue date of securities	15 December 2021
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Banca Finint s.p.a. prepares a quarterly report that it shares with investors.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of securitised assets	Non-performing
Amount of securitised assets	The amount of receivables from the portfolios sold is Euro 3,077 million, of which 914 million relating to the BPER portfolio and 2,163 million relating to the Intesa San Paolo portfolio.
Disposal price of securitised assets	The disposal price was Euro 500 million.
Guarantees and credit lines granted by the bank	Subordinated loan of Euro 8.4 million.
Guarantees and credit lines granted by third parties	Subordinated Loan of Euro 12.2 million granted by Intesa San Paolo. Cap Agreement to hedge the rates on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Subscribed amount	Residual balance at 31.12.2022	Rating Scope	Rating Moody's	Rating DBRS
IT0005473852	Senior	Jan-42	460,000	187,680	140,582	BBB+ (sf)	Baa1	BBB (high)
IT0005473860	Mezzanine	Jan-42	37,000	4,757	550	n.r.	n.r.	n.r.
IT0005473878	Junior	Jan-42	3,000	386	45	n.r.	n.r.	n.r.
Total			500,000	192,823	141,177			

The Senior securities were subscribed to in proportion to the price of sale by BPER Banca and Intesa San Paolo. The Mezzanine and Junior notes were placed with an institutional investor and for a residual part equal to 5% (Euro 550 thousand), they were subscribed by BPER Banca s.p.a. in compliance with the retention obligations prescribed by the CRR (Capital Requirements Regulation).

Pillarstone

During 2017, BPER Banca securitised a loan of 21 million US dollars granted to Premuda S.p.a., through the vehicle Pillarstone Italy SPV s.r.l. (established under Law 130/99).

The transaction, carried out jointly with other important Italian banks, was carried out in order to allow a restructuring of the receivables from Premuda S.p.a., with the aim of facilitating and increasing the recoveries of the securitised exposures.

The sale was finalized with the issue by the vehicle of Super Senior class securities (subscribed by third parties), of Senior and Junior class securities (fully subscribed by the bank).

The transaction also involves the transfer of all the loans purchased by the vehicle (Pillarstone Italy SPV s.r.l.) to a company (Pillarstone Italy Holding S.p.a.) which, through separate assets established pursuant to art. 2447-bis letter a) of the Italian Civil Code, provides for the restructuring of the loans due from the Premuda group.

BPER Banca does not hold any interest in the companies indicated above.

None of the securities issued by the SPV have a rating.

To match the derecognition of the loan, the Parent Company has recognised the securities subscribed as an asset.

The carrying value of the securities of US dollar 81,575 thousand and Euro 25,645 thousand includes the securities previously pertaining to the acquiree Banca Carige s.p.a. and is equal to the amount of the restructured loan entered into between Pillarstone Italy Holding s.p.a. and the Premuda group.

The "own" transactions also include those originated by the Banks absorbed by BPER Banca s.p.a. In particular, they include:

- the securities issued by Sestante Finance SPV s.r.l. deriving from transactions originated by Meliorbanca s.p.a., which was absorbed by BPER Banca in 2012;
- the "Grecale" securities deriving from transactions originated by Unipol Banca s.p.a., which was absorbed by BPER Banca in 2019.

Sestante no. 2

Disposal date:	03 December 2004
Seller:	Meliorbanca S.p.a.
Special purpose vehicle:	Sestante Finance s.r.l., based in Via Mario Carucci 131, Rome
<i>Servicer:</i>	Italfondiaro Spa
Issue date of securities	03 December 2004
Type of transaction	Traditional
Organisation	Italfondiaro S.p.a. provides a quarterly report on the collections in which it comments on the activity carried out with indications relating to collections, providing specific details about interest and principal payments.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Servicer.

The operational aspects are summarised below:

Assets sold	ABS securities with mortgage loans on residential and commercial properties as underlying
Quality of securitised assets	Performing loans
Amount of securitised assets	The nominal value of ABS securities issued by Sestante W Srl was Euro 858 million.
Disposal price of securitised assets	The disposal price was Euro 900 million.
Guarantees and credit lines granted by the bank	None.
Guarantees and credit lines granted by third parties	Contingency liquidity
Analysis by business sector	Mortgage agreements stipulated with both individuals and legal entities excluding Public Administrations.
Analysis by geographical area	Securitised loans are concentrated in Italy.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022
IT0003760136	Senior	Jul-42	575,300	
IT0003760193	Mezzanine	Jul-42	34,400	
IT0003760227	Mezzanine	Jul-42	15,600	
IT0003760243	Mezzanine	Jul-42	21,900	
IT0003760284	Junior	Jul-42	6,253	
Total			653,453	-

The Senior and Mezzanine securities were placed with institutional investors on issue, while the Junior securities were subscribed by the merged company Meliorbanca s.p.a. and subsequently sold on the secondary market.

Sestante no.3

Disposal date:	16 December 2005
Seller:	Meliiorbanca S.p.a.
Special purpose vehicle:	Sestante Finance s.r.l., based in Via Mario Carucci 131, Rome
<i>Servicer:</i>	Italfondario Spa
Issue date of securities	16 December 2005
Type of transaction	Traditional
Organisation	Italfondario S.p.a. provides a quarterly report on the collections in which it comments on the activity carried out with indications relating to collections, providing specific details about interest and principal payments.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Servicer.

The operational aspects are summarised below:

Assets sold	ABS securities with mortgage loans on residential and commercial properties as underlying
Quality of securitised assets	Performing loans
Amount of securitised assets	The nominal value of ABS securities issued by Sestante W Srl was Euro 858 million.
Disposal price of securitised assets	The disposal price was Euro 900 million.
Guarantees and credit lines granted by the bank	None.
Guarantees and credit lines granted by third parties	Contingency liquidity
Analysis by business sector	Mortgage agreements stipulated with both individuals and legal entities excluding Public Administrations.
Analysis by geographical area	Securitised loans are concentrated in Italy.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022
IT0003937452	Senior	Jul-45	791,900	
IT0003937486	Mezzanine	Jul-45	47,350	
IT0003937510	Mezzanine	Jul-45	21,500	
IT0003937569	Mezzanine	Jul-45	30,150	
IT0003937551	Junior	Jul-45	8,610	
Total			899,510	-

The Senior and Mezzanine securities were placed with institutional investors on issue, while the Junior securities were subscribed by the merged company Meliorbanca s.p.a. and subsequently sold on the secondary market.

Grecale 2015

Disposal date:	25 September 2015
Seller:	Unipol Banca S.p.a.
Special purpose vehicle:	Grecale RMBS 2015 s.r.l., based in Via Alfieri 1, 31015 Conegliano (TV)
<i>Service:</i>	BPER Banca s.p.a. (former Unipol Banca s.p.a.), in the role of Servicer - Corporate Servicer and Cash Manager, BNP Paribas – in the role of Account Bank and Paying Agent, Securitisation Services in the role of Administrative Servicer and Calculation Agent.
Issue date of securities	24 November 2015
Type of transaction	Traditional
Organisation	BPER Banca s.p.a. (former Unipol Banca s.p.a.) provides a quarterly report on the collections in which it comments on the activity carried out with indications relating to collections, providing specific details about interest and principal payments. The Corporate Servicer activity has been delegated to Banca Finint s.p.a. since the absorption date of Unipol Banca into BPER Banca.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Originator. This activity has been delegated to the Servicer since the absorption date of Unipol Banca into BPER Banca.

The operational aspects are summarised below:

Assets sold	Mortgage loans on residential and commercial properties
Quality of securitised assets	Performing loans
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 728 million.
Disposal price of securitised assets	The disposal price was Euro 728 million.
Guarantees and credit lines granted by the bank	Subordinated loan for Euro 19.5 million.
Guarantees and credit lines granted by third parties	None.
Analysis by business sector	Mortgage agreements stipulated with both individuals and legal entities excluding Public Administrations.
Analysis by geographical area	Securitised loans are concentrated in Italy.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2022	Rating Fitch	Rating DBRS
IT0005143836	Senior	Dec-67	573,500	-	AA	AAA
IT0005143844	Mezzanine	Dec-67	58,100	58,100	A+	AAA
IT0005143851	Mezzanine	Dec-67	29,000	29,000	A+	AA
IT0005143869	Junior	Dec-67	65,378	65,378	n.r.	n.r.
Total			725,978	152,478		

Brisca Securitisation s.r.l.

Disposal date:	16 June 2017
Seller:	Banca Carige s.p.a.; Banca Cesare Ponti s.p.a.; Banca del Monte di Lucca s.p.a.
Special purpose vehicle:	Brisca Securitisation s.r.l.
<i>Servicer:</i>	Prelios Credit Servicing s.p.a., as Servicer; Zenith Service s.p.a. as Monitoring Agent.
Issue date of securities	05 July 2017
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Banca Finint s.p.a. as Representative of the Noteholders, Calculation Agent, BUS and Corporate Services Provider; BNP Paribas S.S. as Agent Bank, Account Bank Cash Manager and Principal Paying Agent.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of securitised assets	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 961 million.
Disposal price of securitised assets	The disposal price was Euro 309.7 million.
Guarantees and credit lines granted by the bank	None
Guarantees and credit lines granted by third parties	Cap Agreement to hedge interest rates on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Subscribed amount	Residual balance at 31.12.2022	Rating DBRS	Rating Moody's
IT0005274599	Senior	Dec-37	267,400	267,400	103,343	CCC (sf)	Ba3 (sf)
IT0005274607	Mezzanine	Dec-37	30,500	-	-	CC (sf)	Caa3 (sf)
IT0005274615	Junior	Dec-37	11,800	-	-	n.r.	n.r.
Total			309,700	267,400	103,343		

Riviera NPL s.r.l.

Disposal date:	04 December 2018
Seller:	Banca Carige s.p.a.; Banca del Monte di Lucca s.p.a.
Special purpose vehicle:	Riviera NPL s.r.l.
<i>Servicer:</i>	Credito Fondiario s.p.a. as Master Servicer; Credito Fondiario s.p.a. as Special Servicer A and Italfondario s.p.a. as Special Servicer B; Zenit Service s.p.a. as Monitoring Agent
Issue date of securities	17 December 2018
Type of transaction	Traditional with Guarantee from the Ministry of Economy and Finance (GACS or Bad Loan Securitisation Guarantee)
Organisation	Banca Finint s.p.a. as Representative of the Noteholders, Calculation Agent, BUS and Corporate Services Provider; BNP Paribas S.S. as Agent Bank, Account Bank Cash Manager and Principal Paying Agent.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of securitised assets	Non-performing
Amount of securitised assets	The total nominal value of the loan portfolio sold is Euro 963 million.
Disposal price of securitised assets	The disposal price was Euro 215 million.
Guarantees and credit lines granted by the bank	During the loan disposal phase, Banca Carige s.p.a. disbursed a subordinated loan facility of Euro 7 million
Guarantees and credit lines granted by third parties	Cap Agreement to hedge interest rate risk on the notes issued.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Subscribed amount	Residual balance at 31.12.2022	Rating Scope	Rating Moody's
IT0005356040	Senior	Jul-36	175,000	175,000	85,058	BB+ (sf)	Ba1 (sf)
IT0005356057	Mezzanine	Jul-36	30,000	1,500	1,500	CCC (sf)	Ca (sf)
IT0005356065	Junior	Jul-36	10,000	500	500	n.r.	n.r.
Total			215,000	177,000	87,058		

Lanterna Mortgage s.r.l.

Disposal date:	16 July 2020
Seller:	Banca Carige s.p.a.; Banca del Monte di Lucca s.p.a.
Special purpose vehicle:	Lanterna Mortgage s.r.l., with registered office in Via della Cassa di Risparmio 15, Genoa
<i>Servicer:</i>	BPER Banca s.p.a. (former Banca Carige s.p.a.), in the role of Servicer - Corporate Servicer and Cash Manager.
Issue date of securities	31 July 2020
Type of transaction	Traditional - STS compliant
Organisation	BNY Mellon in the role of Account Bank and Paying Agent; Zenith Services as Representative of the Noteholders and BUS; Prime Collateralised Securities EU SAS as Third Party Verifying STS compliance
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Originator. This activity has been delegated to Servicer since the absorption date of Banca Carige into BPER Banca.

The operational aspects are summarised below:

Disposal date:	08 June 2021
Seller:	Banca Carige s.p.a.; Banca del Monte di Lucca s.p.a.
Special purpose vehicle:	Lanterna Finance s.r.l., with registered office in Via della Cassa di Risparmio 15, 16123 - Genoa
<i>Servicer:</i>	BPER Banca s.p.a. (former Banca Carige s.p.a.), in the role of Servicer - Corporate Servicer and Cash Manager.
Issue date of securities	30 June 2021
Type of transaction	Traditional - STS compliant
Organisation	BNY Mellon in the role of Account Bank, Calculation Agent and Paying Agent; Zenith Services as Representative of the Noteholders and BUS; Prime Collateralised Securities EU SAS as Third Party Verifying STS compliance
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Originator. This activity has been delegated to Servicer since the absorption date of Banca Carige into BPER Banca.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Subscribed amount	Residual balance at 31.12.2022	Rating DBRS	S&P rating
IT0005417990	A1	Jan-65	173,891	-	-	AAA	AA
IT0005418006	A2	Jan-65	11,179	11,179	11,179	AAA	AA
IT0005418014	Junior	Jan-65	69,034	69,034	69,034	n.r.	n.r.
Total			254,104	80,213	80,213		

Lanterna Finance 4

Disposal date:	08 June 2021
Seller:	Banca Carige s.p.a.; Banca del Monte di Lucca s.p.a.
Special purpose vehicle:	Lanterna Finance s.r.l., with registered office in Via della Cassa di Risparmio 15, 16123 - Genoa
<i>Servicer:</i>	BPER Banca s.p.a. (former Banca Carige s.p.a.), in the role of Servicer - Corporate Servicer and Cash Manager.
Issue date of securities	30 June 2021
Type of transaction	Traditional - STS compliant
Organisation	BNY Mellon in the role of Account Bank, Calculation Agent and Paying Agent; Zenith Services as Representative of the Noteholders and BUS; Prime Collateralised Securities EU SAS as Third Party Verifying STS compliance
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Originator. This activity has been delegated to Servicer since the absorption date of Banca Carige into BPER Banca.

The operational aspects are summarised below:

Assets sold	Mortgages granted to SMEs assisted by the specific Guarantee Provision
Quality of securitised assets	Performing loans
Amount of securitised assets	The total claimed principal amount of the loan portfolio sold is Euro 384 million.
Disposal price of securitised assets	The disposal price was Euro 384 million.
Guarantees and credit lines granted by the bank	Subordinated loan for Euro 3.275 million disbursed pro rata by Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a.
Guarantees and credit lines granted by third parties	None.
Analysis by business sector	Mortgage agreements stipulated with legal entities with SME status pursuant to Law 662/96.
Analysis by geographical area	Securitised loans refer to borrowers based in Italy.

The special purpose vehicle has issued the following bonds:

ISIN code	Seniority	Maturity	Issue amount	Subscribed amount	Residual balance at 31.12.2022	Moody's	S&P rating
IT0005450710	Senior	Apr-50	320,000	-	-	A3	A
IT0005450728	Junior	Apr 2050	62,700	62,700	62,700	n.r.	n.r.
Total			382,700	62,700	62,700		

Quantitative Information

C.1 Breakdown of exposures deriving from the main “own” securitisations by type of securitised asset and type of exposure

Type of securitised assets/Exposure	On-balance-sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Net impairment losses	Book Value	Net impairment losses	Book Value	Net impairment losses
A. Fully derecognised	817,361	1,623	28,554	-	4	-
- performing residential mortgages	1,182	12	-	-	-	-
- non-performing residential mortgages	110,195	218	320	-	1	-
- non-performing non-residential mortgages	392,561	774	880	-	1	-
- non-performing leases	23	-	680	-	-	-
- other non-performing loans	313,400	619	26,674	-	2	-
B. Partially derecognised	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	256,502	-
- performing residential mortgages	-	-	-	-	246,981	-
- other performing loans	-	-	-	-	9,521	-

(cont.)

Type of securitised assets/Exposure	Guarantees granted					
	Senior		Mezzanine		Junior	
	Net exposure	Net impairment losses	Net exposure	Net impairment losses	Net exposure	Net impairment losses
A. Fully derecognised	2,229	23	-	-	-	-
- performing residential mortgages	2,229	23	-	-	-	-
- non-performing residential mortgages	-	-	-	-	-	-
- non-performing non-residential mortgages	-	-	-	-	-	-
- non-performing leases	-	-	-	-	-	-
- other non-performing loans	-	-	-	-	-	-
B. Partially derecognised	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	-	-

The table shows the on-balance-sheet exposures assumed by the Group in connection with its own securitisations Sestante, Pillarstone, Restart, Italian Credit Recycle, Brisca, 4Mori, Aqui, Riviera, Spring, Summer, Grogü.

"Net impairment losses" show the annual flow of impairment losses and write-backs as required by the Bank of Italy's Circular 262/2005. The parts of the table relating to "Credit Lines" have not been shown as there is nothing to report.

The parts of the table relating to "Credit Lines" have not been shown as there is nothing to report.

C.2 Breakdown of exposures deriving from the main “third-party” securitisations by type of securitised asset and type of exposure

Type of underlying asset/Exposures	On-balance-sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Net impairment losses	Book Value	Net impairment losses	Book Value	Net impairment losses
- performing residential mortgages	16,478	4	-	-	-	-
- non-performing residential mortgages	3,280	1	-	-	-	-
- other performing loans	37,602	-	-	-	-	-
- other non-performing loans	656	1	-	-	-	-

(cont.)

Type of underlying asset/Exposures	Credit lines					
	Senior		Mezzanine		Junior	
	Net exposure	Net impairment losses	Net exposure	Net impairment losses	Net exposure	Net impairment losses
- performing residential mortgages	-	-	-	-	-	-
- non-performing residential mortgages	-	-	-	-	-	-
- other performing loans	2,100	-	-	-	-	-
- other non-performing loans	-	-	-	-	-	-

The parts of the table relating to "Guarantees granted" have not been shown as there is nothing to report.

C.3 Securitisation vehicle

There are no amounts to be disclosed in this consolidated report

C.4 Non-consolidated securitisation vehicles

Securitisation name/ Name of vehicle company	Registered office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Lanterna Finance 4 - Pmi 100	Via Cassa di Risparmio, 15, 16123, Genoa	-	292,483		55,980	279,815		62,700
Lanterna Finance 5	Via Cassa di Risparmio, 15, 16123, Genoa	-	433,227		85,021	313,938		187,000
Lanterna Mortgage	Via Cassa di Risparmio, 15, 16123, Genoa	-	187,752		23,275	129,335		69,034

C.5 Servicer activities - "own" securitisation: collection of securitised loans and reimbursement of securities issued by securitisation vehicle

There are no amounts to be disclosed in this report.

D. Information on structured entities not consolidated for accounting purposes (other than securitisation vehicles)

Please refer to the information disclosed in the Consolidated financial statements.

E. Disposal transactions

A. Financial assets sold but not fully derecognised

Qualitative Information

The business reflected in the following table mainly relates to the use of investment securities for short/medium/long-term repo transactions and to the disposal of loans to customers in the context of securitisation transactions.

Quantitative Information

E.1 Financial assets sold partially recognised and related financial liabilities: book value

		Financial assets sold and fully recognised				Related financial liabilities		
		Book Value	o.w. subject to securitisation transactions	o.w. subject to sale contracts with repurchase agreement	of which non-performing	Book Value	o.w. subject to securitisation transactions	o.w. subject to sale contracts with repurchase agreement
A. Financial assets held for trading		-	-	-	X	-	-	-
1. Debt securities		-	-	-	X	-	-	-
2. Equity instruments		-	-	-	X	-	-	-
3. Loans		-	-	-	X	-	-	-
4. Derivatives		-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value		-	-	-	-	-	-	-
1. Debt securities		-	-	-	-	-	-	-
2. Equity instruments		-	-	-	X	-	-	-
3. Loans		-	-	-	-	-	-	-
C. Financial assets designated at fair value		-	-	-	-	-	-	-
1. Debt securities		-	-	-	-	-	-	-
2. Loans		-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive Income		881,559	-	881,559	-	864,724	-	864,724
1. Debt securities		881,559	-	881,559	-	864,724	-	864,724
2. Equity instruments		-	-	-	X	-	-	-
3. Loans		-	-	-	-	-	-	-
E. Financial assets measured at amortised cost		3,925,052	716,218	3,208,834	5,382	3,311,461	392,898	2,918,562
1. Debt securities		3,208,834	-	3,208,834	-	2,918,563	-	2,918,562
2. Loans		716,218	716,218	-	5,382	392,898	392,898	-
Total	31.12.2022	4,806,611	716,218	4,090,393	5,382	4,176,185	392,898	3,783,286
Total	31.12.2021	(6,667,179)	(307,736)	(6,314,442)	(7,767)	6,366,226	56,169	6,310,056

E.2 Financial assets sold partially recognised and related financial liabilities: book value

There are no amounts to be disclosed in this Report.

E.3 Sale transactions with liabilities having recourse exclusively on the assets sold and not fully derecognised: fair value

There are no amounts to be disclosed in this Report.

B. Financial assets sold and not fully derecognised with recognition of continuing involvement

Qualitative Information

The Group did not make any disposal for which it would have to provide information in accordance with IFRS 7 § 7, 42D letters a), b), c) and § 42H.

C. Financial assets sold and fully derecognised

The instrument of the assignment of loans to mutual investment funds aims to assign the management of exposures classified as high risk to specialised and independent professional operators (represented by asset management companies, hereinafter also “SGR”) which, through managerial discontinuity actions, should allow a more effective turnaround of Target debtor Companies in a state of financial tension and/or distress with respect to the amount that can be pursued by the creditor bank through own management of its exposure. The strategies pursued by the SGR that manages the fund, in fact, leverage management tools such as, for example, the conversion of debt to equity, the entry of Target debtor Companies in the management bodies in order to achieve an effective operational turnaround, the development of distressed M&A transactions aimed at protecting the value of companies through business partnerships, the direct purchase of property in the case of real estate operators and, lastly, the contribution of new finance from third party investors aimed at the relaunch of companies through tools that enable a greater degree of priority in reimbursements with respect to already existing financial debt (Debtor-in-Possession Financing).

From said perspective, the intervention of an SGR guarantees adequate mechanisms for protecting the rights of investing banks, through the powers attributed to the appropriate investor committees. In addition, in order to align the interests of the SGR with those of the investing banks, the fee and commission structure in favour of the SGR includes not only management fees, proportional to the net assets of the fund, but also performance fees or a carried interest in the extra return on the transaction.

Starting from 2018 until the current year 2022, BPER Banca carried out various assignment transactions attributable to the scheme of the transfer to a mutual investment fund, which involved the derecognition of the assets transferred, following the verification that the originator transferred substantially the risks and rewards of the assets transferred and, also did not retain any substantial control over said assets which was instead assumed by the fund management company.

In replacement of the derecognised assets, under item 20 c) “Financial assets measured at fair value through profit and loss - other financial assets mandatorily at fair value”, of Balance sheet assets, BPER Banca recognised units of the Funds received in respect of said transfers. The risks and rewards that the Bank may achieve on the units held in exchange for the transfer of assets depend on the general performance of the fund managed by the SGR. In compliance with Part A4 - Information on fair value, for the initial recognition and subsequent recognitions in the financial statements, in view of the characteristics of the instruments - units in mutual closed-end unlisted (illiquid) funds, the fair value was determined using a mark-to-model approach as level 3 fair value. A type of Discounted Cash Flow (DCF) model was used.

As at 31 December 2022, therefore, BPER Banca holds units of 7 mutual investment funds in its portfolio, summarised hereunder:

- Clessidra Restructuring Fund – CRF
- IDeA Corporate Credit Recovery II – CCR II
- RSCT Fund
- Efesto
- Illimity Credit and Corporate Turnaround Fund - iCCT
- Back2Bonis
- KEYstone

In relation to the provisions contained in the Communication of the Bank of Italy of 23 December 2019, acknowledged in the

7th update of Circular 262, the quali-quantitative information for each transaction in place as at 31 December 2022 is reported below.

Sale of non-performing loans to Clessidra Restructuring Fund

Seller:	BPER Banca s.p.a.	
Acquiring investment fund:	Clessidra Restructuring Fund ("CRF")	
SGR that manages the investment fund:	Clessidra SGR s.p.a.	
Disposal date:	25.09.2019	05.05.2021
Assets sold:	Corporate Loans	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans	Unlikely-To-Pay loans
GBV of assets transferred (in millions of Euro):	27.7	4.1
NBV of assets transferred (in millions of Euro):	11.5	1.0

Units of Fund assigned:		
ISIN:	IT0005362659	IT0005362659
No. of units assigned at signing:	18,317,941	813,967
Book value of the units at signing (in millions of Euro)	12.0	0.8
No. outstanding units at year-end:	19,131,908	
Book value of the units at year-end (in millions of Euro)	10.9	

Sale of non-performing loans to IDeA Corporate Credit Recovery II

Seller:	BPER Banca s.p.a.	
Acquiring investment fund:	IDeA Corporate Credit Recovery II or "IDeA CCR II"	
SGR that manages the investment fund:	Dea Capital Alternative Funds SGR s.p.a.	
Disposal date:	26.06.2018	24.01.2020
Assets sold:	Corporate Loans	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans	Unlikely-To-Pay loans
GBV of assets transferred (in millions of Euro):	6.1	8.7
NBV of assets transferred (in millions of Euro):	1.9	3.4

Units of Fund assigned:		
ISIN:	IT0005276065	IT0005276065
No. of units assigned at signing:	87	144
Book value of the units at signing (in millions of Euro)	4.3	2.5
No. units outstanding at year-end:	231	
Book value of the units at year-end (in millions of Euro)	4.1	

Sale of non-performing loans to RSCT Fund

Seller:	BPER Banca s.p.a.
Acquiring investment fund:	RSCT Fund
SGR that manages the investment fund:	Davy Global Fund Management Limited, part of the company Pillarstone Italia S.p.a.
Disposal date:	13.05.2020
Assets sold:	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans
GBV of assets transferred ^(*) (in millions of Euro):	42.2
NBV of assets transferred ^(*) (in millions of Euro):	17.6

Units of Fund assigned:	
ISIN:	IT0005407975
No. of units assigned at signing ^(*) (in millions of Euro):	25,126,391
Book value of the units at signing ^(*) (in millions of Euro):	17.4
No. units outstanding at year-end:	25,126,391
Book value of the units at year-end (in millions of Euro)	19.2

(*) The value stated is considered net of the value of the position repurchased in 2021 which, upon transfer, had a GBV of Euro 3.2 and a NBV of Euro 1.5. The repurchase by the transferor involved a reduction in the units initially acquired of 1,397,653 for a value of Euro 1.1 million.

Sale of non-performing loans to Efesto

Seller:	BPER Banca s.p.a.	
Acquiring investment fund:	EFESTO Fund	
SGR that manages the investment fund:	Finanziaria Internazionale Investments SGR s.p.a.	
Disposal date:	27.10.2020	11.03.2021
Assets sold:	Corporate Loans	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans	Unlikely-To-Pay loans
GBV of assets transferred (in millions of Euro):	25.1	112.5
NBV of assets transferred (in millions of Euro):	9.7	52.7

Units of Fund assigned:		
ISIN:	IT0005419491	IT0005419491
No. of units assigned at signing:	13,814,877	55,405,549
Book value of the units at signing (in millions of Euro)	10.0	51.5
No. units outstanding at year-end:	69,220,426	
Book value of the units at year-end (in millions of Euro)	47.4	

Sale of non-performing loans to Illimity Credit and Corporate Turnaround Fund - iCCT

Seller:	BPER Banca s.p.a.	
Acquiring investment fund:	Illimity Credit and Corporate Turnaround Fund ("iCCT")	
SGR that manages the investment fund:	Illimity SGR s.p.a.	
Disposal date:	31.03.2021	26.11.2021
Assets sold:	Corporate Loans	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans	Unlikely-To-Pay loans
GBV of assets transferred (in millions of Euro):	37.8	5.5
NBV of assets transferred (in millions of Euro):	23.9	2.5

Units of Fund assigned:		
ISIN:	IT0005416653	IT0005416653
No. of units assigned at signing:	30,357,527	3,230,166
Book value of the units at signing (in millions of Euro)	25.0	3.3
No. units outstanding at year-end:	33,587,693	
Book value of the units at year-end (in millions of Euro)	24.5	

Sale of non-performing loans to Back2Bonis

Seller:	BPER Banca s.p.a.	
Acquiring investment fund:	Back2Bonis	
SGR that manages the investment fund:	SGR Prelios s.p.a.	
Disposal date:	21.05.2021	
Assets sold:	Corporate Loans	
Quality of assets sold:	Unlikely-To-Pay loans	
GBV of assets transferred (in millions of Euro):	51.6	
NBV of assets transferred (in millions of Euro):	25.6	

Units of Fund assigned:		
ISIN:	IT0005396327	
No. of units assigned at signing:	50	
Book value of the units at signing (in millions of Euro)	24.4	
No. units outstanding at year-end:	50	
Book value of the units at year-end (in millions of Euro)	18.4	

Sale of non-performing loans to KEYstone

Seller:	BPER Banca s.p.a.	
Acquiring investment fund:	KEYstone Fund	
SGR that manages the investment fund:	KRYALOS SGR s.p.a.	
Disposal date:	08.02.2022	20.12.2022
Assets sold:	Corporate Loans	Corporate Loans
Quality of assets sold:	Unlikely-To-Pay loans	Unlikely-To-Pay loans
GBV of assets transferred (in millions of Euro):	37.1	34.8
NBV of assets transferred (in millions of Euro):	16.7	7.6

Units of Fund assigned:		
ISIN:	IT0005474462	IT0005474462
No. of units assigned at signing:	31,914,369	11,320,122
Book value of the units at signing (in millions of Euro)	20.4	7.7
No. units outstanding at year-end:	43,234,491	
Book value of the units at year-end (in millions of Euro)	25.8	

The price of the positions transferred as at February 2022 was Euro 19.2 million. With respect to the gross value of the assets transferred, 70% relates to companies operating in the Construction (41%) and Real Estate (29%) sectors; 75% relates to companies distributed between northern Italy (37%) and southern Italy (38%). The price of the positions transferred as at December 2022 was Euro 12.7 million. With respect to the gross value of the assets transferred, 62% relates to companies operating in the Construction sector and 65% to companies located in Liguria (47%) and in Lazio (18%).

D. Covered bond transactions

Introduction

Covered Bond (OBG) issues are foreseen by BPER Banca Group's strategic plan as a means to diversify funding sources, reduce funding costs and extend the maturities of liabilities. In particular, OBG issues are extremely appealing at a time when market yields are very low. The Board of Directors:

- on 8 February 2011, launched the structuring of a first programme for the issue of covered bonds ("OBG1"), based on a collateralised portfolio of residential mortgage loans pursuant to art. 7-bis of Law 130 of 30 April 1999 ("Law 130/99"), and the regulatory provisions of the Bank of Italy of 24 March 2010 as later amended and supplemented (the "Rules" and, together with Law 130 and each subsequent amendment, the "Regulations"). It should be noted, however, that the implementation of Directive (EU) 2019/2162, contained in Law 130/1999, and the consequent choices on how to exercise the discretionary powers provided for in Regulation (EU) 2019/2160 are currently being defined.
- on 3 March 2015, launched the structuring of a second programme for the issue of Covered Bonds ("OBG2"), based on a collateralised portfolio of residential and commercial mortgage loans, as already mentioned in the Directors' report on Group operations;
- following the merger by absorption of the subsidiary Banca Carige s.p.a. on 24 November 2022, with economic effect from 28 November 2022, BPER Banca became the issuer of a third covered bond issuing programme ("OBG3"), based on a collateralised portfolio of residential and commercial mortgages.

The basic structure of a covered bond issue

Covered Bonds can be issued under a scheme which envisages:

- the sale by a bank, which may differ from the bond issuer, to a special purpose vehicle of high credit quality assets and which constitute segregated assets pursuant to the applicable provisions of Law 130/99;
- the selling bank or another bank granting a subordinated loan to the assignee company to provide the assignee with the funding required to purchase the assets;
- the issue of a guarantee by the assignee company in favour of the bondholders, up to the amount of the segregated assets.

High credit quality assets are intended to mean loans that meet the selection criteria defined by the Regulations and related contracts (the "Eligible Assets").

Key elements of the BPER Banca Group's Programmes for the issue of Covered Bonds

The BPER Banca's Covered Bond Programmes (the "Programmes") have been structured as follows:

- the sale without recourse to Estense Covered Bond s.r.l. (the "SPV" or "Estense Covered Bond") for OBG1, to Estense CPT Covered Bond s.r.l. (the "SPV" or "Estense CPT Covered Bond") for OBG2, and to the vehicle Carige Covered Bond s.r.l. (the "SPV" or "Carige Covered Bond") for OBG3, initially just by BPER Banca or by the respective originator bank and then, during the Programmes, also by other Group Banks, of assets with a high credit quality, which constitute segregated assets pursuant to Law 130/99;
- the provision to the assignee SPVs, by BPER Banca and other Group Banks that will eventually join the Programmes as selling banks, of subordinated loans to provide the assignees with the funding required to purchase the assets sold;
- the issue by the SPVs, up to the amount of the segregated assets, of guarantees in favour of the holders of the Covered Bonds issued by BPER Banca.

Although they are presented "as Group Programmes", the initial and subsequent transactions only involved BPER Banca or the respective originator bank as the selling bank, the understanding being that BPER Banca will always take on the role of issuing bank. Only at a later stage, after an expert assessment of the risks and opportunities, is it expected that other Group Banks will join the Programmes as selling banks to sell additional Eligible Assets.

The portfolios of Eligible Assets involved in the initial sales are composed of loans originating from residential mortgage loans for OBG1 and of residential and commercial mortgage loans for OBG2 and OBG3, which meet the requirements of the Regulations. These portfolios were identified based on general and specific criteria indicated in the sale agreements. The additional portfolios of Eligible Assets may include loans deriving from mortgages that meet the requirements of the Regulations.

The sale price of the portfolios is determined, as laid down in the Provisions, with reference to their book values in the latest financial statements approved by BPER Banca with a view to specific sale dates or by having the sale price certified by the Independent Auditors. The sale prices so determined are subject to adjustment to take account of movements on the loans between the financial year end and the date of sale. More specifically, the sale prices shall be adjusted to consider the collection of the capital element of the loans in the intervening period and the payment of contractually agreed interest in the same period.

The sale of the portfolios - without recourse and under the combined provisions of articles 1 and 4 of Law 130/99 and art. 58

of the CFA - is communicated to the mortgage holders by publishing a notice of sale by the seller with the above selection criteria in the Official Journal and by filing the same notice of sale with the Registrar of Companies. Further formalities are also carried out for privacy legislation purposes (Legislative Decree 196/2003 and Regulation (EU) 679/2016, as later amended and supplemented).

The mortgage holders maintain a direct operational relationship with BPER Banca - or, in the case of sale of Eligible Assets by other selling banks that will join the Programmes, with the other Group Banks that the mortgage holders originally obtained the loans from - since the three SPVs have given BPER Banca responsibility for managing and administering the loans sold and the related collection and payment services ("servicing activities"), with BPER Banca having the power to grant a sub-proxy to the pertinent selling banks to perform servicing activities for the portfolios sold.

This, in accordance with the Regulations, is in order to minimise the commercial impact with the mortgage holders and, at the same time, to optimise the operational management of each portfolio which, in fact, remains in the hands of the assignors.

At predetermined dates and based on specific operational and market situations, BPER Banca, in the role of Calculation Agent, will perform assessment tests to compare the portfolios sold with the bonds issued, aimed at verifying the adequacy of the guarantees issued with reference to specific legal parameters and the parameters set by the Programmes' documentation based on indications provided by rating agencies, on which the credit rating assigned to the Covered Bonds depends.

In the case of non-compliance with one or more of the required parameters, it will be necessary to add to the portfolios sold by selling further Eligible Assets. The portfolios can be added to by using the SPVs' liquid funds or by further drawdowns of the subordinated loans granted by BPER Banca (or by the other selling banks) to the two SPVs.

Other initiatives are required in the case of violation of contractual conditions, up to the extreme consequences of enforcement of the guarantees provided by the SPVs in the case of an Event of Default by the Issuer (for example, default in repayment of principal or non-payment of interest on the Covered Bonds).

Moreover, on predetermined dates, the functions responsible for supervising the Bank's risk management verify the quality and integrity of the assets provided as collateral for Covered Bonds issued.

The structure of the Programmes, as outlined, permits the creation of segregated assets (consisting of the Eligible Assets assigned from time to time to the SPVs), to serve as a preferred guarantee for the Covered Bond holders, for the counterparties to derivative contracts entered into under the Programmes to hedge the risks inherent in the portfolio of transferred Eligible Assets and for the payment of other transaction costs.

Normally, the charges for payment and redemption of the OBG remain with the Issuer and, only when there is an Event of Default by the Issuer will automatic protection mechanisms be activated to protect the investors.

To further support the financial structure, provision has been made for swaps with one or more external counterparties selected on the market and with an appropriate credit standing in line with the eligibility criteria required by rating agencies. The purpose of these contracts is to transform the interest flow produced by the loan portfolios sold so as to make them consistent with that incurred on the bonds issued.

In particular, among the various options available, it is normally envisaged that two separate swap derivative contracts will be entered into:

- asset swap: under this contract, the SPV will pay the swap counterparty the flow received as interest on a notional amount represented by a portion of segregated assets and determined by taking into account the outstanding amount of the liability represented by the Covered Bonds issued and will collect from it a flow corresponding to Euribor for the period plus or minus a Spread applied to the same notional amount for the reference period;
- liability swap: under this derivative the SPV will receive from the swap counterparty a fixed rate equal to the coupon of the related series of Covered Bonds and will pay thereto a flow corresponding to Euribor plus or minus (as appropriate) a Spread applied to an amount equal to the nominal value of the corresponding series of Covered Bonds.

These contracts can be linked to back-to-back swap agreements between the swap counterparties and BPER Banca, a situation that currently exists in the case of the eighth and ninth issue of the OBG1 Programme. No swaps had to be made for the remaining issues.

The financial back-to-back mechanism allows, on the one hand, BPER Banca, as selling bank, to maintain a financial position as desired and consistent with its Asset & Liability Management strategies and, on the other hand, the SPV, as guarantor, in the Event of the occurrence of an Event of Default of the Issuer, to cover the costs of the Covered Bonds by trading them for the expected return on portfolio of loans sold.

The OBG1 Programme

The OBG1 Programme provides for the issue of Covered Bonds up to a maximum of Euro 7 billion, to take place in a number of issues over time, by 31 December 2023 at latest (subject to the obligations for annual renewal of the prospectus prepared in compliance with EU Regulations).

OBG1 Programme issuances

Issue	Issue date	nominal amount of the OBGs issued	repayment date	nominal amount repaid	OBG characteristics	Purpose
I	01.12.2011	750,000,000	22.01.2014	750,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
II	25.06.2012	300,000,000	22.04.2015(*)	300,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
III	15.10.2013	750,000,000	22.10.2018	750,000,000	Fixed rate	placed on the national and international market
III(**)	24.02.2014	250,000,000	22.10.2018	250,000,000	Fixed rate	placed on the national and international market
IV	22.01.2015	750,000,000	22.01.2022	750,000,000	Fixed rate	placed on the national and international market
V	29 July 2015	750,000,000	22.07.2020	750,000,000	Fixed rate	placed on the national and international market
VI	31.05.2016	500,000,000	22.07.2020	500,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
VII	03.02.2017	540,000,000	22.04.2021	540,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
VIII	19.07.2018	500,000,000	22.07.2023	-	Fixed rate	placed on the national and international market
IX	19.03.2019	600,000,000	22.04.2026	-	Fixed rate	placed on the national and international market
X	18.09.2020	1,150,000,000	22.10.2024	-	Floating rate	self-subscribed for the purpose of ECB refinancing
XI	18.05.2021	600,000,000	22.04.2025	-	Fixed rate	self-subscribed for the purpose of ECB refinancing
XII	16.11.2021	400,000,000	22.10.2025	-	Fixed rate	self-subscribed for the purpose of ECB refinancing
XIII	29.06.2022	1,000,000,000	22.07.2026	-	Fixed rate	self-subscribed for the purpose of ECB refinancing
Total		8,840,000,000		4,590,000,000		

The residual debt of the outstanding transactions is equal to Euro 4,250 million.

(*) The II issue was early repaid on 12 January 2015.

(**) III series reopened in February 2014

In line with the operational chart described above, on 2 November 2011, BPER Banca sold to Estense Covered Bond s.r.l. a first portfolio of assets complying with the eligibility requirements provided for under the law, selected in accordance with the criteria noted above and featuring the following main characteristics:

- residential mortgage loans provided in accordance with mortgage lending legislation;
- concluded by 31 December 2010;
- final instalment due after 31 December 2012;
- ratio of outstanding debt to the value of secured property, estimated at the payment date, not higher than 80%.

The table below shows the details of all subsequent disposals.

OBG1 Programme sale of receivables

		(in million)
Disposals	Disposal date	price of receivables assigned
I	02.11.2011	1,091
II	04.05.2012	546
III	10.07.2013	681
IV	23.07.2014	501
V	28.04.2015	1,074
VI	28.01.2016	1,086
VII	27 July 2016	310
VIII	25.01.2017	404
IX	23.10.2017	816
X	27.04.2018	652
XI	29.04.2019	570
XII	25.06.2020	515
XIII	24.09.2021	937
XIV	24.05.2022	991
Total		10,174

The loan granted by BPER Banca to Estense Covered Bond s.r.l., under the form of a credit facility, to finance the purchase of the assigned portfolios currently amounts to Euro 7 billion. This is without prejudice to BPER Banca's right to increase the amount of said credit facility to finance the purchase of additional portfolios (both in connection with new issues or for the purpose of adding to segregated assets). The relevant subordinated loan is remunerated so as guarantee a return to the transferor of the yield on the segregated mortgage loans, albeit residual with respect to payment of the SPV's operating expenses, thus making the asset transfers essentially neutral from an economic standpoint.

Repayment of this loan is linked to the gradual reimbursement of the Covered Bonds that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby.

Repayment of subordinated loan OBG1 Programme

		(in million)
Disposal date	amounts repaid	
22.10.2014	250	
22.10.2015	250	
22.01.2016	120	
22.04.2016	250	
22.07.2016	250	
23.10.2017	400	
23.04.2018	100	
23.07.2018	250	
22.10.2018	500	
22.01.2019	280	
23.04.2019	150	
22.07.2019	150	
22.10.2019	147	
22.07.2020	495	
22.01.2021	50	
22.04.2021	50	
22.07.2021	50	
22.10.2021	450	
22.04.2022	540	
24.10.2022	75	
Total	4,807	

The liquidity generated by the portfolio can also be used - within the limits established by law - for suitable investments or deposits, based on BPER Banca's indications as Investment Agent. However, it cannot be entrusted to BPER Banca for the moment because its rating is inadequate. Accordingly, cash generated from the portfolio of sold Eligible Assets - for which BPER Banca will remain as Servicer - are transferred to current accounts with BNP Paribas, either in Italy or the UK, since this is a third party with appropriate rating.

Counterparties involved in the OBG1 Programme

Issuing Bank, initial Selling Bank, Servicer, Investment Agent, Principal Paying Agent and Calculation Agent: BPER Banca.

Any other seller bank that could join the Programme:

- Banco di Sardegna s.p.a.;
- Bibanca s.p.a.

Arranger: NatWest Market Plc (formerly The Royal Bank of Scotland plc).

Joint Lead Manager of the third series of bonds issued: NatWest, Citibank, Mediobanca, Société Générale, UBS.

Joint Lead Manager of re-opening of the third series of bonds issued: Citibank, Raiffeisen Bank International.

Joint Lead Manager of the fourth series of bonds issued: NatWest, BNP Paribas, Natixis, Nomura International plc., UNICREDIT Bank AG.

Joint Lead Manager of the fifth series of bonds issued: NatWest, Banca IMI, Credit Suisse International, Raiffeisen Bank International, Société Générale.

Lead Manager of the sixth series of bonds issued: NatWest.

Lead Manager of the seventh series of bonds issued: NatWest.

Joint Lead Manager of the eighth series of bonds issued: NatWest, Commerzbank, Nomura, UBS, Unicredit. Guarantor: Estense Covered Bond s.r.l.

Joint Lead Manager of the ninth series of bonds issued: NatWest, BNP Paribas, Credit Agricole CIB, HSBC France, Banca IMI.

Joint Lead Manager of the tenth series of bonds issued: NatWest.

Joint Lead Manager of the eleventh series of bonds issued: NatWest.

Joint Lead Manager of the twelfth series of bonds issued: NatWest.

Joint Lead Manager of the thirteenth series of bonds issued: NatWest.

Guarantor: Estense Covered Bond s.r.l.

Representative of the Bondholders (RoB): Banca Finint s.p.a..

Italian Paying Agent, Cash Manager and Account Bank: BNP Paribas (both the Italian and London branches).

Corporate Servicer: Banca Finint s.p.a..

Guarantor Calculation Agent: Banca Finint s.p.a..

Liability Swap counterparty: for the eighth and ninth issue, BNP-Paribas.

Legal advisor to BPER Banca: Studio Legale Cupelli-RCCD.

Asset Monitor and Pool Auditor: PriceWaterhouseCoopers s.p.a..

Independent Auditors of the special purpose vehicle: Deloitte & Touche s.p.a..

Rating agencies: Moody's Italia s.r.l..

The OBG2 Programme

The OBG2 Programme provides for the issue of Covered Bonds up to a maximum of Euro 7 billion, to take place in a number of issues over time, by 31 December 2025 at latest (subject to the obligations for annual renewal of the prospectus prepared in compliance with EU regulations).

OBG2 Programme issuances

Issue	issue date	nominal amount of the OBGs issued	repayment date	nominal amount repaid	OBG characteristics	Purpose
I	16.12.2015	625,000,000	28.01.2018(*)	625,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
II	01.08.2016	200,000,000	28.10.2020	200,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
III	24.02.2017	240,000,000	28.04.2021	240,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
IV	25.01.2018	420,000,000	28.10.2021	420,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
V	17 October 2018	1,050,000,000	28.04.2022	1,050,000,000	Floating rate	self-subscribed for the purpose of ECB refinancing
VI	13.03.2019	200,000,000	28.04.2022	200,000,000	Fixed rate	self-subscribed for the purpose of ECB refinancing
VII	10.07.2019	250,000,000	28.07.2023	-	Fixed rate	self-subscribed for the purpose of ECB refinancing
VIII	30.01.2020	200,000,000	28.01.2024	-	Fixed rate	self-subscribed for the purpose of ECB refinancing
IX	30.04.2020	900,000,000	28.04.2024	-	Fixed rate	self-subscribed for the purpose of ECB refinancing
X	12.11.2020	550,000,000	28.10.2024	-	Floating rate	self-subscribed for the purpose of ECB refinancing
XI	12.11.2020	600,000,000	28.10.2024	-	Fixed rate	self-subscribed for the purpose of ECB refinancing
XII	14.05.2021	250,000,000	28.04.2025	-	Floating rate	self-subscribed for the purpose of ECB refinancing
XIII	11.11.2021	700,000,000	28.10.2025	-	Floating rate	self-subscribed for the purpose of ECB refinancing
XIV	11.11.2021	1,000,000,000	28.10.2025	-	Fixed rate	self-subscribed for the purpose of ECB refinancing
XV*	23.09.2022	700,000,000	28.10.2025	-	Fixed rate	self-subscribed for the purpose of ECB refinancing
Total		7,885,000,000		2,735,000,000		

The residual debt of the outstanding transactions is equal to Euro 5,150.

(*) The first issue was early repaid on 27 September 2017 for Euro 150 million and on 22 January 2018 for the residual nominal amount.

In line with the operational chart described above, on 17 September 2015, BPER Banca sold to Estense CPT Covered Bond s.r.l. a first portfolio of assets complying with the eligibility requirements provided for under the law, selected in accordance with the criteria noted above, and featuring the following main characteristics:

- residential and commercial mortgage loans;
- granted by 31 December 2014;
- final instalment due after 31 December 2015;
- ratio of outstanding debt to the value of secured property, revalued close to the date of sale, not higher than 80% for residential mortgage loans and than 60% for commercial mortgage loans.

The table below shows the details of all subsequent disposals.

Asset disposals under the OBG2 Programme

Disposal of	Disposal date	(in millions)	
		price of assets sold	
I	17.09.2015		870
II	23.06.2016		478
III	21.11.2016		411
IV	22.05.2018		594
V	24.09.2018		732
VI	27.02.2019		276
VII	25.06.2019		593
VIII	26.11.2019		594
IX	25.03.2020		441
X	23.04.2020		1,123
XI	23.10.2020		840
XII	20.10.2021		1,443
XIII	24.06.2022		1,168
Total			9,563

The loan granted by BPER Banca to Estense CPT Covered Bond s.r.l., under the form of a credit facility, to finance the purchase of the assigned portfolios currently amounts to Euro 8 billion. This is without prejudice to BPER Banca's right to increase the amount of said credit facility to finance the purchase of additional portfolios (both in connection with new issues or for the purpose of adding to segregated assets). The relevant subordinated loan is remunerated so as guarantee a return to the transferor of the yield on the segregated mortgage loans, albeit residual with respect to payment of the SPV's operating expenses, thus making the asset transfers essentially neutral from an economic standpoint.

Repayment of this loan is linked to the gradual reimbursement of the Covered Bonds that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby.

Repayment of subordinated loan OBG2 Programme

Disposal date	(in million)	
	amounts repaid	
28.07.2017		70
30.10.2017		200
30.04.2018		100
30.07.2018		150
28.01.2019		110
29.07.2019		200
28.10.2019		335
28.04.2020		235
28.07.2020		75
28.01.2021		50
28.04.2021		100
29.07.2021		50
28.10.2021		600
28.04.2022		250
28.10.2022		285
Total		2,810

The liquidity generated by the portfolio can also be used - within the limits established by law - for suitable investments or deposits, based on BPER Banca's indications as Investment Agent. However, it cannot be entrusted to BPER Banca for the moment because its rating is inadequate. Accordingly, cash generated by the portfolio of sold Eligible Assets - for which BPER Banca will remain as Servicer - are transferred to current accounts with Citibank N.A., either in Italy or the UK, since this is a third party with an appropriate rating.

The specific financial feature of the OBG2 Programme is a different structural technique which, in the event of the Parent Company's default and under other circumstances foreseen in the OBG2 Programme, makes it possible to transform the repayment plan of the Covered Bonds according to the loan portfolio amortisation schedule pledged as collateral. This eliminates the financial risk associated with a forced and peremptory liquidation of this portfolio, thereby transforming the

outstanding Covered Bonds into securities similar to pass-through securities issued as part of securitisation transactions. In this way, the risk profile of a default on the Covered Bonds is clearly attenuated, making it possible to obtain a higher rating.

Counterparties involved in the OBG2 Programme

Issuing Bank, initial Selling Bank, Servicer, Investment Agent, Primary Paying Agent and Calculation Agent: BPER Banca.

Any other seller bank that could join the Programme:

- Banco di Sardegna s.p.a.;
- Bibanca s.p.a.

Arranger: Banca Finint s.p.a..

Initial Dealer of the first series of bonds issued: Banca Finint s.p.a..

Dealer of all the other series of bonds issued: NatWest.

Guarantor: Estense CPT Covered Bond s.r.l.

Representative of the Bondholders (RoB): Banca Finint s.p.a..

Subsequent Paying Agent, Cash Manager and Account Bank: Citibank N.A. (both Italian and London branches).

Corporate Servicer: Banca Finint s.p.a..

Guarantor Calculation Agent: Banca Finint s.p.a..

Legal advisor to BPER Banca: Dentons Europe Studio Legale.

Asset Monitor and Pool Auditor: PricewaterhouseCoopers s.p.a..

Independent Auditors of the special purpose vehicle: Deloitte & Touche s.p.a..

Rating agencies: Moody's Italia s.r.l..

The OBG3 Programme

The OBG3 programme provides for the issue of Covered Bonds up to a maximum of Euro 5 billion.

Issues of OBG3 Programme outstanding as at 31.12.2022

issue	issue date	nominal amount of the OBGs issued	repayment date	nominal amount repaid	OBG characteristics	Purpose
I	20.09.2010	75,000,000	20.09.2030	-	Fixed rate	placed on the national and international market
II	25.11.2010	20,000,000	25.11.2030	-	Fixed rate	placed on the national and international market
III	27.12.2010	40,000,000	27.12.2030	-	Fixed rate	placed on the national and international market
IV	23.04.2012	30,000,000	23.04.2032	-	Fixed rate	placed on the national and international market
V	02.11.2012	17,000,000	02.11.2032	-	Fixed rate	placed on the national and international market
VI	05.11.2012	50,000,000	05.11.2032	-	Fixed rate	placed on the national and international market
VII	06.11.2012	10,000,000	26.10.2032	-	Fixed rate	placed on the national and international market
VIII	16.01.2013	5,000,000	25.01.2023	-	Fixed rate	placed on the national and international market
IX	25.01.2013	5,000,000	25.01.2028	-	Fixed rate	placed on the national and international market
X	29.08.2013	10,000,000	29.08.2033	-	Fixed rate	placed on the national and international market
XI	05.06.2014	10,000,000	25.05.2029	-	Fixed rate	placed on the national and international market
XII	28.10.2021	750,000,000	28.10.2028	-	Fixed rate	placed on the national and international market
XIII	05.11.2021	500,000,000	05.11.2024	-	Floating rate	self-subscribed for the purpose of ECB refinancing
XIV	22.06.2022	900,000,000	22.06.2026	-	Fixed rate	self-subscribed for the purpose of ECB refinancing
Total		2,422,000,000		-		

In line with the operational scheme described above Banca Carige s.p.a. (later merged into BPER Banca, as stated) on 14 November 2008 sold to Carige Covered Bond s.r.l. a first portfolio of assets complying with the eligibility requirements provided for under the law, selected in accordance with the criteria noted above and featuring the following main characteristics:

- residential and commercial mortgage loans;
- concluded by 30 March 2007;
- final instalment due by 30 June 2045;
- ratio of outstanding debt to the value of secured property, estimated at origination, not exceeding 80% for residential mortgage loans and 60% for commercial mortgage loans.

The loan granted by BPER Banca to Carige Covered Bond s.r.l., under the form of a credit facility, to finance the purchase of the assigned portfolios currently amounts to Euro 7 billion. This is without prejudice to BPER Banca's right to increase the amount of said credit facility to finance the purchase of additional portfolios (both in connection with new issues or for the purpose of adding to segregated assets). The relevant subordinated loan is remunerated so as guarantee a return to the transferor of the yield on the segregated mortgage loans, albeit residual with respect to payment of the SPV's operating expenses, thus making the asset transfers essentially neutral from an economic standpoint.

Repayment of this loan is linked to the gradual reimbursement of the Covered Bonds that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby.

The liquidity generated by the portfolio can also be used - within the limits established by law - for suitable investments or deposits, based on BPER Banca's indications as Investment Manager. However, it cannot be entrusted to BPER Banca for the moment because its rating is inadequate. Accordingly, cash generated from the portfolio of sold Eligible Assets - for which BPER Banca will remain as Servicer - are transferred to current accounts with BNP Paribas, either in Italy or the UK, since this is a third party with appropriate rating.

Counterparties involved in the OBG3 Programme

Issuing Bank, initial Selling Bank, Servicer, Italian Account Bank, Investment Manager, Paying Agent and Calculation Agent: Banca Carige s.p.a., now BPER Banca.

Arranger: NatWest Market N.V. (formerly The Royal Bank of Scotland plc) and UBS Europe SE.

Guarantor: Carige Covered Bond s.r.l..

Representative of the Bondholders (RoB): Deutsche Trustee Company Limited.

Principal Paying Agent, Cash Manager and Transaction Bank: BNP Paribas (both the Italian and London branches).

Italian Paying Agent: Deutsche Bank s.p.a..

Corporate Servicer: Banca Finint s.p.a..

Guarantor Calculation Agent: Banca Finint s.p.a..

Legal advisor to BPER Banca: Chiomenti Studio Legale.

Asset Monitor and Pool Auditor: BDO Italia s.p.a..

Independent Auditors of the special purpose vehicle: Deloitte & Touche s.p.a..

Rating agencies: Moody's Italia s.r.l. and DBRS Ratings Limited.

Requirements for the Issuers

According to the Rules, Covered Bonds may be issued by banks belonging to banking groups that have:

- Own Funds not lower than Euro 250 million;
- Total capital ratio at consolidated level not lower than 9%.

These requirements must be satisfied, on a consolidated basis, even by selling banks, where the latter, as provided for by the Programmes' structure, differ from the bank issuing the Covered Bonds. In the case of banks belonging to the same group, reference should be made to consolidated figures.

With reference to the figures at 31 December 2022, the Own Funds of the BPER Banca Group amount to Euro 8,526 million and the Total Capital Ratio is 16.08%.

Limits on the sale of Eligible Assets

The Provisions set limits to the possibility for banks to sell Eligible Assets, which are based on the level of their Tier 1 (T1) ratio and Common Equity Tier 1 (CET1) ratio.

Sale restrictions refer to total transactions of this kind made by a banking group. Banking groups are classified into three categories, with corresponding specific limits as shown below:

- "a" band: for banking groups with T1 Ratio equal to or higher than 9% and CET1 Ratio equal to or higher than 8%, for

- which there are no sale limits;
- "b" band: for banking groups with a T1 Ratio equal to or higher than 8% and a CET1 Ratio equal to or higher than 7%, for which there is a sale limit of 60% of their Eligible Assets;
- "c" band: for banking groups with T1 Ratio equal to or higher than 7% and CET1 Ratio equal to or higher than 6%, for which there is a sale limit of 25% of their Eligible Assets.

At 31 December 2022, the Tier 1 Ratio is 12.76% and the Common Equity Tier 1 Ratio is 12.47%.

Organisational structure and procedures

The structuring process for the OBG Issue Programmes meant organising a team to coordinate the activities of all the departments involved. In this regard, a specific structure was set up, the Structured Finance Management Office, which acts as coordinator of the interfunctional team, taking care to involve all the structures involved in the management process of the Covered Bonds. To supervise the structuring process and management of the Programmes, including when it is fully operational, a specific Group Regulation has been prepared followed by a Group Organisational Procedure.

Accounting, capital and tax impact

With the issue of the GBB, BPER Banca, as initial selling bank and any subsequent selling banks will retain substantially all the risks and benefits of the transferred assets as:

- they are required to reinstate, in line with several alternatives, the collateral should the value of assets sold deteriorate and their value fall below the thresholds set by contract;
- the repayment of the subordinated loan granted to the special purpose vehicle is linked to the performance of the secured assets.

The primary objective of creating a special purpose vehicle and the sale of eligible assets thereto is, in fact, to legally segregate, by means of a without recourse sale contract, the selling bank's assets within a separate legal entity. These assets, segregated in this manner, are subject to a restriction as to their use pursuant to Law 130/99 for the protection, among others, of the holders. Thus, the holders of Covered Bonds benefit, on the one hand, from the general guarantee represented by the issuer's capital and on the other, from the guarantee issued by the SPV in respect of the segregated portfolio for which they have priority creditor rights. This structure of "dual protection" facilitates the creation of conditions for a potential reduction in funding costs. The overall risk profile of BPER Banca as initial selling bank and that of any further selling banks is not altered in any way.

The same regulatory provisions stipulate that the selling banks retain the same capital requirement that they are already required to comply with, in respect of the assets sold, prior to the sale. The transactions do not, therefore, qualify for derecognition: the selling banks must continue to recognise the transferred assets in their entirety in the balance sheet and the considerations received from the sale must be accounted for as opposite entries to the financial liabilities due to the SPVs.

In turn, these liabilities must be shown net of the subordinated loans granted to the vehicles, due to the principle of substance over form: it is as if the purchase of loans by the SPVs had never taken place.

The subordinated loans are not taken into consideration for the purposes of counterparty risk; these loans must not, in fact, be considered, as the credit risk is already reflected in the valuation of the mortgage loans being sold.

As regards the impact at consolidation level, it should be noted that the aforementioned SPVs are BPER Banca Group's entities, as the Parent Company has a 60% holding; they are therefore subject to consolidation.

Finally, regarding the tax implications, consistent with the dictates of art. 7 bis, Law 130/99, all taxes and dues are payable as though the sales of the loans had never taken place.

Again, to ensure that the operation was neutral for tax purposes, it was established, as foreseen in art. 7 bis, paragraph 7 of Law 130/99, that the sale price would be equal "to the latest carrying amount of the loans", or as certified by the Independent Auditors of the selling Bank.

More specifically, the book value is adjusted for "endogenous variables", that is, cash collected from the loans in the intervening period and contractual interest accruing in the same period. This is also consistent with the regulatory provisions laid down by the Rules as described previously.

As for the other components that could affect the configuration of the carrying amount, i.e. amortised cost and collective impairments (given that they are performing loans), it has been considered in line with the principles of relevance, pertinence and materiality to assume that their value is equal to the one shown in the latest approved and audited financial statements, or the sale price specifically certified by the auditors of the selling Bank.

Risks associated with the transaction

The Covered Bond Programmes involve some financial and non-financial risks, subject to analysis and monitoring by the Group's Risk Management and Compliance functions and, specifically with regard to the risks of fraud and unintentional errors in financial reporting, by the Manager responsible for preparing the company's financial reports. In summary the main risk profiles can be summarised as follows:

- Interest rate risk. In the structure of a Covered Bond, the interest rate risk originates from the different characteristics of interest rates on Covered Bonds and on the portfolio of secured assets. These risks are mitigated by hedging derivatives put in place from time to time with market counterparties.
- Credit risk. In the structure of a covered bond, credit risk is attributable to the quality of loans sold by each Selling Bank in the cover pool. Given this risk, the rating agencies, in order to attribute to the Covered Bonds the maximum rating possible, require a level of over-collateralisation which is also linked to the quality of the cover pool.
- Counterparty risk. The counterparty risk is the possibility that the creditworthiness of third parties involved in the transaction, in other words, the swap counterparties and the non Group bank, with which the SPV has its accounts, may worsen to the point of creating a liquidity problem, with the result that the cover pool funds that flow into the accounts of the SPV or payments made in connection with the swaps are retained by the same counterparties. This risk is mitigated by the involvement of high rated counterparties and the existence of clauses, in the relevant ISDA and CSA contracts as well as in the "Cash Management and Agency Agreement", according to which, in the case of downgrading of the counterparties, they will be immediately replaced.
- Liquidity risk. An issue of "bullet" Covered Bonds with a cover pool relating to mortgage loans with a given repayment plan entails the need for dynamic management of the cover pool itself. The funds received from the collection of capital instalments on the mortgage loans relating to the cover pool may have to be, in fact, reinvested in new mortgage loans with similar characteristics. If the Group does not have eligible mortgages available to be sold to supplement the cover pool (or to replace non-performing mortgages), it would be forced to pay cash or eligible securities, impacting negatively on the Counterbalancing Capacity.
- Compliance risk. The articulate and accurate external legislation regulating Covered Bonds, together with management and internal operating rules, require a precise and formal structuring of activities under the Programmes, both during the up front and on going phases. The analysis of compliance requirements has been performed by the Compliance function.
- Reputational risk. Reputational risk is the possibility that the failure by BPER Banca to fulfil certain obligations arising from its role in the Programmes adversely affects the credibility and image of the Group on the market, resulting in a significant economic and financial impact. In addition to the risks outlined above, already existing at the inaugural issue, there are aspects associated with the multi-originator characteristic of the Programmes, which will be formally integrated into the body of the contract and management processes, as and when other Group Banks join the Programmes as originators.
- Risk of financial inadequacy. The regulatory provisions, in the discipline of Covered Bonds, in relation to the complexity of the contractual profiles and the possible impact on the technical structure of these transactions, require, among other things, a careful assessment of the impact on the financial stability of the bank. The analysis of the projects by the Board of Directors highlighted:
 - regarding the impact on results, the transactions would have led to, with reference to available market data, a lower cost of funding compared with equivalent senior transactions and this would have allowed start-up costs to be fully covered, already in the first year, as well as to cover ongoing costs for the period. Under current market conditions, this original estimate may be considered highly conservative;
 - regarding the impact on the financial position, having considered the portfolio of eligible residential or commercial mortgage loans, at Group level, a plan of multi-year issuances was hypothesised so as to have sufficient room to replenish the cover pool, if necessary, without affecting the financial position and/or commercial practices of the Group.

These findings have allowed the Board to determine that the transactions do not negatively affect the financial stability of the bank and of the Group as a whole.

In order to renew and extend the GBB1 Programme for a further 5 years - completed in January 2019 - the Board of Directors reiterated in good time its assessments in this regard.

Organisational and management aspects of special purpose vehicles

With regard to organisational and management aspects of special purpose vehicles (in order to assess their adequacy in relation to the role assigned them) and the contracts entered into as part of the Programmes, Reports on the transferee company have been prepared by external legal consultants, in order to ensure that the contracts entered into as part of the Programmes contain clauses that ensure the regular and efficient performance of functions by the assignees, as required by the Regulations.

Assessment of legal aspects of the Programmes for Issue of Covered Bonds

Linklaters and Allen & Overy, both law firms, originally issued reports on the OBG1 and OBG2 Programmes covering, in accordance with the Rules, the legal aspects of the activities involved in the Programmes. The reports contain a thorough assessment of legal structures and contractual arrangements used, with particular attention to the characteristics of the guarantees given by the assignee companies and the overall relationships between and among the participants in the Programmes.

Annual assessment of the Programmes for Issue of Covered Bonds by Asset Monitor

Note that, under the regulations, the Asset Monitors – in this case PricewaterhouseCoopers s.p.a. for OBG1 and OBG2; BDO Italia s.p.a. for OBG3 – perform annual reviews of the Programmes' status and issue a report to the Board of Directors, the Board of Statutory Auditors and the Bank's Internal Audit Function.

To date, the analyses conducted have not identified any findings.

Quantitative information relating to the loans sold

GBB1 Programme

1. Changes during the year

Description	31.12.2022
Opening balance	4,596,645
Increases	1,083,893
Purchase of loan portfolio	988,830
Other increases:	95,063
- Interest income accrued on loans	92,452
- Default interest	-
- Penalties and various recoveries	-
- Recovery of impairment provisions	2,611
Decreases	700,294
Collections from customers	676,234
Other decreases:	24,060
- Impairment losses on loans	85
- Charges from IAS adjustments	-
Repurchases by the Originator	23,975
Final balance	4,980,244

2. Breakdown by residual life

Residual life of securitised loans	31.12.2022
Up to 3 months	397
from 3 months to 1 year	5,822
from 1 to 5 years	265,327
Over 5 years	4,742,022
Undefined maturity	5
Total	5,013,573

The loan balance is gross of loan provisions and IAS impairment losses.

3. Risk concentration

Amount by category (Euro)	Number of customers	31.12.2022
0 - 25,000	10,190	151,701
25,000 - 75,000	28,445	1,399,404
75,000 - 250,000	26,195	3,104,378
Over 250,000	1,012	358,090
Total	65,842	5,013,573

The loan balance is gross of loan provisions and IAS impairment losses.

As of 31 December 2022, sold debtors are for the most part resident in Italy and the loans are denominated in Euro.

The GBB2 Programme

1. Changes during the year

Description	31.12.2022
Opening balance	5,853,185
Increases	1,270,161
Purchase of loan portfolio	1,172,784
Other increases:	97,377
- Interest income accrued on loans	97,048
- Default interest	31
- Penalties and various recoveries	298
Decreases	825,243
Collections from customers	820,643
Other decreases:	4,600
- Impairment losses on loans	644
- Charges from IAS adjustments	3,956
Repurchases by the Originator	-
Final balance	6,298,103

2. Breakdown by residual life

Residual life of securitised loans	31.12.2022
Up to 3 months	941
from 3 months to 1 year	10,901
from 1 to 5 years	347,610
Over 5 years	6,020,047
Undefined maturity	18
Total	6,379,517

The loan balance is gross of loan provisions and IAS impairment losses.

3. Risk concentration

Amount by category (Euro)	Number of customers	31.12.2022
0 - 25,000	7,226	101,876
25,000 - 75,000	26,090	1,328,405
75,000 - 250,000	32,633	4,031,568
Over 250,000	2,052	917,667
Total	68,001	6,379,517

The loan balance is gross of loan provisions and IAS impairment losses.

As of 31 December 2022, sold debtors are for the most part resident in Italy and the loans are denominated in Euro.

The GBB3 Programme

1. Changes during the year

Description	31.12.2022
Opening balance	2,540,228
Increases	2,870,970
Purchase of loan portfolio	2,808,321
Other increases:	62,649
- Interest income accrued on loans	59,606
- Default interest	-
- Penalties and various recoveries	3,043
Decreases	823,301
Collections from customers	459,185
Other decreases:	364,116
- Impairment losses on loans	3,191
- Charges from IAS adjustments	6,302
Repurchases by the Originator	354,623
Final balance	4,587,897

2. Breakdown by residual life

Residual life of securitised loans	31.12.2022
Up to 3 months	1,044
from 3 months to 1 year	11,573
from 1 to 5 years	269,113
Over 5 years	4,339,961
Undefined maturity	-
Total	4,621,691

The loan balance is gross of loan provisions and IAS impairment losses.

3. Risk concentration

Amount by category (Euro)	Number of customers	31.12.2022
0 - 25,000	10,529	143,235
25,000 - 75,000	22,773	1,123,155
75,000 - 250,000	22,626	2,782,199
Over 250,000	1,492	573,103
Total	57,420	4,621,692

The loan balance is gross of loan provisions and IAS impairment losses.

As of 31 December 2022, sold debtors are for the most part resident in Italy and the loans are denominated in Euro.

F. Models for the measurement of credit risk

BPER Banca does not have internal portfolio credit risk models (VAR methodology).

Section 2 – Market risk

2.1 Interest rate risk and price risk - Trading portfolio for regulatory purposes

The Group's organisation provides for centralisation of the market risk control function at the Parent Company; consequently, the qualitative information set out below also reflects the individual position of BPER Banca.

Qualitative Information

A. General aspects

The Group's proprietary trading portfolio comprises all of the financial instruments acquired for trading purposes or for hedging a risk factor inherent to the portfolio or the banking book.

"For trading purposes" is understood as being the purchase of financial instruments with the following features:

- exposure to managed risk factors (interest rate risk and price risk, exchange rate risk, issuer risk, counterparty risk and liquidity risk);
- trading done prevalently on active markets;
- securities issued by operators of prime standing.

The trading portfolio is managed according to exposure to the interest rate risk deriving from the overall asset-liability structure and, as a rule, does not include complex or innovative derivatives.

The trading portfolio comprises all those financial instruments not purchased with the aim of achieving equilibrium of the asset-liability structure, but with a view to contributing to the results of the year, optimising the overall risk-yield profile.

The size of this portfolio is closely linked to the overall liquidity position of the Group.

Arbitrage and short-term speculative activity with regard to listed derivative instruments are marginal with respect to the management of the proprietary portfolio. The objective of the investment strategy underlying trading in these financial instruments is to maximise the overall risk/yield profile via appropriate diversification.

The Parent Company makes medium-term speculative investments in stock markets, in commodity derivatives, in mutual funds and, to a marginal extent, in hedge funds. However, this activity is just a small part of the transactions carried out in the bond markets.

The trading portfolio governance process is centralised in BPER Banca to respond to the needs of central oversight of market risk and greater efficiency of Group investment processes.

This process implies that the individual Group Banks remain responsible for optimisation of the yield from liquidity through treasury transactions with BPER Banca or, alternatively, by investing in floating rate or fixed rate bonds issued by the Bank.

In this way, the governance of market risk has been centralised by the Parent Company on the basis of decisions taken by the ALCO and Finance Committee, which is chaired by the Chief Executive Officer.

B. Management processes and measurement methods for interest rate and price risk

The BPER Banca Group's system of daily checking is consistent with market standards. Value at Risk (VaR) techniques are used to measure market risk.

VaR represents the estimated maximum potential loss, determined based on probabilities, that may be suffered by the aggregate concerned over a given time horizon at a pre-determined level of confidence.

The method adopted for calculating VaR belongs to the class of "historical simulation" models, according to which the overall risk is determined on the basis of the historical distribution of the returns on the risk factors to which the financial instruments held are sensitive. The methodologies used to monitor market risks also include sensitivity analyses based on parallel shifts in the market rate curves.

Currently, the daily calculation of VaR makes reference to two distinct time horizons; in fact, an analysis is carried out with a time horizon of one month and with a confidence interval of 99% on the entire Group's proprietary portfolio (banking book and trading book), in line with the Group's Risk Appetite Framework. This is accompanied by further analysis with the same confidence interval, but with a one-day time horizon, in order to monitor day by day the market risk dynamics of the Bank's trading portfolio. This model is only used for internal management purposes and is not involved in the calculation of the capital adequacy requirements regarding market risk.

The process of controlling interest-rate risk and price risk is centralised at BPER Banca. Periodic information is assured by the distribution of specific reports prepared at different time intervals, starting from the one produced daily.

The monitoring and control of interest rate risk of the trading portfolio aims to mitigate the risk in question, by defining a system of operating limits for the portfolios managed by the appropriate Group structures, addressing the various risks to which they

are exposed. The limits are checked on a daily basis.

The daily monitoring and control of the price risk associated with the trading portfolio for supervisory purposes is performed via Value-at-Risk (VaR) analyses, in accordance with the method indicated above.

Impacts resulting from the Covid-19 pandemic

In 2022, no impacts on the market risk profile of the BPER Group deriving from the trend in the Covid-19 pandemic were highlighted.

Quantitative Information

3. Interest rate risk - Trading portfolio for regulatory purposes: internal models and other methodologies for the sensitivity analysis

The VaR readings determined over time horizons of ten days and one day are set out below, in relation to the rate risk associated with the trading portfolio reported for regulatory purposes at 31 December 2022.

Descriptive data		VaR Time horizon: 10 days Confidence interval: 99%		VaR Time horizon: 1 day Confidence interval: 99%	
Type of transaction	Present value	VaR	Var/Present Value	VaR	Var/Present Value
BOT	-	-	0.00%	-	0.00%
BTP	157	4	2.55%	1	0.64%
CCT	-	-	0.00%	-	0.00%
Other government securities	4,682	70	1.50%	23	0.49%
Bonds	67,104	414	0.62%	133	0.20%
Equities	-	-	0.00%	-	0.00%
Mutual funds and Sicavs	-	-	0.00%	-	0.00%
Derivatives/Transactions to be settled	95,233	7,053	7.41%	2,226	2.34%
Effect of diversification		(170)		(67)	
Total portfolio 2022	167,176	7,371	4.41%	2,315	1.38%
Total portfolio 2021	194,220	29,739	15.31%	8,144	4.19%

The value of the trading portfolio at 31 December 2022 given a parallel shift of +/- 100 bps (sensitivity analysis) is set out below.

	+100 bps	-100 bps
31 December 2022	(9,082)	7,596
31 December 2021	53,916	(162,949)

3. Price risk - Trading portfolio for regulatory purposes: internal models and other methodologies for the sensitivity analysis

The VaR determined over time horizons of ten days and one day is set out below, in relation to the price risk associated with the trading portfolio reported for regulatory purposes at 31 December 2022.

Descriptive data	VaR			VaR	
	Present value	Time horizon: 10 days		Time horizon: 1 day	
		Confidence interval: 99%		Confidence interval: 99%	
Type of transaction	Present value	VaR	Var/Present Value	VaR	Var/Present Value
Equities	58,383	8,381	14.36%	2,650	4.54%
Mutual funds and Sicavs	-	-	0.00%	-	0.00%
Derivatives/Transactions to be settled	(689)	6,600	-957.91%	2,090	-303.34%
Effect of diversification		(11,163)		(3,531)	
Total portfolio 2022	57,694	3,818	6.62%	1,209	2.10%
Total portfolio 2021	85,792	5,498	6.41%	1,739	2.03%

2.2 Interest rate risk and price risk - Banking book

Qualitative Information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk represents the potential impact of unexpected changes in market rates on current profits and the equity value of the Parent Company. This risk typically affects the positions included in the banking book.

The exposure to interest rate risk can be further analysed into:

- income risk;
- investment risk.

Income risk derives from the possibility that an unexpected change in interest rates may reduce net interest income, being the difference between interest received and interest paid. This risk is measured by maturity gap models and depends on:

- the mismatch in the maturity structures of lending and funding, in cases where the related assets and liabilities are remunerated at fixed rates until final maturity;
- the mismatch of the review periods for rate conditions, in the case of floating-rate assets and liabilities.

The timing mismatches mentioned above expose BPER Banca to:

- refinancing risk: the risk arising when the average maturity period (period until the next rate review) is shorter for funding than for lending. In this case, the Bank is exposed to possible increases in interest rates (the Bank is Liability Sensitive);
- reinvestment risk: the risk arising when the average maturity period (period until the next rate review) is shorter for lending than for funding. In this case, the Bank's net interest income will decline if interest rates fall (the Bank is Asset Sensitive).

Investment risk derives from the possibility that adverse changes in the value of all assets, liabilities and off-balance sheet instruments held by the Bank, following changes in interest rates, may destabilise the equilibrium of the balance sheet. This risk is measured by duration gap and sensitivity analysis techniques.

The following types of interest rate risk are identified:

- Repricing Risk: risk associated with differences in the maturities (fixed rate) and the repricing dates (floating rate) of the assets and liabilities held in the portfolio.
- Yield Curve Risk: risk associated with changes in the gradient and shape of the yield curve.
- Refixing Risk: risk associated with the timing of changes in market parameters, for floating rate positions. More specifically, this is the risk that rate of rise in interest rates is more marked in the refixing periods for funding than in those for lending.

- Basis Risk: risk arising from the imperfect correlation between the indexation parameters for lending and funding, or from unfavourable changes in the gradient of the curve.
- Optionality Risk: risk associated with "explicit" or "embedded" options embedded in the banking book's assets and liabilities (e.g. cap/floor/collar, loan prepayment options).

Every month, BPER Banca monitors at both consolidated and legal entity level the impact that unexpected changes in market interest rates might have on the positions in the banking book, according to the following prospects:

- standpoint of current profits: the purchase of considering the impact on current profits is to evaluate interest risk with reference to the sensitivity of net interest income to rate changes over a given period of time. Adverse changes in net interest income potentially affect the financial stability of a bank by weakening its capital adequacy. The change in net interest income depends on the various types of risk;
- standpoint of economic value: changes in interest rates may affect the economic value of the Parent Company's assets and liabilities. The economic value of a bank is represented by the present value of its expected cash flows, defined as the sum of the present value of the cash flows to be generated by its assets, liabilities and positions in derivatives. By contrast with the standpoint of current profits, the standpoint of economic value identifies the risk generated by the repricing or maturity gap over a long time horizon.

The objectives to be pursued in support of the proper management of interest rate risk are:

- reduce the adverse effects of the volatility of net interest income (standpoint of current profits). The stability of net interest income is mainly influenced by the Yield Curve Risk, Repricing Risk, Basis Risk and Optionality Risk;
- immunise the economic value, being the sum of the present values of all the expected cash flows, generated by both sides of the balance sheet. By contrast with the standpoint of current profits, the standpoint of economic value takes a medium/long-term view and is mainly associated with the repricing risk;
- ensure compliance with the related organisational requirements envisaged by the domestic and international supervisory bodies.

The model for the governance of interest rate risk is based on the following principles:

- assignment to the Parent Company of guidance and coordination rights over the strategic planning and control processes, treasury and financial management, the commercial area and the governance of lending for the entire Group, in order to ensure the consistent management of interest-rate risk and compliance with regulatory requirements,
- segregation between governance processes and the management of interest rate risk.

The strategic decisions at Group level regarding the management of risk are made by the corporate bodies of the Parent Company. The decisions made take account of the operational specifics and related risk profiles of each Group company, in order to establish an integrated and consistent risk management policy.

Given the above, the BPER Group has adopted a centralised model for the governance and management of risk.

As the Parent Company, BPER Banca is responsible for defining guidance for the governance, acceptance and management of interest-rate risk at Group level.

The model for the management of interest rate risk focuses on the following measures of risk:

- sensitivity of net interest income;
- sensitivity of economic value.

The sensitivity analysis of net interest income identifies the impact of changes in interest rates as a result of parallel and other shocks.

The Bank calculates the sensitivity of net interest income holding rates and volumes constant. According to this model amounts maturing are reinvested on the assumption of constant volumes, rates and maturities.

The indicator is calculated at both Group and Legal Entity levels.

The sensitivity analysis of economic value identifies the impact on the value of shareholders' equity of parallel and other shocks to the yield curve. This change is calculated by discounting all the cash flows using two different yield curves: the current curve at the analysis date and that following the shock, and comparing the two values.

$$\Delta VA = VA_{(Curva1)} - VA_{(Curva2)}$$

In order to include the prepayment phenomenon (early repayment, in whole or in part, of the residual debt by the borrower) when measuring the sensitivity of economic value, a statistical model has been adopted whereby the potential prepayment of loan principal is estimated using different variables, both of financial nature (such as market interest rates) and contractual (such as the original duration of the loan, the type of loan, the personal characteristics of the borrower, etc.).

For the calculation of sensitivity, demand balances outstanding with customers are simulated using an econometric model which identifies a portfolio that replicates them, by allocating demand funding (lending) to a portfolio of liabilities (assets) with an

In addition to the risk measures mentioned above, the capital absorbed in relation to interest rate risk is also calculated. Sensitivity analysis is applied in order to estimate the capital absorbed, consistent with the standardised approach envisaged by the Supervisory Authorities. Under this approach, the capital absorbed in relation to the banking book's interest rate risk is the change in the economic value (defined as the present value of expected cash flows) caused by an adverse interest-rate shock.

With regard to price risk, the banking book essentially includes transactions in equity instruments, mutual funds and SICAVs classified in the financial statements as measured at fair value through profit or loss and other comprehensive income. The monitoring of the aforementioned portfolio takes place through the Value at Risk (VaR) methodology presented in detail in the section on qualitative information: "Interest rate risk and price risk - Trading portfolio reported for regulatory purposes". The Financial Risks Service records and monitors on a daily basis the exposure to price risk through the production of specific reporting containing the main risk metrics (mainly expressed in terms of Value-at-Risk) and, where appropriate, the associated exposure limits for said type of risk.

Impacts resulting from the Covid-19 pandemic

In 2022, no impacts on the interest rate risk profile of the BPER Group deriving from the trend in the Covid-19 pandemic were highlighted.

Quantitative Information

2. Price risk - Banking book: internal models and other methodologies for the sensitivity analysis

Below are the year-end figures at 31 December 2022 and their trends (minimum, average, maximum) of the management reporting year relating to the banking book's net interest income, against a parallel shift of 100/-50 bps.

	+100 bps	-50 bps
31 December 2022	81,403	(42,892)
maximum change	81,403	(75,449)
minimum change	(13,063)	(2,631)
average change	(8,066)	(2,691)
31 December 2021	(692)	(86,095)

Below are the year-end figures at 31 December 2022 and their trends (minimum, average, maximum) of the management reporting year relating to the change in the value of the banking book, against a parallel shift of +/- 100 bps (sensitivity analysis).

	+100 bps	-100 bps
31 December 2022	68,632	(90,496)
maximum change	86,570	(320,962)
minimum change	11,274	(27,467)
average change	39,012	(77,691)
31 December 2021	160,777	94,527

2. Price risk - Banking book: internal models and other methodologies for the sensitivity analysis

The VaR determined over time horizons of ten days and one day is set out below, in relation to the price risk associated with the trading portfolio reported for regulatory purposes at 31 December 2022.

Descriptive data		VaR Time horizon: 10 days Confidence interval: 99%		VaR Time horizon: 1 day Confidence interval: 99%	
Type of transaction	Present value	VaR	Var/Present Value	VaR	Var/Present Value
Equities	544,843	35,500	6.52%	11,226	2.06%
Mutual funds and Sicavs	303,713	12,851	4.23%	4,064	1.34%
Derivatives/Transactions to be settled	-	-	0.00%	-	0.00%
Effect of diversification		(1,575)		(498)	
Total portfolio 2022	848,555	46,777	5.51%	14,792	1.74%
Total portfolio 2021	572,735	32,937	5.75%	10,416	1.82%

2.3 Exchange risk

Qualitative Information

A. General aspects, management and measurement of exchange risk

The BPER Banca Group is exposed to exchange risk in connection with routine funding and lending activities and, to a marginal extent, in relation to speculative activities.

The Financial Risks Service of the Parent Company records and monitors on a daily basis the exposure to currency risk through the production of specific reporting containing the main risk metrics (mainly expressed in terms of Value-at-Risk) and, where appropriate, the associated exposure limits for said type of risk.

B. Hedging of exchange risk

The BPER Banca Group uses plain vanilla instruments for the operational hedging of exchange risk.

Quantitative Information

1. Breakdown of assets, liabilities and derivatives by currency

Items	Currency					
	USD	GBP	CHF	CNY	JPY	OTHER CURRENCIES
A. Financial assets	3,687,126	475,322	207,305	5,654	9,816	27,031
A.1 Debt securities	3,313,955	454,960				
A.2 Equity instruments	14,629	1				
A.3 Loans to banks	84,596	10,899	5,090	1,673	8,691	19,649
A.4 Loans to customers	273,946	9,462	202,215	3,981	1,125	7,382
A.5 Other financial assets						
B. Other assets	20,474	1,660	2,982		106	1,019
C. Financial liabilities	3,378,086	289,511	30,561	11,370	7,475	42,639
C.1 Deposits from banks	2,837,125	258,186	7,181		17	16,162
C.2 Deposits from customers	540,961	31,325	23,380	11,370	7,458	26,477
C.3 Debt securities in issue						
C.4 Other financial liabilities						
D. Other liabilities	8,413	134	389	115		555
E. Financial derivatives	1,925,523	290,658	259,535	40,683	51,497	51,648
- Options						
+ Long positions	136,061	629			185	
+ Short positions	137,462	1,756	130	10,446	6,498	2,867
- Other derivatives						
+ Long positions	640,216	31,228	39,365	23,248	29,609	30,277
+ Short positions	1,011,784	257,045	220,040	6,989	15,205	18,504
Total assets	4,483,877	508,839	249,652	28,902	39,716	58,327
Total liabilities	4,535,745	548,446	251,120	28,920	29,178	64,565
Net balance (+/-)	(51,868)	(39,607)	(1,468)	(18)	10,538	(6,238)

2. Internal models and other methodologies for the sensitivity analysis

The VaR determined over time horizons of ten days and one day is set out below, in relation to the risk faced by the BPER Banca Group at 31 December 2022.

	VaR	
	Time horizon: 10 days	Time horizon: 1 day
	Confidence interval: 99%	Confidence interval: 99%
2022	25,073	7,782
2021	4,698	1,474

Section 3 - Derivatives and hedging policies

3.1 Trading derivative instruments

The Group's organisation provides for centralisation of the derivatives' management process at the Parent Company; consequently, the qualitative information set out below also reflects the individual position of BPER Banca.

A. Financial derivatives

A.1 Trading financial derivatives: notional values at the end of the period

Underlying assets/Type of derivatives	Total 31.12.2022				Total 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	9,287,364	4,907,007	-	-	13,786,629	650,244	-
a) Options	-	695,618	253,159	-	-	2,410,767	26,469	-
b) Swaps	-	8,541,608	3,169,825	-	-	11,158,548	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	1,437,799	-	-	-	623,775	-
e) Other	-	50,138	46,224	-	-	217,314	-	-
2. Equities and stock indexes	-	7,045,489	60,893	-	-	32,064	58,251	-
a) Options	-	7,045,489	23,612	-	-	32,064	534	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	37,281	-	-	-	57,717	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	1,831,273	645,803	-	-	1,593,564	57,014	-
a) Options	-	63,414	251,384	-	-	261,477	-	-
b) Swaps	-	1	-	-	-	-	-	-
c) Forwards	-	1,767,858	394,419	-	-	1,332,087	57,014	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	6,362	-	-	-	-	-
5. Other	-	-	6,854	-	-	-	-	-
Total	-	18,164,126	5,626,919	-	-	15,412,257	765,509	-

A.2 Trading financial derivatives: positive and negative gross fair value - breakdown by product

Type of derivatives	Total 31.12.2022				Total 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive Fair Value								
a) Options	-	144,858	7,453	-	-	12,221	36	-
b) Interest rate swaps	-	373,568	1,151	-	-	120,986	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	48,070	6,787	-	-	10,154	449	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	26,942	519	-	-	5,609	-	-
Total	-	593,438	15,910	-	-	148,970	485	-
2. Negative Fair Value								
a) Options	-	54,468	16,457	-	-	30,222	153	-
b) Interest rate swaps	-	173,601	206,707	-	-	83,599	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	16,384	8,867	-	-	14,708	290	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	431	23,591	-	-	2,446	-	-
Total	-	244,884	255,622	-	-	130,975	443	-

A.3 OTC trading financial derivatives - notional values, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	1,447,799	148,938	3,310,271
- positive fair value	X	-	281	2,632
- negative fair value	X	-	3,448	237,749
2) Equities and stock indexes				
- notional value	X	60,738	128	26
- positive fair value	X	329	12	15
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	1,096	469	644,238
- positive fair value	X	319	-	12,168
- negative fair value	X	-	12	14,203
4) Commodities				
- notional value	X	-	6,362	-
- positive fair value	X	-	-	-
- negative fair value	X	-	65	-
5) Other				
- notional value	X	2,651	-	4,203
- positive fair value	X	35	-	119
- negative fair value	X	113	-	31
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	8,479,054	271,650	536,662
- positive fair value	-	438,893	269	470
- negative fair value	-	173,639	15,227	21,464
2) Equities and stock indexes				
- notional value	-	7,045,489	-	-
- positive fair value	-	103,033	-	-
- negative fair value	-	15,749	-	-
3) Currencies and gold				
- notional value	-	1,831,271	-	-
- positive fair value	-	50,773	-	-
- negative fair value	-	18,805	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional values

Underlying assets/Residual life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	4,049,522	7,521,210	2,623,640	14,194,372
A.2 Financial derivatives on equity securities and stock indexes	1,581,625	5,524,649	108	7,106,382
A.3 Financial derivatives on currencies and gold	2,436,432	40,642	-	2,477,074
A.4 Financial derivatives on commodities	6,362	-	-	6,362
A.5 Other financial derivatives	6,855	-	-	6,855
Total 31.12.2022	8,080,796	13,086,501	2,623,748	23,791,045
Total 31.12.2021	6,945,373	6,948,132	2,284,261	16,177,766

B. Credit derivatives**B.1. B.1 Trading credit derivatives: end-of-period notional amounts**

Types of transactions	Trading derivatives	
	with a single counterparty	with more than one counterparty (basket)
1. Protection purchases		
a) Credit default products	-	30,000
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2022	-	30,000
Total 31.12.2021	-	30,000
2. Protection sales		
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2022	-	-
Total 31.12.2021	-	-

B.2 Trading credit derivatives: positive and negative gross fair value - breakdown by product

Types of derivatives	Total 31.12.2022	Total 31.12.2021
1. Positive Fair Value		
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	-	-
2. Negative Fair Value		
a) Credit default products	3	661
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	3	661

B.3 OTC trading credit derivatives: notional values, gross positive and negative fair value by counterparty

	Central counterparties	Banks	Other financial companies	Other entities
Contracts not included in netting agreements				
1) Protection purchases				
- notional value	X	30,000	-	-
- positive fair value	X	-	-	-
- negative fair value	X	3	-	-
2) Protection sales				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Protection purchases				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Protection sales				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

B.4 Residual life of OTC trading credit derivatives: notional values

Underlying assets/Residual life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
1. Protection sales	-	-	-	-
2. Protection purchases	-	30,000	-	30,000
Total 31.12.2022	-	30,000	-	30,000
Total 31.12.2021	-	30,000	-	30,000

B.5 Credit derivatives connected with the fair value option: annual changes

There are no amounts to be disclosed in this Report.

3.2 Accounting hedges

Qualitative Information

From 1 July 2020, the BPER Banca Group has adopted Chapter 6 Hedge Accounting of IFRS 9. For more details on the choices applied, please refer to Part A.2 of the Explanatory Notes, paragraph 4. "Hedging transactions".

A. Fair value hedges

Hedged Risk - Rate Risk

As already mentioned previously and in other parts of the financial statements, the corporate strategies provide for specific interventions aimed at the best possible management of interest rate risk. Among the intervention levers, the Group has recourse to derivative contracts (classified from an accounting point of view both as "hedging" and "trading"), used to reduce the sensitivity of the proprietary securities portfolio, loans granted and own liabilities (bond issues and on demand items), compared with a movement in risk-free rates.

The derivatives used for this purpose are:

- Interest Rate Swaps (IRS), also in currencies other than the Euro, traded over the counter, that are specific for each asset or liability instrument to be hedged, or refer to several instruments with the same maturity;
- Futures, listed, generic with underlying bonds (typically German, Italian and US bonds).

Compared with what is shown, micro-hedge accounting relationships are qualified only for hedging the interest rate risk connected to bonds in the banking book, classified among Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost, using IRS-type derivatives for this purpose. Hedging relationships of fixed rate bond loans issued by the Group were treated similarly under the micro-hedging arrangement.

In addition, starting from 2022, the Bank qualified macro hedging relations (macro-hedge accounting) for the hedging of interest rate risk connected with some liability items - Sight Items - modelled according to the results of the behavioural model adopted by the Bank and therefore characterised as "inelastic core" funding, i.e. those that are substantially characterised by a trend-based fixed cost and a stable duration over time.

Hedged risk - Credit / Counterparty Risk

Given the unexpected increase in credit/counterparty risk, the BPER Banca Group may use derivative instruments to reduce the sensitivity of the investment portfolio to this type of risk.

The derivatives used for this purpose are:

- Credit Default Swaps – CDS, traded over-the-counter, generic and linked to sub-indexes;
- Futures, listed, generic with underlying bonds (typically German, Italian and US bonds).

Compared with what is shown, the credit risk is hedged only by management, as no Hedge Accounting relationship has been qualified.

Hedged risk – Price risk

The coverage of potential unwanted changes in fair value also includes transactions involving equity securities.

The derivatives used for this purpose are generally Total Return Swap (TRS), traded over the counter, specific for each individual exposure.

B. Cash flow hedges

Hedged Risk – Rate Risk

The objective pursued by the Group in this case is to stabilise the contribution made by the securities portfolio to the net interest income of the Bank should risk-free rates rise.

Cash flow hedging tends to be extremely limited (at the end of 2022, there were no interest rate hedges in place) and generally requires the use of Interest Rate Swaps - IRS, traded over the counter, specific for each instrument to be hedged or for multiple instruments with the same maturity.

Hedged Risk – Exchange Rate Risk

The objective pursued by the Group in this case is to stabilise the contribution made by the foreign currency securities portfolio to the net interest income of the Bank should the exchange rate depreciate.

Also in this case, hedging tends to be very limited (at the end of 2022 there was just one currency hedge in place) and generally requires the use of Cross Currency Swaps - CCS, traded over the counter, specific for each issue to be hedged or for multiple issues with the same maturity.

C. Hedging of foreign investments

The BPER Banca Group does not have any foreign investment hedging relationships.

D. Hedging instruments

The hedge accounting implemented by the BPER Banca Group is therefore achieved by the use of OTC IRS derivative contracts, either plain vanilla or with cap & floor options, and CCS or TRS derivatives.

E. Hedged items

The BPER Banca Group currently has accounting hedges on securities (bonds and equities) in the banking book and on its own bond issuances. For these instruments, either just the interest rate risk component or the interest rate risk and inflation rate risk components are hedged.

From 2022, in addition to previous hedges, some new accounting hedges were entered into on sight items, i.e. funding. In particular, Macro Fair Value Hedges were created, in order to hedge the core fixed-rate inelastic component

IBOR Reform

Following the Financial Stability Board's decision to gradually replace IBORs with "alternative interest rates", the European Union introduced its Benchmarks Regulation (EU 2016/1011 BMR), published in 2016 and in force since January 2018. It lays down precise rules for administrators, contributors and users of benchmarks that guarantee transparency and representativeness of the indices with respect to the markets to which they refer, requiring them to base their figures as much as possible on actual transactions. Following the BMR, European institutions declared as critical:

- the EONIA rate, which since 2 October 2019 has been based on the fixing of the Euro Short-Term Rate, €STR (identified by the ECB as an alternative rate) which was discontinued and replaced by the €STR rate on 3 January 2022;
- the EURIBOR rate, which had its methodology revised in 2019 (introducing the so-called hybrid method), which guarantees compliance with the regulatory requirements;
- the benchmark rates for other currencies, the most important ones involved in the reform are: USD LIBOR, GBP LIBOR, EUR LIBOR, CHF LIBOR, JPY LIBOR, JPY TIBOR, EUROYEN TIBOR, CAD CDOR, etc. In particular, among these, the following rates have no longer been used since 31 December 2021:
 - GBP LIBOR;
 - EUR LIBOR;
 - CHF LIBOR;
 - JPY LIBOR;
 - USD LIBOR (only for the 1w and 2M maturities. The remaining maturities will no longer be used from June 2023).

The following table indicates the notional amount and average residual duration of all hedging derivatives, aggregated by the reference benchmark rate used. The hedging derivatives provide a good proxy of the extent of the interest-rate exposures that the Bank manages via the hedges.

Type of instrument	Received cash-flow	Paid cash-flow	Current notional amount (in thousands)	Average residual life (years)
IRS	2M Euribor	Fixed rate	127,000	0.22
	3M Euribor	Fixed rate	168,029	8.51
	6M Euribor	Fixed rate	11,513,895	7.08
		1M Euribor	3,709,210	6.09
	Fixed rate	6M Euribor	1,096,582	2.06
		Fixed rate	92,634	6.10
		Uncodified rates	16,904	2.05
	USD Libor 3M	Fixed rate	738,796	4.43
Overall total			17,463,049	6.39

It should be noted that, of the hedging relationships shown, those impacted by the IBOR Reform in terms of the uncertainty of future cash flows and the consequent difficulty in carrying out tests of the prospective resilience of the relationships, are limited to relationships based on the USD LIBOR benchmark rate, an index that will be subject to transition to the new risk-free rates (RFRs) as the regulators' discontinuation deadline of June 2023 approaches.

BPER Banca has applied EU Regulation 34/2020 of 15 January 2020, which adopts the guidelines issued by the IASB in its document "Interest Rate Benchmark Reform (Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: recognition and measurement and IFRS 7 Financial Instruments: Disclosures)". This allows, on an exceptional and temporary basis, the performance of prospective tests in constant application of the current benchmark, also for maturities after 31 December 2022. The purpose is to avoid the situation whereby the uncertainty caused by the reform with regard to the amount and timing of cash flows might lead to existing hedges being interrupted.

Quantitative Information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: end-of-period notional amounts

Underlying assets/Type of derivatives	Total 31.12.2022				Total 31.12.2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	17,408,603	-	-	-	12,401,523	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	17,408,603	-	-	-	12,401,523	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indexes	-	-	-	-	-	15,919	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	15,919	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	54,446	-	-	-	54,446	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	54,446	-	-	-	54,446	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	17,463,049	-	-	-	12,471,888	-	-

A.2 Hedging financial derivatives: gross positive and negative fair value - breakdown by product

Positive and negative fair value										Change in the value used to calculate hedge effectiveness	
Type of derivatives	Total 31.12.2022				Organised markets	Total 31.12.2021				Total 31.12.2022	Total 31.12.2021
	Over the counter			Over the counter			Organised markets				
	Without central counterparties			Without central counterparties							
	Central counterparties	With netting agreements	Without netting agreements	Central counterparties		With netting agreements		Without netting agreements			
1. Positive Fair Value											
a) Options	-	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	1,808,028	-	-	-	178,108	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-	-
Total	-	1,808,028	-	-	-	178,108	-	-	-	-	-
2. Negative Fair Value											
a) Options	-	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	493,556	-	-	-	241,131	-	-	-	-	-
c) Cross currency swaps	-	5,007	-	-	-	239	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-	-
Total	-	498,563	-	-	-	241,370	-	-	-	-	-

A.3 OTC hedging financial derivatives - notional values, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not included in netting agreements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equities and stock indexes				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional value	-	17,408,603	-	-
- positive fair value	-	1,808,028	-	-
- negative fair value	-	493,556	-	-
2) Equities and stock indexes				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	54,446	-	-
- positive fair value	-	-	-	-
- negative fair value	-	5,007	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging financial derivatives: notional values

Underlying assets/Residual life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	2,546,228	6,689,725	8,172,650	17,408,603
A.2 Financial derivatives on equity securities and stock indexes	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	54,446	54,446
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2022	2,546,228	6,689,725	8,227,096	17,463,049
Total 31.12.2021	1,303,968	4,112,449	7,055,471	12,471,888

B. Hedging credit derivatives

There are no amounts to be disclosed in this Report.

C. Non-hedging derivatives

There are no amounts to be disclosed in this Report.

D. Hedged instruments

D.1 Fair value hedges

		Micro-hedges: book value	Micro-hedges - net positions: book value of assets or liabilities (prior to netting)	Micro-hedges			Macro-hedges: Book Value
				Cumulative fair value changes (hedged instrument)	Termination of hedging: residual cumulative fair value changes	Change in value used to assess hedge ineffectiveness	
A. Assets							
1. Financial assets measured at fair value through other comprehensive income - hedging of:							
		2,488,010	-	(262,640)	-	(262,640)	-
1.1 Debt securities and interest rates		2,482,783	-	(264,214)	-	(264,214)	X
1.2 Equities and stock indexes		5,227	-	1,574	-	1,574	X
1.3 Currencies and gold		-	-	-	-	X	X
1.4 Loans		-	-	-	-	X	X
1.5 Other		-	-	-	-	X	X
2. Financial assets measured at amortised cost - hedging of:							
		9,868,029	-	(1,785,688)	-	(1,785,688)	-
1.1 Debt securities and interest rates		9,868,029	-	(1,785,688)	-	(1,785,688)	X
1.2 Equities and stock indexes		-	-	-	-	-	X
1.3 Currencies and gold		-	-	-	-	-	X
1.4 Loans		-	-	-	-	-	X
1.5 Other		-	-	-	-	-	X
Total	31.12.2022	12,356,039	-	(2,048,328)	-	(2,048,328)	-
Total	31.12.2021	10,607,702	-	(294,211)	(118)	(324,727)	-
B. Liabilities							
1. Financial liabilities measured at amortised cost - hedging of:							
		1,055,468	-	(77,446)	-	(77,446)	3,990,502
1.1 Debt securities and interest rates		1,055,468	-	(77,446)	-	(77,446)	x
1.2 Currencies and gold		-	-	-	-	-	x
1.3 Other		-	-	-	-	-	x
Total	31.12.2022	1,055,468	-	(77,446)	-	(77,446)	3,990,502
Total	31.12.2021	1,873,006	-	1,539	-	(14,523)	

D.2 Hedging of cash flows and foreign investments

		Change in value used to calculate hedging ineffectiveness	Hedging reserves	Termination of hedging: residual value of hedging reserves
A. Cash flow hedges				
1. Assets		-	(3,332)	-
1.1 Debt securities and interest rates		-	-	-
1.2 Equities and stock indexes		-	-	-
1.3 Currencies and gold		-	(3,332)	-
1.4 Loans		-	-	-
1.5 Other		-	-	-
2. Liabilities		-	-	13,967
1.1 Debt securities and interest rates		-	-	13,967
1.2 Currencies and gold		-	-	-
1.3 Other		-	-	-
Total (A)	31.12.2022	-	(3,332)	-
Total (A)	31.12.2021	-	(1,879)	-
B. Hedges of foreign investments				
		X	-	-
Total (A+B)	31.12.2022	-	(3,332)	13,967
Total (A+B)	31.12.2021	-	(1,879)	-

E. Effects of hedging on shareholders' equity

E.1 Reconciliation of components of shareholders' equity

	Cash flow hedging reserve				
	Debt securities and interest rates	Equities and stock indexes	Currencies and gold	Loans	Other
Initial balance	-	-	(1,879)	-	-
Changes in Fair Value (effective portion)	-	-	(1,453)	-	-
Transfer to P&L	(13,000)	-	-	-	-
of which: future transactions not expected	-	-	-	-	-
Other changes	26,967	-	-	-	-
of which: transfer of hedged instruments at initial book value (IFRS 9 para. 6.5.11 letter d) points i)	-	-	-	-	-
Final balance	13,967	-	(3,332)	-	-

The parts of the table relating to hedging reserves for foreign investments and hedging instruments (non-designated elements) are not shown as they do not apply

3.3. Other information on derivative instruments (trading and hedging)

Financial and credit derivatives

At 31 December 2022, BPER Banca does not have any derivatives that satisfy the criteria envisaged in IAS 32, para. 42 for offsetting financial assets and liabilities.

Section 4 – Liquidity risk

Qualitative Information

A. General aspects, management and measurement of liquidity risk

The BPER Banca Group has a specific policy for the management of liquidity risk (Group Policy for Liquidity and Funding Risk Governance), which includes the plan covering the objectives, processes and strategies for action (Contingency Funding Plan).

Group Policy for Liquidity and Funding Risk Governance

This document, which forms an integral part of the Risk Appetite Framework – RAF of the BPER Banca Group, defines the principles, objectives and methods of governance and monitoring of liquidity and funding risk at Group level.

More specifically, it contains:

- the definition of the governance model in terms of the parties involved in risk governance and their roles and responsibilities;
- definition of limits and mitigating actions aimed at risk containment;
- the formalisation of risk management methods, through the establishment of rules, procedures and metrics for the measurement and monitoring of liquidity and funding risk, describing the stress test model adopted to evaluate the risk exposure in stress scenarios.

Liquidity risk typically crystallises in the form of failure to meet payment obligations; it may take various forms, depending on the circumstances in which the risk arises. With reference to the definitions adopted at international level, a distinction is made between funding liquidity risk and market liquidity risk.

Funding liquidity risk is the risk that the Group will not be able to make, in an efficient manner, expected and unexpected cash payments, both current and future, nor will it be able to meet collateral obligations, without an adverse effect on the Bank's current operations or its financial position.

Market liquidity risk, on the other hand, is the risk that the Group is not able to sell a financial asset without incurring a capital loss due to poor liquidity or disruption in the reference market.

These two forms of liquidity risk are often highly correlated, and may crystallise as a result of the same underlying factors. Market liquidity risk is usually considered to be a type of market risk (price risk); accordingly, the processes and rules for measuring, controlling and mitigating liquidity risk focus on the funding risk aspect.

In the context of funding risk, a distinction is made between:

- mismatch liquidity risk, being the liquidity risk implicit in the structure of the Group's assets and liabilities due to the transformation of maturities typical of financial intermediaries, when the profile of cash outflows is not perfectly matched by the profile of cash inflows (with reference to contractual maturities and routine behaviour);
- contingency liquidity risk, being the risk that future events may require access to significantly more liquidity than previously planned by the Group; in other words, this is the risk of not being able to settle sudden and unexpected payment commitments in the short or very short term.

Liquidity risk can derive from different types of sources. In particular, two macro-categories are considered:

- Endogenous sources of liquidity risk: these include, among specific adverse events for the Group, a rating downgrade or other event that causes the market to lose confidence in the Group. Such a downgrade or a widespread market perception of a deterioration in the Group's solidity (which could arise from other risks, such as major losses on the trading book or loan portfolio) might also result in:
 - reduced access to the market for unsecured funds (e.g. commercial paper) by institutional investors;
 - a reduction in or cancellation of interbank lines of credit;
 - the withdrawal of deposits by retail customers;
 - an increased need for liquidity, for example a request to increase margins and guarantees due, or the need to finance assets that can no longer be sold or converted into securities through securitisations.
- Exogenous sources of liquidity risk include:
 - systemic events that cause a liquidity crisis in the market (political and financial crises, catastrophic events, etc.);
 - specificity of some financial products (derivative contracts, stock-borrowing contracts), where events, such as sudden market movements, bankruptcies or downgrades in the ratings, could trigger a request for further collateral from counterparties;
 - commitments relating to committed lines that in the event of a crisis could generate an increase in the demand for liquidity on the part of customers; endorsement credits or committed lines facilities stipulated with special purpose vehicles in connection with securitisations act in a similar way;
 - structural changes in the market that can lead to an increase in the liquidity risk perceived overall (increasing system

demand for more volatile funding sources such as wholesale funds, rapid movement of accounts via internet banking).

Consistent with the Group Guidelines - Internal Control System, the management of liquidity risk can be broken down into the following components:

- definition of risk objectives;
- risk-taking;
- risk management;
- definition of risk exposure and operational limits.

The Group's governance model of short-term liquidity (operating liquidity) is based on centralised governance of liquidity and the related risk. In particular, the Parent Company:

- is responsible for the liquidity policy;
- governs short-term liquidity;
- determines and manages the funding plan;
- monitors liquidity risk;

for all Group banks and companies in scope.

Funding/lending transactions involving liquidity are centralised at the Treasury and Institutional Liquidity Office to ensure that the Group's overall liquidity is managed efficiently:

- by optimising access to liquidity markets in terms of volumes and costs, exploiting the creditworthiness of the Group and minimising the cost of funding;
- by centralising "rating sensitive" funding transactions, as well as interventions on the money market;
- by implementing a principle of functional specialisation through centres of competence for secured funding transactions (issues of secured instruments, funding from particular categories of institutional investors, etc.).

The Group's governance model for long-term liquidity (or "structural liquidity") is based on the following principles:

- attribution to the Parent Company of the prerogatives for the guidance and coordination of the commercial and credit policies of Group Companies to ensure consistency in the overall governance of funding risk and to ensure compliance with the requisites envisaged by the regulations;
- communication of decisions and clear division of responsibilities between management, control and operational bodies;
- development of processes for the governance and control of funding risk that are consistent with the Group's reporting structure and by using the governance model formalised by this policy.

The principles listed above give rise to a centralised model for the governance and management of the structural liquidity risk among all Group Banks/Companies included in the scope of consolidation.

The Group's model for the governance of liquidity and funding risk has the following objectives:

- guarantee solvency in the ordinary course of business and under crisis conditions;
- ensure enough liquidity to satisfy the contractual commitments of the Group at all times, while also optimising the cost of funding given both current and expected market conditions;
- apply the instructions issued by the Supervisory Authorities, while also taking account of the Group's own operating characteristics.

Pursuit of the above objectives takes account of the following aspects:

- separation of responsibilities and roles between the corporate bodies that govern liquidity and funding and those with control functions;
- distinction between the metrics that monitor short-term risk and those focused on the medium-long term;
- the metrics that monitor short-term liquidity risk, being the ability of the Group to meet both routine and unexpected payment obligations, while minimising the related cost, envisage:
 - calculation of the exposure using the Liquidity Risk Mismatch Model, considering the eligible assets that are readily convertible into liquid funds, as well as any reserves held in the form of working capital;
 - maintenance of the lending-funding due to mature in the various time bands within a cumulative limit; verification both daily for internal operational purposes and weekly in accordance with the frequency requirements specified by the Supervisory Authorities;
- the metrics that monitor medium/long-term funding risk are designed to maintain suitable dynamics in the ratio of medium/long-term assets and liabilities, avoiding pressure on the sources of current and expected short-term liquidity while optimising the cost of funding. These metrics envisage:
 - calculation of the liquidity mismatch which, in practical terms, means calculating the gap ratios between assets and liabilities in the time bands beyond one year;
 - calculation of the funding gap, being the difference between lending and commercial funding as a percentage of total lending;
 - the use of statistical/quantitative behavioural models for items without contractual maturities or which are subject

- to options;
- definition of a Group Contingency Funding Plan that establishes the most suitable methods of managing Group liquidity in a crisis scenario caused by endogenous and/or exogenous factors;
- monitoring the liquidity position in the ordinary course of business and under stress conditions;
- performance of periodic stress tests considering both endogenous and exogenous shock scenarios; when carrying out stress analysis, scenarios are constructed with reference to events of a systemic, idiosyncratic and combined nature;
- development of processes for the governance and management of liquidity and funding risk, using a model that involves the appropriate corporate bodies and functions;
- conformity of the processes for the governance and management of liquidity and funding risk with the prudential supervision instructions.

Contingency Funding Plan

The Contingency Funding Plan formalises the process of liquidity management under stress or crisis scenarios. The business functions responsible for monitoring and managing liquidity risk must be able to carry out their activities both under normal conditions and at times of stress and/or liquidity crises that are unlikely to occur, but which would have a significant impact. In view of the governance model of the liquidity and funding risk previously illustrated, BPER Banca - as the lender of last resort for all Group subsidiaries - guarantees their short, medium and long-term solvency and is responsible for activating the Contingency Funding Plan, regardless of where in the Group the liquidity crisis arises.

The purpose of the Contingency Funding Plan is to safeguard the net assets of the Bank at the early stages of liquidity stress and to guarantee the Group's continuity in the event of a serious and/or prolonged liquidity crisis, by:

- defining a process for the identification and monitoring of risk indicators that signal and measure the stages in a liquidity crisis;
- identifying ex ante a system of predetermined but flexible actions to be implemented in the early stages of a crisis;
- determining the roles and responsibilities of each business function;
- identifying the internal regulations that may be invoked to justify the actions of the BPER Banca Group's management, which at a time of crisis must be authorised to modify on a timely and perhaps radical basis the structure of the assets and liabilities in the balance sheet.

A state of liquidity crisis is defined as a situation in which a Group finds it difficult or impossible to settle the cash payments falling due, except by activating procedures and/or using tools with an intensity or in a manner not envisaged as part of ordinary administration.

Liquidity crises fall into two broad categories:

- systemic liquidity crises generated by market, political or macroeconomic crises;
- specific liquidity crises limited to the Group or to one or more Group Companies/Banks.

Considering the types of liquidity crisis and their scale, three operational scenarios have been identified:

- ordinary course of business;
- state of stress;
- state of crisis.

Depending on the scenario, the actions required and the functions involved in its management can be identified.

The operational scenario faced by the Group is identified by monitoring the system of early warnings, which comprises a series of indicators that flag the scenario with reference to progressive levels of stress/crisis associated with one or more drivers. Depending on the level of stress/crisis identified, monitoring and/or communications procedures are activated in preparation for implementing procedures designed to manage the state of stress or state of crisis concerned.

The Contingency Funding Plan and its revisions must be approved by the Board of Directors of the Parent Company.

B. Liquidity indicators

The harmonised rules for banks and investment companies contained in EU Regulation 575/2013 (CRR), as subsequent updates, introduced the following liquidity indicators, to be calculated at a consolidated level:

- Liquidity Coverage Ratio (LCR): this is an indicator of coverage of short-term liquidity whose purpose is to force banks to accumulate sufficient high-quality assets that are readily convertible into cash, in order to deal with a scenario of high stress on the funding side over a period of thirty days. At 31 December 2022 it was 195.3% calculated as a ratio of Euro 31,542 million of highly liquid assets and Euro 16,155 million of net cash outflows.
- Net Stable Funding Ratio (NSFR): a structural long-term indicator that is measured with a view to reporting any mismatches between assets and liabilities. As at 31 December 2022, the ratio stood at 127.3%, calculated as the ratio between Euro 106,217 million of available stable funding and Euro 83,430 million of required stable funding.

The liquidity requirements are over 100%, so above the minimum requirements of Basel 3.

Alongside these indicators, the legislation also sets the Leverage Ratio which is highlighted in the Directors' Report on Operations under the heading "Key figures".

Impacts resulting from the Covid-19 pandemic

In 2022, no impacts on the liquidity risk profile of the BPER Group deriving from the trend in the Covid-19 pandemic were highlighted.

Quantitative Information

1. Time breakdown of financial assets and liabilities by contractual residual maturity EURO

Items/time bands	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months
A. Cash assets	10,246,184	510,217	1,533,920	5,066,689	5,680,881
A.1 Government securities	263	-	4,936	90	18,896
A.2 Other debt securities	288,525	1,295	2,755	246,606	176,952
A.3 UCITS units	303,409	-	-	-	-
A.4 Loans	9,653,987	508,922	1,526,229	4,819,993	5,485,033
- Banks	1,348,702	76,236	2	76,014	1,280,221
- Customers	8,305,285	432,686	1,526,227	4,743,979	4,204,812
B. On-balance sheet liabilities	98,172,881	482,275	78,338	264,108	1,496,168
B.1 Deposits and current accounts	95,908,103	3,127	16,856	123,201	543,624
- Banks	4,747,747	2,342	-	86,591	118,476
- Customers	91,160,356	785	16,856	36,610	425,148
B.2 Debt securities	11,222	52,474	23,220	27,642	48,595
B.3 Other liabilities	2,253,556	426,674	38,262	113,265	903,949
C. Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	-	52,555	117,100	354,764	461,152
- Short positions	-	72,922	73,331	90,168	184,438
C.2 Financial derivatives without exchange of principal					
- Long positions	395,414	-	-	-	-
- Short positions	380,086	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	4,290,418	-	-	-
- Short positions	-	3,990,418	-	-	-
C.4 Commitments to disburse funds					
- Long positions	785,749	-	-	166	719
- Short positions	2,399,844	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	3	-	-	-	-

1. Time breakdown of financial assets and liabilities by contractual residual maturity EURO

(cont.)

Items/time bands	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Undefined
A. Cash assets	5,339,615	7,206,952	39,582,389	41,288,777	1,042,466
A.1 Government securities	590,900	227,531	5,613,388	5,848,670	-
A.2 Other debt securities	408,095	436,582	5,070,286	6,612,266	-
A.3 UCITS units	-	-	-	-	-
A.4 Loans	4,340,620	6,542,839	28,898,715	28,827,841	1,042,466
- Banks	163,572	84,001	1,809,666	277,665	1,042,466
- Customers	4,177,048	6,458,838	27,089,049	28,550,176	-
B. On-balance sheet liabilities	10,176,275	4,688,467	6,327,590	4,614,276	-
B.1 Deposits and current accounts	200,069	265,506	274,743	-	-
- Banks	20,000	-	170,000	-	-
- Customers	180,069	265,506	104,743	-	-
B.2 Debt securities	57,286	619,767	3,860,415	2,950,758	-
B.3 Other liabilities	9,918,920	3,803,194	2,192,432	1,663,518	-
C. Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	182,664	146,891	18,371	54,446	-
- Short positions	156,423	262,717	21,532	-	-
C.2 Financial derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	300,000	-
C.4 Commitments to disburse funds					
- Long positions	386	26,846	585,454	36,099	-
- Short positions	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

1. Time breakdown of financial assets and liabilities by contractual residual maturity

OTHER CURRENCIES

Items/time bands	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months
A. Cash assets	184,795	12,793	30,430	50,365	203,567
A.1 Government securities	-	-	-	3	869
A.2 Other debt securities	24	54	132	327	76,664
A.3 UCITS units	-	-	-	-	-
A.4 Loans	184,771	12,739	30,298	50,035	126,034
- Banks	119,264	-	11,479	-	-
- Customers	65,507	12,739	18,819	50,035	126,034
B. On-balance sheet liabilities	550,553	96,120	321,253	903,884	1,844,166
B.1 Deposits and current accounts	550,019	25,080	20,889	20,125	51,164
- Banks	23,752	-	-	8,546	516
- Customers	526,267	25,080	20,889	11,579	50,648
B.2 Debt securities	94	-	-	-	-
B.3 Other liabilities	440	71,040	300,364	883,759	1,793,002
C. Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	-	80,057	72,961	89,372	152,352
- Short positions	-	61,820	133,491	372,310	704,581
C.2 Financial derivatives without exchange of principal					
- Long positions	81	-	-	-	-
- Short positions	65	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Commitments to disburse funds					
- Long positions	-	-	529	-	-
- Short positions	179	350	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

1. Time breakdown of financial assets and liabilities by contractual residual maturity

OTHER CURRENCIES

(cont.)

Items/time bands	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Over 5 years	Undefined
A. Cash assets	239,216	201,821	2,134,892	1,539,797	-
A.1 Government securities	871	29,762	181,769	929,871	-
A.2 Other debt securities	220,155	158,711	1,884,888	482,140	-
A.3 UCITS units	-	133	-	-	-
A.4 Loans	18,190	13,215	68,235	127,786	-
- Banks	-	-	-	-	-
- Customers	18,190	13,215	68,235	127,786	-
B. On-balance sheet liabilities	11,910	6,147	6,759	46	-
B.1 Deposits and current accounts	11,910	555	13	-	-
- Banks	6,409	-	-	-	-
- Customers	5,501	555	13	-	-
B.2 Debt securities	-	-	-	-	-
B.3 Other liabilities	-	5,592	6,746	46	-
C. Off-balance sheet transactions					
C.1 Financial derivatives with exchange of principal					
- Long positions	156,844	255,654	21,250	-	-
- Short positions	182,022	143,972	17,809	54,446	-
C.2 Financial derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.3 Deposits and loans to be received					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.4 Commitments to disburse funds					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-
C.7 Credit derivatives with exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-
C.8 Credit derivatives without exchange of principal					
- Long positions	-	-	-	-	-
- Short positions	-	-	-	-	-

As required by the regulations, liquidity risk includes the self-securitisations carried out by the Parent Company and outstanding as at 31 December 2022.

Lanterna Finance 5 self-securitisation

On 2 December 2021, Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a. entered into a deed of assignment of loans for an amount of roughly Euro 683 million in principal in favour of the vehicle company Lanterna Finance s.r.l. which, on 22 December 2021, issued three classes of securities for a total amount of Euro 687 million, which were fully subscribed for by the transferor banks. The securitisation is STS compliant and STS verified.

With the merger of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a., which took place by deed of 24 November 2022, the securities of the securitisation are available to BPER Banca s.p.a. to improve its counterbalancing capacity in implementing the Group's funding policy.

Disposal date:	02 December 2021
Seller:	Banca Carige s.p.a.; Banca del Monte di Lucca s.p.a.
Special purpose vehicle:	Lanterna Finance s.r.l., with registered office in Via della Cassa di Risparmio 15, 16123 - Genoa
<i>Servicer:</i>	BPER Banca s.p.a. (former Banca Carige s.p.a.), in the role of Servicer - Corporate Servicer and Cash Manager.
Issue date of securities	22 December 2021
Type of transaction	Traditional - STS compliant
Organisation	BNY Mellon in the role of Account Bank, Calculation Agent and Paying Agent; Zenith Services as Representative of the Noteholders and BUS; Prime Collateralised Securities EU SAS as Third Party Verifying STS compliance
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out by the Originator. This activity has been delegated to the Servicer since the absorption date of Banca Carige into BPER Banca.

The operational aspects are summarised below:

Assets sold	Mortgage and non-mortgage loans to SMEs
Quality of securitised assets	Performing loans
Amount of securitised assets	The total claimed principal amount of the loan portfolio sold is Euro 683 million.
Disposal price of securitised assets	The disposal price was Euro 687 million.
Guarantees and credit lines granted by the bank	Subordinated loan for Euro 7.575 million disbursed pro rata by Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a.
Guarantees and credit lines granted by third parties	None.
Analysis by business sector	Mortgage agreements stipulated with legal entities with SME status pursuant to Law 662/96.
Analysis by geographical area	Securitised loans refer to borrowers based in Italy.

ISIN code	Seniority	Maturity	Issue amount	Subscribed amount	Residual balance at 31.12.2022	Rating DBRS	S&P rating
IT0005473910	A1	Jan-61	425,000	425,000	238,938	AA (High)	AA-
IT0005473928	A2	Jan-61	75,000	75,000	75,000	A(high)	A+
IT0005473936	B	Jan-61	187,000	187,000	187,000	n.r.	n.r.
Total			687,000	687,000	500,938		

Section 5 – Operational risk

Qualitative Information

A. General aspects, governance and measurement of operational risk

Operational risk is "the risk of losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events, including the legal risk⁶³".

The BPER Banca Group adopts the Traditional Standardised Approach (TSA) to calculate the capital requirement for operational risk. The Own Funds requirement is calculated using the standardised approach by determining the three-year average of the sum of the annual Own Funds requirement for the lines of business in which the relevant indicator was classified⁶⁴.

Note that, on the basis of the principles of organisational separation and independence of functions exercising second and third level control activities, it is envisaged that there is:

- a first level control of operational risk;
- a function that performs second level controls of operational risk within the Risk Management Department, part of the Credit and Operational Risk Management Unit;
- a function for third-level controls that is attributed to the Internal Audit Department, in accordance with the Group's internal control system.

Operational risk management is based on the following principles:

- identification: operational risks are identified, highlighted and reported to senior management;
- measurement and assessment: the risk is quantified by determining the impact on business processes, inclusive of the financial impact thereon;
- monitoring: monitoring of operational risk and of exposure to significant losses is ensured, generating information flows that favour active risk management;
- mitigation: appropriate measures have been taken to mitigate operational risk;
- reporting: a reporting system has been set up to report on operational risk management.

The collection and storage of data relating to loss events is done by means of the Group's Loss Data Collection process.

The process of Loss Data Collection is supported by special IT tools, which are under constant development, to ensure the integrity and quality of data.

The assessment of operational risk exposure, which is performed by means of risk self assessment, is aimed at determining, with an annual time horizon and for significant operating segments:

- the extent of exposure to operational risk;
- an assessment of the adequacy of line processes and controls.

The management of operational risk also includes assessment of the risks associated with the approval of new products and services, the start-up of new activities, the entry into new markets and the outsourcing of corporate functions.

As of 2015, the Group has implemented an analytical framework for IT risk, in compliance with Circular 285 of 17 December 2013, with the aim of providing an overview of the current risk situation and the remedy plan needed to avoid exceeding the threshold set for the Group's risk appetite.

Following the new regulatory provisions (Directive (EU) 2015/2366 implemented in the 28th update of Circular 285 of July 2019), every year the Group carries out an in-depth assessment of the operational and security risks related to the payment services provided and the adequacy of the mitigation measures and control mechanisms put in place to address them.

The Parent Company prepares a quarterly report for Senior Management and the managers of central organisational units on the operational losses incurred during the period, as well as an annual report that analyses the forward-looking assessments of operational risk, based on the risk self assessments carried out, and describes the various risk mitigation actions planned. Specific reporting requirements have also been established by the IT risk management framework.

Membership by the BPER Banca Group of the DIPO consortium⁶⁵ allows the Bank to obtain feedback about the operational losses reported by the other Italian banks that are members. The Parent Company currently uses this feedback to analyse the positioning of the Group with respect to the system as a whole, to update the map of operational risks and to support the

⁶³See (EU) Regulation 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment companies (CRR) – Part one, Title I, art. 4. Legal risk is the risk of losses resulting from violations of laws or regulations, from contractual or extra-contractual liability or from other disputes.

⁶⁴ See CRR – Part three, Title III, Chapter 3, art. 317.

⁶⁵ Database Italiano Perdite Operative (Italian Database of Operational Losses) which the BPER Banca Group has participated in since 2003. The DIPO observatory is a service provided by the Italian Banking Association designed to support the development of Operational Risk Management and to create a methodology for gathering and exchanging information on operational losses suffered by members.

estimates made during the Risk Self Assessment process.

Operational risk management includes the various steps involved in the process of Business Continuity Management. This process is designed to maintain an appropriate level of attention regarding operational continuity and to avoid the progressive obsolescence of organisational measures (rules, impact assessment, scenarios, emergency measures, operating plans etc.) taken to ensure the continuity of critical business processes.

Quantitative Information

The following is the distribution of the number of events and operating losses recorded in 2022, divided into the following risk categories:

- internal fraud: losses due to fraud, embezzlement or circumvention of regulations, laws or company policies, excluding incidents of discrimination or failure to apply equal treatment, which involves at least one internal resource of the entity;
- external fraud: losses due to fraud, embezzlement or violation/circumvention of laws, by a third party;
- employment and safety at work: losses arising from acts not in compliance with laws or agreements in respect of employment, health and safety at work, from the payment of compensation for personal injuries or incidents of discrimination or failure to apply equal treatment;
- customers, products and business practices: losses arising from unintentional or negligent non-performance relating to professional obligations to specific clients (including fiduciary and suitability requirements), or from the nature or characteristics of the product;
- damage to fixed assets: losses resulting from loss or damage to assets from natural disasters or other events;
- business interruption and system failures: losses arising from business interruption or system failures;
- performance, delivery and management of processes: losses due to weaknesses in the handling of transactions or management of processes, as well as losses due to relations with business partners and suppliers.

Figure 1 – Breakdown by Frequency

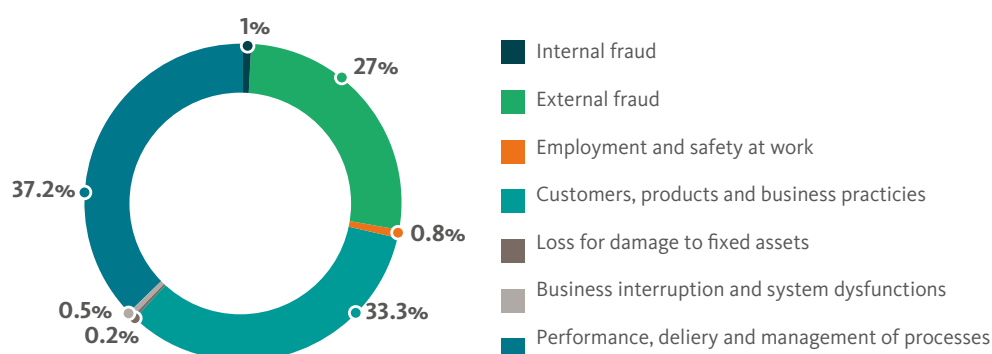
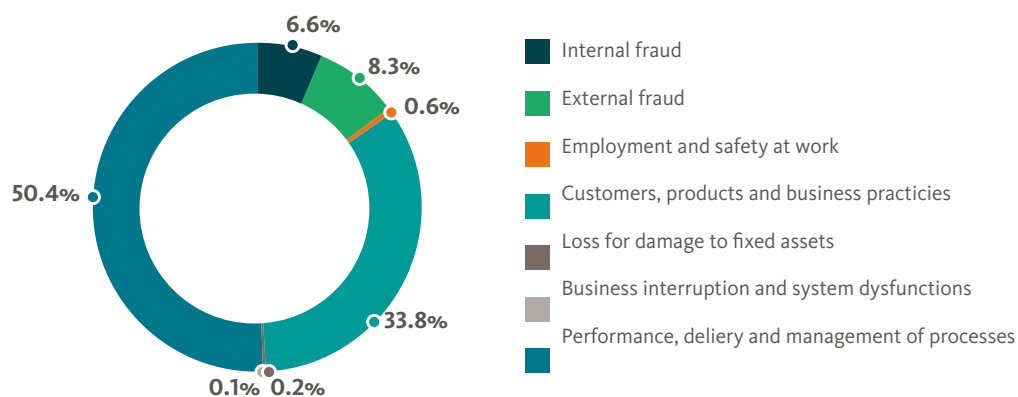


Figure 2 – Breakdown by Gross Actual Loss

An analysis of the graphs shows that the most relevant type of event in terms of frequency is:

- "Performance, delivery and management of processes", with 37.2% of the total frequency.
- "Customers, products and business practices", with 33.3% of the total frequency;

In terms of economic impact the most significant events related to:

- "Performance, delivery and management of processes", with 50.4% of the total gross loss.
- "Customers, products and business practices", with 33.8% of the total gross loss.

Section 6 – Reputational risk

Qualitative Information

A. General aspects, management and methods to measure reputational risk

Reputational risk is “the current or prospective risk of a decline in earnings or capital arising from an adverse perception of the Group by customers, employees, counterparties, shareholders, investors or Supervisory Authorities”.

The framework for the management of reputational risk is supervised by the Operational Risks Office within the Risks Department, with support from the organisational units involved (Reputational Risk Owner) in managing risk and monitoring the corrective actions needed to mitigate any vulnerabilities identified.

The system of reputational risk management adopted by the BPER Group has the following components:

- identification and assessment of risk based on Reputational Data Collection and Reputational Self-Assessment;
- monitoring of the Group's exposure to reputational risk using a series of specific Key Risk Indicators;
- management of critical reputational events (escalation): management of particularly critical reputational events, by means of a functional escalation process and the determination of short and long term responses and mitigation;
- reporting: preparation of suitable reports, based on the various processes/sub-processes comprising the framework, in order to present in summary form the outcome of the risk management activities to all bodies and functions concerned.

With reference to the reputational risk management process, the following results are reported (specifying that the analyses relating to the monitoring of Reputational Risk Indicators and the Reputational Risk Self-Assessments are to date carried out only at Group level):

- In 2022, 12 reputational events were recorded with medium risk and 100 with low risk on a rating scale with 3 levels (low, medium, high).
- absence of reputational criticalities, relating to the Legal Entity, deriving from the monitoring of KRIs in 2022;
- absence of reputational criticalities, relating to the Legal Entity, as part of the RSA campaign in 2022;
- presence of some previous events in 2022 with potential future reputational impacts.

No internal capital is allocated to cover reputational risk (since it is included in other risk categories).

Part F – Information on shareholders' equity

Section 1 – Shareholders' equity

A. Qualitative Information

Shareholders' equity comprises Share capital and all types of reserve, together with the profit for the year.

B. Quantitative Information

B.1 Shareholders' equity: breakdown

Description/Amounts	Amount 31.12.2022	Amount 31.12.2021
1. Share capital	2,104,316	2,100,435
2. Share premium reserve	1,237,276	1,240,428
3. Reserves	2,865,230	2,375,590
- from profits	2,365,321	1,893,124
a) legal	353,306	325,720
b) statutory	-	-
c) Treasury shares	-	-
d) other	2,012,015	1,567,404
- other	499,909	482,466
4. Equity instruments	150,000	150,000
5. (Treasury shares)	(5,672)	(9,546)
6. Valuation reserves:	(136,557)	(11,327)
- Equity instruments measured at fair value through other comprehensive income	138,008	79,822
- Hedge of equity instruments measured at fair value through other comprehensive income	(854)	(1,299)
- Financial assets (no equity instruments) measured at fair value through other comprehensive income	(226,901)	2,430
- Property, plant and equipment	51,371	41,111
- Intangible assets	-	-
- Foreign investment hedges	-	-
- Cash flow hedges	7,118	(1,258)
- Hedging instruments (non-designated elements)	-	-
- Foreign exchange differences	-	-
- Non-current assets and disposal groups held for sale	-	-
- Financial liabilities designated at fair value through profit or loss (variation due to changes in creditworthiness)	3,294	-
- Actuarial gains (losses) on defined benefit plans	(108,647)	(132,187)
- Share of valuation reserves of equity investments valued at equity	-	-
- Special revaluation laws	54	54
7. Profit (loss) for the year	1,293,880	567,203
Total	7,508,473	6,412,783

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Description/Amounts	Total 31.12.2022		Total 31.12.2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	12,358	239,259	23,240	20,810
2. Equity instruments	147,182	9,174	90,471	10,649
3. Loans	-	-	-	-
Total	159,540	248,433	113,711	31,459

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity instruments	Loans
1. Opening balance	2,430	79,822	-
2. Increases	134,759	66,510	-
2.1 Fair value increases	21,647	60,370	-
2.2 Impairment losses for credit risk	1,088	X	-
2.3 Reclassification to profit and loss of negative reserves following disposal	1,062	X	-
2.4 Transfer to other components of shareholders' equity (equity instruments)	-	3,126	-
2.5 Other increases	110,962	3,014	-
- of which: business combinations	-	2,547	-
3. Decreases	364,090	8,324	-
3.1 Fair value decreases	324,560	1,937	-
3.2 Write-backs for credit risk	670	-	-
3.3 Reclassification to profit or loss of positive reserves: -from disposal	4,338	X	-
3.4 Transfer to other components of shareholders' equity (equity instruments)	-	5	-
3.5 Other decreases	34,522	6,382	-
- of which: business combinations	29,708	1,586	-
4. Closing balance	(226,901)	138,008	-

B.4 Valuation reserves about actuarial gains (losses) on defined benefit plans: annual changes

	31.12.2022	31.12.2021
1. Opening balance	(132,187)	(129,619)
2. Increases	53,522	2,328
2.1 Actuarial gains	53,522	782
2.2 Others	-	1,546
3. Decreases	29,982	4,896
3.1 Actuarial losses	94	4,469
3.2 Others	29,888	427
4. Closing balance	(108,647)	(132,187)

Section 2 – Own funds and capital adequacy ratios

Information about own funds and capital adequacy is provided in the document “Public Disclosure - Pillar 3 as at 31 December 2022”, prepared pursuant to the requirements of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and subsequent updates, illustrates the key metrics used by the BPER Banca Group (own funds, capital requirements, financial leverage and liquidity coverage ratio) as required by art. 447 of Regulation (EU) 575/2013, as later amended.

The document contains consolidated information and is published on the same date as or as soon as possible after the Consolidated financial statements on the Parent Company’s website <https://istituzionale.bper.it>.

Part G - Business combinations

Section 1 - Transactions carried out during the year

1.1. Business combinations

Description of the transaction

On 3 June 2022, the strategic transactions between BPER Banca and the Carige Group were implemented, as per the agreements of last 14 February.

BPER Banca therefore purchased from the Interbank Deposit Protection Fund (FITD) and from the Voluntary Intervention Scheme (VIS) 604,154,459 ordinary shares representing 79.418% of the share capital of Banca Carige, paying the consideration of Euro 1; in turn, the FITD paid Banca Carige a capital contribution of Euro 530,000,000, aimed at covering the capital strengthening needs of Banca Carige at the closing of the acquisition.

Simultaneously with the acquisition of the majority of the share capital, BPER Banca started the procedure envisaged for a mandatory tender offer on the remaining 156,568,928 ordinary shares, equal to 20.582% of the ordinary share capital of Banca Carige. Accordingly, BPER Banca sent the notice required pursuant to art. 102 of Legislative Decree No. 58 of 24 February 1998 (the Consolidated Law on Finance) to Consob and Banca Carige on 3 June 2022. The price of the Mandatory Tender Offer was Euro 0.80 for each ordinary share. In conjunction with the Mandatory Tender Offer, BPER Banca also deemed it appropriate to promote a voluntary offer on the 20 savings shares of Banca Carige, at a price of Euro 25,000 each.

At the end of the Offer, BPER Banca, having reached an overall holding greater than 90%, but lower than 95%, of the ordinary share capital of Banca Carige, initiated the purchase obligation under art. 108, paragraph 2 of the Consolidated Law on Finance, reopening the terms of the offer – keeping the economic conditions unchanged – from 22 August 2022 to 9 September 2022 (the “Sell-Out” procedure).

At the end of the offer extension, including as a result of purchases on the market, BPER Banca acquired 731,095,957 ordinary shares of Banca Carige, equal to 96.105% of the ordinary share capital and 8 savings shares, equal to 40% of the savings share capital. Having acquired a shareholding of over 95% of the ordinary share capital of Banca Carige, the conditions were met for the exercise of the Purchase Right pursuant to article 111 of the Consolidated Law on Finance, and for compliance with the Purchase Obligation pursuant to article 108, paragraph 1 of the Consolidated Law on Finance (“squeeze out”). As at 20 September 2022, the purchase right was therefore exercised on 29,627,430 ordinary shares, enabling BPER Banca to hold 100% of the ordinary share capital and 40% of the savings share capital of Banca Carige.

The sequence of events in the business combination described above made it possible to frame the acquisition of control of Banca Carige (and its subsidiaries) at 100% of its ordinary share capital as a single transaction, carried out according to the procedure required for listed issuers as was the case for Banca Carige.

As regards the rationale for the transaction and the detailed time sequence of the events, please refer to the contents of the Directors' Report on Group Operations in the chapter “Significant events and strategic transactions”, paragraph “Acquisition and integration of the Banca Carige Group”. Said disclosure shows that the objective of the BPER Banca Group is the merger by absorption of Banca Carige and Banca del Monte di Lucca into BPER Banca, which became effective for legal purposes on 28 November 2022 (accounting and tax effectiveness backdated to 1 July 2022).

Name	Date of the transaction	Cost of the transaction	Interest acquired	Total revenues (*)	Net profit (loss) (**)
Banca Carige	03.06.2022	125,453	100.0000%	120,741	(224,792)
Banca del Monte di Lucca				8,129	73

The cost of the transaction is Euro 1 which is the value that BPER Banca paid to acquire 79.418% of the share capital from the Selling Shareholders and Euro 125,453 thousand as the total outlay that BPER Banca incurred when the mandatory tender offer for the 156,568,709 ordinary shares and the voluntary tender offer for the 8 savings shares were opted in. In this regard, see below for a more detailed description of the accounting treatment adopted for the business combination.

(*) The data refers to Net interest and other banking income as at 30 June 2022.

(**) the profit (loss) for the period is as at 30 June 2022.

Accounting treatment of the transaction

The merger by absorption of Banca Carige and Banca del Monte di Lucca in BPER Banca falls under mergers with the nature of acquisitions, as set out in the Preliminary Interpretative Guidance (OPI) document prepared by the Italian Auditors' Association, Assirevi; and more specifically, by OPI no. 2 “Accounting treatment of business combinations in separate and consolidated financial statements”.

The aforementioned document requires said transactions, even if carried out as part of the legal framework of the merger, to involve the identification of an acquirer and the acquisition of control of the business of the merged entity and, therefore, IFRS

3 “Business combinations” applies to them, as the conditions required by the standard for the identification of an acquired “business” have been satisfied.

Since this is the acquisition of control of Banca Carige and Banca del Monte di Lucca, i.e. of pre-existing companies actively operating on the national banking market, the elements qualifying a “business” pursuant to IFRS 3⁶⁶ are easy to identify (Inputs, Processes, Outputs).

It should also be noted that the “concentration test” envisaged by paras. B7A and B7B of IFRS 3⁶⁷, focusing on gross assets and indicated, in any case, as optional, was not applied as the qualitative analysis carried out showed sufficient elements to conclude that the acquired set of activities and assets is a business.

Having qualified the transaction as a business combination, the Acquisition Method envisaged by IFRS 3 has to be applied, as described in Part A.2 of these Explanatory Notes, to which reference should be made for details.

According to IFRS 3, the business combination must be recognised on the date on which the acquirer effectively obtains control over the acquirees.

Specifically considering the time sequence of relevant events in this sense, namely:

- 3 June 2022 - acquisition of 79.418% of the share capital of Banca Carige from FITD and the Voluntary Intervention Scheme (and, consequently, of control under IFRS 10);
- 15 June 2022 - Ordinary Shareholders’ Meeting of Banca Carige which, among other things, appointed a new BoD reflective of the major shareholder BPER Banca;
- 11 July 2022 - launch of the Mandatory Tender Offer on the remaining 20.582% of the share capital and of the Voluntary Tender Offer on the savings shares;
- 29 July 2022 - end of the Mandatory Tender Offer, which allowed BPER Banca to reach a total of 714,315,304 ordinary shares held, representing approximately 93.9% of the share capital; end of the Voluntary Tender Offer, which allowed BPER Banca to acquire 5% of the savings shares;
- 19 August 2022 - approval of the plans for merger by absorption of Banca Carige and Banca del Monte di Lucca into BPER Banca by the Boards of Directors of the banks involved;
- 9 September 2022 - end of the Sell-Out procedure, which allowed BPER Banca to reach a total of 731,095,957 ordinary shares held, representing approximately 96.11% of the share capital and to acquire 7 savings shares;
- 20 September 2022 – conclusion of the squeeze-out procedure, which allowed BPER Banca to acquire the remaining 3.89% represented by 29,627,430 ordinary shares of Banca Carige;
- 4 October 2022 - issue of the authorisation of the merger by the European Central Bank;
- 5 November 2022 - favourable resolution on the merger passed by BPER Banca’s shareholders’ meeting, called in extraordinary session;
- 5 November 2022 – signing of a Framework Agreement between the BPER Banca Group and the Trade Unions concerning the merger by absorption of Banca Carige and Banca del Monte di Lucca into the Parent Company and the IT integration of Banca Cesare Ponti, to be completed over the weekend of 26-27 November 2022;
- 28 November 2022 - legal effect of the merger by absorption of Banca Carige and Banca del Monte di Lucca into BPER Banca; accounting and tax effect backdated to 1 July 2022. As a result of the merger, the share capital of BPER Banca has increased by Euro 3,880,509 through the issue of 2,587,006 ordinary shares, with regular dividend entitlement and the same characteristics as shares outstanding. Article 5 of the Articles of Association was consequently amended;

the date of the combination was identified with the legal effectiveness of the acquisition of the majority stake in Banca Carige, i.e. 3 June 2022, although for the purposes of the accounting treatment of the combination, the book values of the acquirees as at 30 June 2022 were considered (in substance equating to the date of accounting and tax effectiveness of the merger by absorption, due on 1 July 2022), reasonably assuming that the time difference with respect to the date of the combination does not lead to any significant effects.

The same sequence according to which the acquisition of the overall stake in the share capital was developed and the strategic objective declared by BPER Banca already at the time of the offer to purchase the majority stake, are equally relevant for the definition of the cost of the combination. In application of the reference accounting principles and practices, in addition to the consideration paid to FITD for the purchase of 79.418% of the share capital, it is believed that the price offered for the “acquisition of the remaining part of Banca Carige’s capital” may be included in the cost of the combination (understood as a single transaction).

The IFRS 3 does not specifically regulate the accounting treatment of transactions subsequent to the acquisition of control (already achieved by BPER Banca in execution of the agreement entered into with FITD and the VIS); in this specific case, however, the subsequent purchases of ordinary shares are consequent to a legislative obligation, which required BPER Banca to make an offer also for the shares owned by minority shareholders (the Non-Controlling Interest - NCI). For the definition of the related accounting treatment it was therefore necessary to resort to an expert opinion, so as to consider each individual element of the transaction, by virtue of an accounting representation that provides the user of the financial statements with clear and complete information on the transaction.

In this sense, giving priority to the economic substance of the transaction according to the strategic objective pursued by the

⁶⁶ As required by IFRS 3 B7.

⁶⁷ In force from 1 January 2020.

BPER Banca Group - i.e. the full integration of the Carige Group - the mandatory tender offer launched by BPER Banca for the purchase of the NCI and the voluntary tender offer on the savings shares were classified in the accounts as put options granted respectively to the NCI⁶⁸ and to the savings shareholders who, as against a "fixed" strike price, originated a liability⁶⁹ which was accounted for in the PPA as an opposite entry to the resulting goodwill.

The separate financial statements as at 31 December 2022 were prepared on the basis of a definitive Purchase Price Allocation - PPA, as the Bank finalised the fair value measurements of the assets and liabilities acquired at the acquisition date as defined above.

The fair value of the assets and liabilities acquired at the acquisition date is reported below; it should be noted that, for the purposes of the accounting recognition of the business combination in the separate financial statements, the book values of the acquired entities (Banca Carige and Banca del Monte di Lucca) as at 30 June 2022, the reference accounting date for the business combination, were considered after the accounting and tax effects of the merger were backdated to 1 July 2022.

(in thousands)				
Assets	Carrying value of Banca Carige at 30.06.2022	Carrying value of Banca Monte Lucca at 30.06.2022	PPA	Fair value as at 30.06.2022
10. Cash and cash equivalents	265,447	185,645		451,092
20. Financial assets measured at fair value through profit or loss	151,989	591	(876)	151,704
a) financial assets held for trading	44,668	104		44,772
c) other financial assets mandatorily measured at fair value	107,321	487	(876)	106,932
30. Financial assets measured at fair value through other comprehensive income	2,833,450	208	(13,537)	2,820,121
40. Financial assets measured at amortised cost	15,141,610	627,332	(374,896)	15,394,046
a) loans to banks	4,498,966	114,187		4,613,153
b) loans to customers	10,642,644	513,145	(374,896)	10,780,893
50. Hedging derivatives	38,785	-		38,785
70. Equity investments	67,592	-	70,585	138,177
80. Property, plant and equipment	622,723	19,525	(103,755)	538,493
90. Intangible assets	16,307	142		16,449
100. Tax assets	1,184,712	28,975	179,027	1,392,714
110. Non-current assets and disposal groups classified as held for sale	1,060,212	3,714	(11,320)	1,052,606
120. Other assets	368,270	14,063	(10,000)	372,333
Total assets	21,751,097	880,195	(264,772)	22,366,520

⁶⁸ For the accounting treatment, please refer to the considerations proposed by the Interpretation Committee and the IASB in May 2013.

⁶⁹ The accounting treatment of these agreements is not clearly governed by the IAS/IFRS. Although the IFRIC in 2014 confirmed that such agreements are financial liabilities, the nature of these liabilities is controversial and has been debated by both the IFRIC and the IASB on numerous occasions without reaching a definitive solution. The IASB has decided to include this issue within a broader project, "Financial Instruments with Characteristics of Equity (FICE) project", which is still ongoing.

(in thousands)

	Carrying value of Banca Carige at 30.06.2022	Carrying value of Banca Monte Lucca at 30.06.2022	PPA	Fair value as at 30.06.2022
Liabilities and shareholders' equity				
10. Financial liabilities measured at amortised cost	17,942,755	782,108	(56,575)	18,668,288
a) due to banks	4,162,775	7,779		4,170,554
b) due to customers	11,927,978	725,021	(23,221)	12,629,778
c) debt securities issued	1,852,002	49,308	(33,354)	1,867,956
20. Financial liabilities held for trading	44,224	104		44,328
40. Hedging derivatives	214,266	20,958		235,224
60. Tax liabilities	30,207	1,015	16,744	47,966
70. Liabilities associated with assets classified as held for sale	1,207,638	174	51,036	1,258,848
80. Other liabilities	562,595	25,927	100,000	688,522
90. Employee termination indemnities	23,779	1,196		24,975
100. Provisions for risks and charges:	210,711	6,116	102,919	319,746
a) commitments and guarantees granted	14,042	23		14,065
b) pension and similar obligations	17,374			17,374
c) other provisions for risks and charges	179,295	6,093	102,919	288,307
Accounting differences of assets and liabilities	1,514,922	42,597	(478,896)	1,078,623
Total liabilities and shareholders' equity	21,751,097	880,195	(264,772)	22,366,520

The considerations made in the process of determining the fair value for the purposes of the PPA as at 31 December 2022⁷⁰ are summarised below:

- Performing loans: the portfolio being valued is attributable to medium and long-term operations. As there is no active market for this type of instrument, the Bank has adopted an internal valuation model which was able to replicate the exit price that would be received or paid in an orderly transaction between market participants, in accordance with IFRS 13. The method currently prevailing on the market for this valuation is Discounted Cash Flow (DCF), in which the cash flows are discounted at an appropriate rate which incorporates an estimate of the main risk factors. More specifically, future cash flows were determined by considering principal and interest flows, representing the contractual plan of the individual accounts, corrected by applying appropriate prepayment coefficients in order to incorporate the probability of early, total or partial repayment.

The discount rate applied was obtained as the sum of three components:

- the level of risk-free interest rates, observed on the various tenors of the curve;
- the cost of funding, corresponding to the remuneration curve of the Bank's cost of money;
- the level of the average credit spread, determined on the basis of the probability of default (PD) and Loss Given default (LGD) and the average residual duration of the individual transaction. Both the expected loss component, starting from the PD and LGD levels deriving from application of BPER Banca's internal models, and the unexpected loss component, starting from the regulatory capital of the positions acquired and the cost of capital estimated internally by BPER Banca, were considered in the credit spread.

Overall, the performing loans assessed as mark-to-model amounted to approximately Euro 8.7 billion. The valuation process determined a lower total fair value of the performing portfolio of Euro 212.1 million than the carrying amount acquired. With regard to short-term operations (understood as on-demand transactions or those with a residual duration of less than 12 months), the carrying amount acquired at the reference date was considered a reasonable approximation of the fair value in accordance with IFRS 13, taking into account that the discounting of future cash flows is of little significance, even if there are changes in reference market rates.

- Non-performing loans: similarly to what was done for performing loans, since there is no active market for this type of instrument, determination of fair value assumes that it replicates the price that would be received in an orderly transaction between market participants, thereby establishing a valuation framework that is as consistent as possible with the situations that can actually be observed on the market. To this end, a DCF model (the main valuation methodology currently used by the market) was applied to the individual accounts, defining some specific aspects of the different risk classes, distinguishing bad loans, on the one hand, and UTP and Past Due loans on the other.

With reference to secured bad loans, an analytical estimate was made of the expected recovery flows from the sale of the assets pledged to guarantee the position (assuming that collateral was sold through judicial auctions with a haircut and an average duration of the recovery process in line with market benchmarks). For unsecured bad loans, statistical benchmark recovery curves were applied, differentiated according to the age of the position and the counterparty's segment. The "gross" cash flows determined in this way were subsequently corrected with a prudential factor to reflect the risk of volatility in recoveries. This component discounts the elements of uncertainty associated with recoveries and therefore makes it possible to take into account possible developments in the NPL market, also due to the residual effects

⁷⁰ In order to conduct said valuation activities, the Bank made use of the support of external advisors.

of the Covid-19 crisis and the impact of the ongoing war between Russia and Ukraine. The recovery flows were also reduced by legal costs, applying benchmark values, estimated in proportion to gross recoveries and consistent with what has been observed on the market. They were also reduced by servicing costs, using benchmark values consistent with the average forecast in the servicing agreements for NPL portfolios (generally based on an annual fee applied to the receivables under management and a success fee applied to gross collections). The discount rate of the recovery flows was determined as the weighted average cost of a hypothetical securitisation involving the issue of notes with different seniority (without recourse to the GACS state guarantee).

With regard to exposures classified as UTP and Past Due, the so-called "Steady-state Cash Flow" approach was applied, which is the main method used for assessing loans in the Asset Quality Review (AQR). According to this approach, the recovery flows are determined by estimating the present value of the debtor's forecast cash flows quantified through a joint analysis of various items in the counterparty's financial statements, subsequently allocating them to cover the exposure in relation to the effective seniority of each position. As regards UTP and Past Due exposures to counterparties for which financial statements are unavailable in the database of the Company Accounts Data service ("Centrale Bilanci"), a methodology has been applied based on Danger Rate and Cure Rate benchmark grids, obtained from market and financial information, according to which the value of each exposure has been determined as the weighted average of the average price observed on performing and non-performing portfolios, with weighting based on the Cure Rates and Danger Rates attributed.

As the last phase of the evaluation process, a benchmarking analysis was carried out with respect to the prices of recent transactions observed on the market for homogeneous clusters. The results of the analysis showed that the valuation prices of bad loans and UTPs, if compared with transactions in the last three and two years, are generally prudential, incorporating the possible evolutions of the NPL market due to the residual effects of the Covid-19 crisis and the impact of the ongoing war between Russia and Ukraine.

Overall, the net carrying amount of non-performing loans, acquired from Banca Carige and Banca del Monte di Lucca and subject to valuation, amounted to approximately Euro 319.7 million. The fair value resulting from these models, quantified on the basis of assumptions and proxies, was lower than this amount by Euro 162.8 million.

- Securities held in the portfolio: the financial instruments held in the portfolio and represented by instruments already measured at fair value, showed the need for a negative valuation adjustment of Euro 14.4 million on Level 3 instruments (partly classified under Financial assets measured at fair value through profit and loss and partly under Financial assets measured at fair value through other comprehensive income).
- Equity investments: the fair value measurement of the equity investments held under the assets of the two merged entities involved an overall adjustment of Euro 70.6 million, essentially recognising the fair value adjustments to the assets and liabilities of the subsidiaries Banca Cesare Ponti, Carige REOCO, S. Anna Golf and of the investee Autostrada dei Fiori.
- Intangible assets: analyses were carried out to identify any intangibles originating from Customer Relationships, not already recognised in the merged companies' financial statements. With respect to the valuation of any intangible assets linked to indirect deposits acquired and direct deposits (Core Deposits, intangible assets reflecting the benefits connected with the lower cost of funding acquired with respect to alternative sources of funding - "mark-down"), by adopting the best market valuation practices a "Multi-period Excess Earning Method - MEEM" model was applied. The checks carried out, by applying the valuation models indicated, led to the identification of an essentially low total value of intangible assets, as such to prompt Management to keep said assets without an explicit value.
- Property, plant and equipment: independent fair value appraisals have been carried out on all properties acquired (land and buildings), based on appraisals by the independent expert used by the BPER Banca Group. The results of these activities led to an estimated adjustment to the fair value of the property, plant and equipment acquired from Banca Carige and Banca del Monte di Lucca of Euro 97.8 million. In addition to the checks conducted on properties, the book values of the works of art acquired were reconsidered which, measured at fair value by an appointed independent expert, had highlighted the need for adjustments to the market value totalling Euro 6.2 million. Lastly, the alignment of Rights of Use and Lease Liabilities connected with the lease agreements acquired, led to a revaluation of Euro 0.3 million in rights of use.
- Other assets: under said item, a review was carried out, in particular, of the "pending items", likely to be measured at a different fair value (lower) than the book value. On an overall perimeter of roughly Euro 20 million, a total adjustment of around Euro 10 million was estimated according to both an individual and collective approach.
- Contingent liabilities: the recognition of risks embedded in the business acquired (mainly legal and fiscal), as well as the fair value measurement of the contingent liabilities related thereto, led to the estimation of additional contingent liabilities for an amount of Euro 26.8 million. More specifically, among the possible risks considered for the purposes of the PPA, the following cases are highlighted:
 - Civil litigation: with the main instance being the action brought in 2011 by the trustee of the Madoff Fund insolvency proceedings - the "master fund" (and subsequently by the liquidator of the FairField Sentry Fund - "feeder fund") requesting that Carige be sentenced to return funds allegedly paid out preferentially to some investors with respect to the body of creditors. The refund in question amounts to approximately Euro 11 million;
 - Criminal litigation: in which Carige is indicted for liability under Decree 231/2001 and held liable under civil proceedings in relation to the criminal litigation cases in which the former company top managers and senior management (Chairman and members of the Board of Directors, General Manager and other executives in office at the time of the facts) are indicted of market rigging, obstruction of supervisory control, false corporate communications, market manipulation, abusiveness, improper use and forgery of credit and payment cards, embezzlement and fraud. The consequences envisaged for the cases in which Carige is charged or investigated

essentially translate into fines for administrative offences estimated at approximately Euro 9 million;

- Tax disputes: with the main instance being an assessment claim arising from the rescheduling of the timing for the write-down of goodwill recognised by Banca Carige Italia (subsequently merged by incorporation into Banca Carige) when the non-Ligurian business unit was merged, which was subject to 'tax alignment' and therefore affected the amount of the tax credit deriving from the conversion of the DTAs recognised at the date of the combination. The ascertainment has led the derecognition of tax credits for a total of Euro 210 million (gross of the Euro 100 million substitute tax paid by Carige upon tax alignment of goodwill, which could potentially be repeated).

Potential expenses deriving from the reorganisation of the banking business acquired were also considered, also in connection with the early termination of certain commercial relationships, determining the estimate of contingent liabilities for a total of Euro 176.1 million (of which a part already recognised as debt under Other liabilities, in respect of the agreements reached with the counterparty by the end of 2022).

- Debt securities issued: the fair value measurement of bonds issued and outstanding at the business combination date was carried out using list prices from the main infoproviders; where it was not possible to obtain these prices, or they were not considered representative of active markets, the instruments were measured according to internal models capable of adequately considering the issuer risk based on their seniority. The fair value measurement showed a Euro 33.4 million lower value than the corresponding carrying amount acquired.
- Due to customers: the liabilities consisting in medium/long-term customer deposits were also measured using internal models. More specifically, a Discounted Cash Flow (DCF) model was used, in which the cash flows (including principal and interest amounts), as resulting from the contractual plan of the individual positions, were discounted at an appropriate discount rate, incorporating the estimate of the main risk factors and identified as the sum of the level of risk-free interest rates, observed on the various curve tenors, and the cost of funding, corresponding to the liquidity cost remuneration curve of the BPER Banca Group. Overall, term deposits assessed as mark-to-model amounted to approximately Euro 0.4 billion. The fair value measurement showed a Euro 8.1 million lower value than the corresponding carrying amount acquired. With regard to short-term funding (understood as on-demand relationships or those with a residual duration of less than 12 months), the carrying amount acquired at the reference date was considered a reasonable approximation of the fair value in accordance with IFRS 13, taking into account that the discounting of future cash flows is of little significance, even if there are changes in reference market rates.

In addition, in relation to amounts due to customers, the liabilities representing the senior tranche of ABS issued as part of the securitisations Lanterna Finance 4 and Lanterna Mortgage 1, subscribed by third party investors, were measured at fair value. Said measurement led to a lower fair value of Euro 15.1 million compared to the corresponding carrying amount acquired.

- Assets held for sale and Liabilities associated with assets held for sale: this item includes the estimate of the costs that the Bank must incur as part of the disposal agreement entered into with Banco Desio to prevent antitrust issues and relating to the part of the business unit consisting in 40 former Carige branches. The fair value measurement of said expenses (deriving partly from the value adjustments made to some asset categories) led to the posting of a total negative impact of Euro 62.3 million (of which: Euro 11.3 million in lower assets and Euro 51 million in liabilities).
- Tax effects: for the purposes of preparing these financial statements, fiscal relevance was given to the fair value measurement of the items described above, determining the recognition of tax assets totalling Euro 179.0 million (of which roughly Euro 115 million was already used to calculate the current taxes for 2022) and tax liabilities for a total of Euro 16.7 million.

Depending on the choices made, the difference between the assets and liabilities acquired at 3 June 2022 and the price paid is shown below, so as to identify the result of the PPA.

(in thousands)

Banca Carige	
Accounting differences of assets and liabilities (A)	1,557,519
Consideration paid (*) (B)	-
Exercise of the Tender Offer (C)	125,453
Negative difference to allocate (A-B-C)	1,432,066
Financial assets designated at fair value	(14,413)
Non-performing loans to customers	(162,758)
Performing loans to customers	(212,138)
Property, plant and equipment	(103,755)
Tax assets and liabilities	162,283
Other activities	(10,000)
Debt securities issued	33,354
Due to customers	23,221
Equity investments	70,585
Assets and Liabilities associated with assets classified as held for sale	(62,356)
Contingent liabilities and other liabilities	(207,966)
Badwill	948,123

(*) BPER Banca paid Euro 1.

At the end of the allocation process, the total benefit deriving from the acquisition was Euro 948.1 million, registered as income in the Income Statement caption 245. "Gain on a bargain purchase".

The "bargain purchase" that emerged from the transaction is largely attributable to the favourable market situation for buyers, as reflected in the relationship between the market price and the book value of listed banks, a reference parameter in defining the purchase price in transactions of this type. The consideration paid was, however, determined by taking into account the limited cost-effectiveness that characterised Banca Carige on a stand alone basis at the date of the purchase and the related risks borne by customers and all its stakeholders (including minority shareholders).

Since the PPA valuation resulted in goodwill, in application of IFRS 3, the Bank decided to proceed with the overall verification of the process required by IFRS 3 by obtaining a fairness opinion from an independent auditor other than the Group's auditing firm. The fairness opinion, confirming goodwill for an amount of Euro 948.1 million, was obtained on 8 March 2023.

Consequent to the merger by absorption of the two most significant legal entities of the Carige Group acquired, the disclosure required by IFRS 3, paragraph B64 (q) (i) is not available, given they do not even represent a separate operating segment.

In relation to the presentation of the revenues, profits and losses of the entity resulting from the business combinations described above for the current year, assuming that these occurred at the start of the reporting period, as required by IFRS 3, paragraph B64 (q) (ii), the required disclosure is presented hereunder.

(in thousands)		
Description	Total revenues (*)	Net profit (loss)
BPER Banca	3,293,727	1,069,161

(*) The data refers to Net interest and other banking income.

Section 2 - Transactions carried out after the end of the reporting period

2.1. Business combinations

No business combinations have been carried out subsequent to 31 December 2022 and up to the date of approval of these financial statements.

Section 3 – Retrospective adjustments

No retrospective adjustments to business combinations performed in previous years were necessary.

Part H – Related-party transactions

1. Information on the remuneration of Managers with strategic responsibilities

	Board of Directors	Statutory Auditors	Other managers with strategic responsibilities
short-term benefits (1)	3,551	336	3,768
post-employment benefits (2)	-	-	263
other long-term benefits (3)	571	-	840
indemnities for termination of employment (4)	-	-	1,398
share-based payments (5)	-	-	38
Total 31.12.2022	4,122	336	6,307
short-term benefits (1)	3,262	403	4,063
post-employment benefits (2)	-	-	275
other long-term benefits (3)	249	-	510
indemnities for termination of employment (4)	2,200	-	1,047
share-based payments (5)	386	-	319
Total 31.12.2021	6,097	403	6,214

The information provided is consistent with that required by IAS 24.

The amounts shown for the Directors, including the emoluments of the Chief Executive Officer, the Statutory Auditors and other Managers with strategic responsibilities, represent their emoluments for the year, regardless of when they are paid.

(1) The item includes salaries, indemnities in lieu of untaken vacation, paid leave of absence and any fringe benefits, such as insurance, housing and car, in addition to social security contributions.

In particular, it should be noted that with regard to the amounts relating to Directors (Euro 3,551 thousand), extensive detail has been given at the foot of the same table in the Explanatory Notes to the consolidated financial statements.

The amounts shown for Other managers with strategic responsibilities (the General Manager, 3 Deputy General Managers, the Manager responsible for preparing the Company's financial reports and 4 other Group Senior Managers in the Parent Company BPER Banca) belong to the types of costs detailed above. They are disclosed in the Report on Remuneration (art. 123-ter of Legislative Decree no. 58/1998) in accordance with Consob's instructions.

(2) The item includes payments to the supplementary pension funds and provisions for termination indemnities.

(3) The item includes deferred variable remuneration relating to annual variable incentive plans, as specified in the Remuneration Report.

(4) The item includes termination indemnities.

(5) The item includes the costs accrued for the Long-Term Incentive Plans during the year.

2. Information on related-party transactions

The Bank has adopted a series of regulations that include the “Group policy governing non-compliance risk in relation to conflicts of interest with related parties and risk activities with associated persons”. This regulatory framework complies with the Bank of Italy’s requirements in terms of “Risk activities and conflict of interest with related parties and associated persons” as contained in Circular 285 dated 17 December 2013 and subsequent updates. The Policy describes the prudential limits placed on risk activities involving related parties, the continuous monitoring of limits, the management of situations where the limits have been exceeded. An “internal threshold of attention” establishes an individual limit on the weighted consolidated exposure that is lower than the regulatory threshold. This threshold is set at such a level as to constitute an adequate precaution against accepting particularly significant exposures to related parties and persons associated with them.

The following shows the transactions with related parties, identified in application of IAS 24.

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
Subsidiaries	9,850,415	5,588,776	2,843,544	376,809	129,327
Associates	480,066	15,015	216,090	5,181	722
Directors, Statutory Auditors and Managers	63	1,188	326	13	44
Other related parties	357,814	1,887,020	161,496	170,770	16,459
Total 31.12.2022	10,688,358	7,491,999	3,221,456	552,773	146,552
Subsidiaries	7,577,912	5,382,069	3,859,126	260,395	97,974
Associates	586,330	2,964	111,489	2,514	416
Directors, Statutory Auditors and Managers	283	1,474	66	48	1
Other related parties	300,338	1,948,145	102,597	122,442	6,473
Total 31.12.2021	8,464,863	7,334,652	4,073,278	385,399	104,864

None of the balances or transactions with related parties can be considered critical. They all relate to routine banking and other services and arose normally during the year, as a consequence of needs and requirements in the common interests of the parties or, where applicable, of the Group. The conditions applied to individual balances and transactions with these companies are in line with those currently applied in the market.

“Managers” means Managers with strategic responsibilities, as defined for the purposes of the table “Information on the remuneration of Managers with strategic responsibilities”, shown on the previous page.

“Other related parties” are situations other than those set out in the table, such as entities controlled by associated companies of BPER Banca and entities subject to the control of Directors, Statutory Auditors or Managers, or by subjects that may have significant influence over them, as defined by IAS 24.

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
Total reference amounts - 2022	142,878,569	135,370,096	38,097,127	4,096,939	3,289,567
Total reference amounts - 2021	127,441,725	121,028,942	34,998,255	3,088,211	2,548,923

The total reference amounts for revenues include interest income, commission income and other operating income; costs include interest expense, commission expense, other operating costs and administrative expenses.

Related party transactions stated as a percentage of reference amounts (financial position and economic results)

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
Subsidiaries	6.89%	4.13%	7.46%	9.20%	3.93%
Associates	0.34%	0.01%	0.57%	0.13%	0.02%
Directors, Statutory Auditors and Managers	0.00%	0.00%	0.00%	0.00%	0.00%
Other related parties	0.25%	1.39%	0.42%	4.17%	0.50%
Total 31.12.2022	7.48%	5.53%	8.45%	13.50%	4.45%
Subsidiaries	7.88%	5.75%	8.36%	8.15%	4.87%
Associates	0.73%	0.00%	0.30%	0.20%	0.17%
Directors, Statutory Auditors and Managers	0.00%	0.00%	0.00%	0.00%	0.00%
Other related parties	0.30%	1.34%	0.46%	3.30%	0.44%
Total 31.12.2021	8.91%	7.09%	9.12%	11.65%	5.48%

3. Relations between the Parent Company and subsidiary and/or associated companies (CONSOB's recommendations of 20/2/1997 and of 27/2/1998)

There are intercompany balances and transactions with banks and other companies in which BPER has a direct or indirect interest and which form part of the consolidated financial statements. Balances and transactions with these companies are as follows.

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
Banco di Sardegna	1,235,621	4,059,496	169,897	54,276	63,528
Bibanca	2,328,879	474,521	-	108,593	18,786
Bper Bank Luxembourg	211,777	393,380	40,000	2,077	2,462
Bper Factor	1,702,158	12,263	402,459	6,012	228
Modena Terminal s.r.l.	133	384	7,000	63	12
ARCA Fondi SGR s.p.a.	28,286	8,404	-	124,873	4
Bper Real Estate	119,912	97,677	56,281	1,038	4,089
Numera s.p.a.	-	-	-	65	4,637
Optima s.p.a.	1,155	14,436	-	3,763	20,480
Estense Covered Bond s.r.l.	-	-	-	-	-
Sardaleasing s.p.a.	2,837,092	80,701	1,535,718	20,807	29
Bper Trust Company s.p.a.	119	826	-	99	137
Estense CPT	-	-	-	-	-
Italiana Valorizzazioni Immobiliari s.r.l.	9,331	1,681	-	480	-
Adras s.p.a.	14,163	1,188	-	91	-
Sifa s.r.l.	556,437	12,233	-	6,540	694
Bper Credit Management s.c.p.a.	3,100	4,748	42,000	9,274	9,717
Finitalia s.p.a.	530,964	933	585,399	34,916	1,038
Banca Cesare Ponti s.p.a.	155,908	407,592	-	2,888	3,264
Carige Reoco S.P.A.	106,448	18,232	4,790	954	222
Carige Covered Bond s.r.l.	-	-	-	-	-
Carige Covered Bond 2 s.r.l.	-	-	-	-	-
Lanterna Finance s.r.l.	-	-	-	-	-
Lanterna Lease s.r.l.	-	-	-	-	-
Lanterna Mortgage s.r.l.	-	-	-	-	-
Centro Fiduciario C.F. s.p.a.	-	-	-	-	-
Argo Mortgage 2 s.r.l.	-	-	-	-	-
Commerciale Piccapietra s.r.l.	-	81	-	-	-
St. Anna Golf s.r.l.	8,932	-	-	-	-
Total referring to subsidiaries	9,850,415	5,588,776	2,843,544	376,809	129,327

	Assets	Liabilities	Guarantees and commitments	Revenues	(cont.) Costs
Sofipo s.a. in liquidation	-	-	-	-	-
Cassa di Risparmio di Fossano s.p.a.	-	446	-	1	-
CAT Progetto Impresa Modena s.c.r.l.	11	-	49	1	-
Cassa di Risparmio di Savigliano s.p.a.	-	-	-	-	-
Resiban s.p.a.	-	405	300	3	634
Unione Fiduciaria s.p.a.	6,407	-	11	35	78
Sarda Factoring s.p.a.	740	9	-	-	-
Alba Leasing s.p.a.	471,399	1,786	212,780	5,125	-
Atrikè s.p.a.	1,409	3,620	-	-	4
Lanciano Fiera - Polo Fieristico d'Abruzzo Consorzio	99	107	150	7	2
Brozzu e Cannas s.r.l. in liquidation	-	-	-	-	-
Cedisa s.r.l. in liquidation	-	229	-	-	-
Immobiliare Oasi nel Parco s.r.l.	-	-	-	-	-
Società di Reskilling s.r.l.	1	6,033	-	6	-
Autostrada dei Fiori s.p.a.	-	2,377	2,800	3	4
Nuova Erzelli s.r.l.	-	3	-	-	-
Total referring to Associates	480,066	15,015	216,090	5,181	722
Total 31.12.2022	10,330,481	5,603,791	3,059,634	381,990	130,049
Total 31.12.2021	8,164,242	5,385,033	3,970,615	262,909	98,390

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Part I – Equity-based payments

Qualitative information

The Group's organisation provides for centralisation of the BPER Banca Group's remuneration policies at the Parent Company. The qualitative information set out below may also reflect the individual position of BPER Banca.

1. Description of equity-based payments

On 20 April 2022, the Shareholders' Meeting, based on prior resolution of the Board of Directors of 16 March 2022, approved the Remuneration policies for the year 2022 of the BPER Banca Group containing guidelines on the use of remuneration plans based on equity (financial) instruments.

It should be noted that the 2022 remuneration policy was conceived and structured in a manner closely connected with the strategic guidelines of the new business plan which, at the time of the Shareholders' Meeting of 20 April 2022, was still at the preparation phase, pending the outcome of the acquisition of control of Banca Carige s.p.a. ("Carige") and the relevant Group. Following the finalisation of the aforementioned acquisition, which took place on 3 June 2022, and the subsequent entry of Carige and its subsidiaries into the BPER Group, the Board of Directors then approved, on 9 June 2022, the Group Business Plan 2022-2025 (the "Business Plan or the "Strategic Plan"), which was presented to the market on 10 June 2022 with an indication of the relevant targets. Unlike initially foreseen, the Business Plan covers a four-year period (2022-2025).

In light of the above, and following the intentions already disclosed to the market at the time of presentation of the Business Plan, the Board of Directors, based on the prior opinion of the Remuneration Committee, therefore saw fit to amend the 2022 Remuneration policy relating to the long-term incentives approved by the Shareholders' Meeting in April 2022, along with the associated Incentive Plan, likewise approved by the Shareholders' Meeting in April 2022, in order to align them with the Business Plan targets and the associated four-year term (2022-2025).

The above elements therefore involved the need to subsequently update Section I of the "2022 Report on the Remuneration Policy and Compensation Paid", in order to adjust the disclosure relating to the Long-Term Incentive Plan contained herein (LTI Plan), whose amendment proposals were also submitted to the Shareholders' Meeting for approval (on 5 November 2022).

In light of the above, the amendment of the 2022-2024 Long-Term Incentive Plan (LTI) based on financial instruments approved by the Shareholders' Meeting on 20 April 2022, was also presented for approval of the shareholders' meeting on 5 November 2022, and its main changes can be summarised as follows:

1. the 4-year extension of the term of the LTI Plan and the associated targets, in line with the 2022-2025 Strategic Plan, keeping the percentage bonus that can be accrued based on each Plan year unchanged;
2. the consequent adjustment of the disclosure contained in the Information Document, regarding the maximum number of shares to service the Plan and the relevant costs;
3. the renaming of the LTI Plan, according to the elements already outlined, as the "2022-2025 Long-Term Incentive Plan".

Without prejudice to the information provided above by way of a preamble, in order to pursue the objective of encouraging alignment of the interests of management with those of shareholders, the "Supervisory Provisions for banks" regarding "Remuneration and incentive policies and practices (Bank of Italy Circular no. 285 of 17 December 2013 and subsequent updates) establish that at least 50% of variable remuneration provided to "key employees" (or "Material Risk Takers" or "MRT") should be paid in the form of shares or associated financial instruments (pursuant to article 114-bis of Legislative Decree no. 58 of 24 February 1998 and paid through upfront payment systems or deferred for a period of no less than 4-5 years. "Variable remuneration" refers to both variable performance-linked components or other parameters, and to amounts paid as incentives for the early termination of the employment relationship or for the early exit from office recognised to recipients ("severance").

In compliance with the aforementioned regulatory provisions, the BPER Banca Group has therefore made provision for:

- A short-term incentive plan on an annual basis - MBO 2022: the plan identifies the following beneficiaries: in addition to the Chief Executive Officer and the General Manager, the Managers with strategic responsibilities of the BPER Banca Group and selected persons from other categories of employees or associates of the BPER Banca Group classified as "Material Risk Takers" pursuant to the applicable legislation.
As far as the structure is concerned, the Plan envisages paying part of the incentive through the assignment of BPER Banca shares, subject to the fulfilment of the conditions for its activation ("entry gates") and based on the bonus amount accrued by each MRT.
The period of implementation of the Plan is between 2022 (when the results for 2022 are determined) and the actual availability of the last deferred tranche of BPER shares (2029).
- 2022-2025 Long-Term Incentive (LTI) Plan: the plan identifies the following beneficiaries: in addition to the Chief Executive Officer and the General Manager, some Managers with strategic responsibilities of the BPER Banca Group and certain selected persons from managers of the BPER Banca Group included in the perimeter of "Material Risk Takers".
As regards the structure, the Plan makes provision, subject to the achievement of specific long-term company performance targets in line with the Strategic Plan in force, for the assignment to beneficiaries of an individual bonus, to be paid solely in ordinary BPER Banca shares at the end of the four-year vesting period (1 January 2022 - 31 December

2025).

The period for implementing the 2022-2025 LTI Plan runs between the year of the shareholders' meeting approval (2022) and the actual availability of the last deferred portion in BPER shares (2032).

For detailed information, please refer to the document "2022 Report on remuneration policy and compensation paid", published on the Bank's website www.bper.it – Homepage > Governance > Documents.

Methods of implementation of the short-term incentive plan on an annual basis -MBO 2022

The assignment of variable remuneration is provided on the condition that the BPER Group achieves the economic-financial targets established on an ex-ante basis ("entry gates") tied to the following parameters targeted at ensuring the maintenance of adequate income and capital standards:

- Consolidated Common Equity Tier 1 Ratio (CET1);
- Consolidated Return On Risk-Weighted Assets (RORWA);
- Consolidated Liquidity Coverage Ratio (LCR).

After checking that the entry gates have been exceeded, the bonus allocation and the deriving extent of the variable remuneration are defined by evaluating individual performances using a process that includes an analysis of various qualitative and quantitative indicators.

If the variable remuneration determined for each individual beneficiary is greater than Euro 50 thousand or 1/3 of the total annual remuneration, this Plan is activated, which envisages payment (also through quotas with deferred vesting) of a part of the bonus through the free-of-charge, personal assignment of a given number of BPER shares. With regard to the bonus component deferred over time, the Plan envisages its allocation in equal portions to the years subsequent to that of the bonus assignment (subject to a retention period of 1 year starting from the maturity date of each deferred portion), after having exceeded the entry gates set for the year prior to the year of disbursement of each deferred quota.

The deferred instalments are subject to malus rules that can reduce the instalment to zero in the event of failure to achieve the entry gates for the financial year preceding the year of payment of each deferred instalment. The malus mechanism, which can block payment of the deferred portions of the Bonus, also acts on activation of the clawback clauses.

The total number of BPER shares derives from the size of the bonus assigned and the average price of the share established in the period prior to the date of the Board of Directors' meeting which approves the Group's consolidated results.

On 14 January 2021, the Board of Directors of the Parent Company decided that from 2021 "actual" BPER Banca shares would be used instead of "phantom" shares as the financial instruments serving the MBO short-term incentive plan, adapting to market benchmarks and standardising the tools used in incentive schemes. The use of "actual" shares is already envisaged for the LTI plan.

Note that there are compensation plans still outstanding for the years 2017, 2018, 2019, 2020 and 2021.

For detailed information on the contents of the Plan, please refer to the "Information Document on the compensation plan based on financial instruments" prepared in accordance with article 114-bis of the Consolidated Law on Finance and article 84-bis of the Issuers' Regulation available to the public at the Company's registered office, on the Bank's website www.bper.it – Homepage > Governance > Shareholders' Meeting.

Methods of implementation of the 2022-2025 Long-Term Incentive (LTI) Plan

In line with the market practices, the entry gates defined for the LTI Plan are in line with those defined for the MBO Plan (Consolidated Common Equity Tier 1 (CET1) ratio, Return On Risk-Weighted Assets (RORWA) and consolidated Liquidity Coverage Ratio (LCR)). In particular, the assignment of variable remuneration (exclusively in BPER shares) in the 2022-2025 LTI Plan is linked to the achievement, in 2026 with reference to 2025, of the entry gate objectives as defined. Failure to achieve even only one of the entry gates means not paying any bonus under this long-term incentive scheme.

If the entry gates are exceeded, the company performance to which to link the total bonus amount to be determined (bonus pool) is based on the measurement of the following metrics (KPIs):

- Return On Tangible Equity or also "ROTE" at 2025 (earnings objective);
- Cost/Income ratio at 2025 (operating efficiency target);
- Gross NPE Ratio at 2025 (credit quality objective);
- ESG at 2025: mix of objectives structured into "sustainable finance", "energy transition", "diversity and inclusion" and Project «Futuro».

2022-2025 LTI scorecard

KPIs	Weight
Rote at 31/12/2025	50%
Cost/Income at 31/12/2025	20%
Gross NPE Ratio at 31/12/2025	15%
ESG[1]	15%

[1] Composed of 4 indicators of equal weight (25%): Sustainable Finance (Green loans), Energy Transition (Reduction of CO2 Emissions), Diversity and Inclusion (Gender Gaps: less represented gender among Managers and Executives), "Future" Project (financial education projects and definition of a youth inclusion project).

Attainment of the above-mentioned KPIs is verified in 2026 in relation to the last year of the vesting period (2025). However, continuous monitoring of the indicators is required under the Plan to verify compliance with the objectives of the Strategic Plan. The target values of the KPIs of the 2022-2025 LTI Plan are indicated in the Remuneration Report approved by the Shareholders' Meeting on 5 November 2022.

The disbursement of the individual bonus for each plan beneficiary is linked to the achievement of one's individual targets⁷¹ (determined on an annual and four-yearly basis) calculated according to a percentage of gross annual individual remuneration: (i) 60% (240% on a four-yearly basis) for top management and C-Level (these include the Chief Executive Officer and the General Manager of the Parent Company and (ii) 40% (160% on a three-yearly basis) for senior management and (iii) 15% (60% on a four-yearly basis) for beneficiaries identified from the selected key personnel for the pursuit of the strategic guidelines. Excluded from the Plan are the heads of the control and similar functions, whose variable remuneration is expected not to exceed 33% of their fixed remuneration, taking into account the specific regulatory restraints of the industry for usable indicators.

The manner in which bonuses are awarded is structured as an up-front portion, awarded at the end of the four-year vesting period, and as a portion deferred pro-rata in equal tranches, over a number of years (5 years). The payment structure for the shares provides for a retention period of one year for the up-front portion and for the deferred portions.

The exact identification of the number of ordinary BPER Banca shares to be assigned in each fiscal year of the Plan term is conditional on the opening of gates and the level of achievement of the specific performance indicators upon payment of the Bonus at 2025.

The Bank cannot assign shares to beneficiaries, in whole or in part, and also reserves the right to ask the beneficiaries to return the shares, in whole or in part, if malus and claw-back clauses are triggered.

The Bank asks beneficiaries - through specific individual agreements - not to make use of personal hedging or insurance strategies which may alter or nullify the effects of the alignment with the risk inherent in the Plan, in compliance with the regulatory framework in force.

For detailed information on the contents of the Plan, please refer to the "Information Document relating to the long-term incentive plan "2022-2025 LTI plan" prepared in accordance with article 114-bis of the Consolidated Law on Finance and article 84-bis of the Issuers' Regulation available to the public at the company's registered office, on the Bank's website www.bper.it – Homepage > Governance > Shareholders' Meeting.

Quantitative Information

As regards the LTI Plan, the grant of shares without charge in execution of the Plan will take place using treasury shares that derive from purchases authorised at the Shareholders' Meeting, pursuant to arts. 2357 and 2357-ter of the Italian Civil Code.

Purchase of the shares is subject, however, to the required authorisation being granted by the ECB, which was received on 11 April 2022 for the 2022-2025 LTI Plan.

In light of the economic-financial results achieved, stock grants for a total of 1,396,987 BPER Banca s.p.a. shares were approved by BPER Banca's Board of Directors on 10 March 2022 as part of the 2019-2021 Long-Term Incentive Plan. The determination of the short-term variable remuneration referred to 2021 involved the assignment of 529,155 BPER Banca s.p.a. shares.

The ordinary treasury share buyback programme - launched on 7 December 2022 and announced to the market in the press release of 6 December 2022 - was concluded on 15 December 2022, as part of the 2022 MBO incentive plan and any severance payments due. The purchases were made according to the terms authorised by the shareholders' meeting of BPER Banca on 20 April 2022.

In the 7 days of programme execution, BPER Banca - via Equita Sim s.p.a., the intermediary in charge of executing the programme - acquired a total of 750,000 ordinary shares of BPER Banca s.p.a., equal to 0.07% of share capital, for a total value

⁷¹In respect of the variable:fixed ratio defined by the relevant remuneration policies at the moment of participation and in compliance with the regulations in force from time to time.

of Euro 1,441,097.00 at an average purchase price per share of Euro 1.9215.

2. Other information

Determination of the fair value and accounting treatment

Short-term variable component

Variable remuneration for 2022 is currently being determined.

The determination of the short-term variable remuneration referred to 2021 involves the assignment of 529,155 BPER Banca s.p.a. shares.

Long-term variable component - Long-Term Incentive

The achievement of the entry gates and performance levels obtained entail the assignment of 1,396,987 BPER Banca shares, as of June 2022, according to the procedures set out in the Plan.

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Part L – Segment reporting

Segment reporting, as required by IFRS 8, is presented only in the consolidated financial statements. Please refer to the Consolidated Explanatory Notes, Part L, for details on the business segments.

Part M – Information on leases

Section 1 - Lessee

Qualitative Information

With regard to the contracts entered into as lessee, BPER Banca recognises both the leased right-of-use asset and the liability for the future lease instalments envisaged in the contract.

In the context of the elections allowed by IFRS 16, BPER Banca decided not to recognise right-of-use assets or lease payables in relation to the following lease contracts:

- lease of intangible assets;
- short-term leases with less than 12 months remaining;
- lease of assets with a low unit value (as described further in the Explanatory notes – Part A – Accounting policies, an asset is deemed to have a low unit value if its fair value when new was not more than Euro 5 thousand).

Consequently, the lease payments for these assets are charged to caption "160. Administrative expenses" on an accruals basis; for further information about this, see the Explanatory Notes - Part C - Income statement, Table 10.5 "Other administrative expenses: breakdown".

Quantitative information

Rights of use acquired through leases: see the Explanatory Notes - Part B - Assets, table 8.1 "Property, plant and equipment used in operations: breakdown of assets measured at cost".

Lease liabilities: see the Explanatory Notes - Part B - Liabilities, table 1.1 "Financial liabilities measured at amortised cost: breakdown by product of due to banks", table 1.2 "Financial liabilities measured at amortised cost: breakdown by product of due to customers", table 1.6 "Lease liabilities".

Interest expense on lease liabilities: see the Explanatory Notes - Part C – Income statement, table 1.3 "Interest and similar expense: breakdown".

Other expenses associated with right-of-use assets acquired under leases: see the Explanatory Notes - Part C – Income statement, table 12.1 "Net adjustments to property, plants and equipment: breakdown".

Income from sub-lease transactions: see the Explanatory Notes - Part C – Income statement, table 1.1 "Interest and similar income: breakdown".

1.1 Right-of-use assets acquired under leases: changes in right-of-use assets relating to property, plant and equipment used in operations

Property, plant and equipment used in operations	Right-of-use assets acquired under leases 31.12.2021	Depreciation of the year	Other changes of the year	Impairment losses of the year	Book value 31.12.2022
a) land	-	-	-	-	-
b) buildings	317,263	(60,796)	115,220	(3,637)	375,324
c) furniture	-	-	-	-	-
d) electronic systems	23,357	(11,007)	2,962	-	15,312
e) other	4,880	(2,447)	2,688	-	5,121
Total	345,500	(74,250)	120,870	(3,637)	395,757

As regards "Other changes of the year", the impact is mainly linked to new contracts acquired (approximately Euro 75 million) and those acquired through the business combination with the Carige Group (Euro 53 million), in addition to remeasurement of the rights of use mainly due to ISTAT adjustments, changes in the lease term, opening and closing of contracts.

1.2 Expense and Income relating to leases other than right of use

	Total 31.12.2022	Total 31.12.2021
Costs relating to short-term leases	4,393	3,886
Expense relating to leases of low-value assets (*)	12,462	10,206
Income from finance subleases	4	16

(*) Including VAT

1.3 Lease liabilities: changes

	Lease liabilities 31.12.2021	Interest expense	Lease payments made	Other changes	Book value 31.12.2022
Total lease liabilities	352,193	6,739	(81,865)	128,740	405,807

Section 2 - Lessor

Qualitative Information

The lease contracts in which BPER Banca is the lessor are classified as either finance leases or operating leases.

Finance leases transfer to the lessee substantially all the risks and rewards of ownership.

In substance, under finance leases, the lessee obtains the economic benefits deriving from use of the leased asset over most of its economic life, in exchange for a commitment to pay the lessor a consideration that is substantially the same as the fair value of the asset and the related financial charges. The lease contract is therefore recognised by the lessor in the following manner:

- the value of the credit granted is recognised as an asset, net of the principal portion of the lease payments due and paid by the lessee;
- interest income is credited to the income statement.

Operating leases do not transfer to the lessee substantially all the risks and rewards incidental to ownership, which remain with the lessor.

Under operating leases, the lessor shall recognise the lease payments in profit or loss on an accruals basis.

See the Explanatory notes – Part A – Accounting policies for additional information.

Given the legal structure of finance leases, the credit risk faced by the Bank is limited by retaining ownership of the asset until the end-of-lease payment is made by the lessee. This factor is particularly important in relation to property leases and those in which the asset concerned is highly fungible. In particular, in order to limit more effectively the risk of losses and whenever indicated in the lease origination report, BPER Banca may request the customer to provide additional secured guarantees (typically pledged securities) and/or unsecured guarantees (personal or bank sureties). In addition, finance leases may also be secured by commitments to take over the lease or repurchase the asset (sometimes obtained from the supplier of the asset concerned).

Quantitative information

1. Balance Sheet and Income Statement information

Finance leases: see the Explanatory Notes - Part B - Assets, table 4.2 “Financial assets measured at amortised cost: breakdown of loans to customers”.

Interest income on finance leases: see the Explanatory Notes - Part C – Income statement, table 1.1 “Interest and similar income: breakdown”.

Other income from operating leases: see the Explanatory Notes - Part C - Income statement, table 14.2 “Other operating income: breakdown”.

2. Finance leases

2.1 Breakdown by time bands of lease payments receivable and reconciliation with finance leases recognised as assets

Time bands	31.12.2022 Lease payments receivable	31.12.2021 Lease payments receivable
Up to 1 year	1,193	1,317
Over 1 year up to 2 years	1,193	1,317
Over 2 year up to 3 years	1,193	1,317
Over 3 year up to 4 years	1,193	1,317
Over 4 year up to 5 years	1,001	1,124
Over 5 years	1,195	1,317
Total lease payments receivable	6,968	7,709
RECONCILIATION WITH FINANCE LEASES		
Unearned finance income (+)	4,746	1,031
Unguaranteed residual value (-)	-	-
Finance leases	2,222	6,678

“Not accrued gains” derive from unearned interest embedded in lease payments receivable.

2.2 Other information

2.2.1 Other information about finance leases: type and credit quality

	31.12.2022		31.12.2021	
	Performing	Non-performing	Performing	Non-performing
A - Real estate assets	1,947	249	3,747	289
Land	-	-	-	-
Buildings	1,947	249	3,747	289
B - Operating assets	-	16	-	16
C - Movable assets	-	10	-	11
Motor vehicles	-	7	-	7
Aircraft and rolling stock	-	-	-	-
Other	-	3	-	4
D - Intangible assets	-	-	-	-
Trademarks	-	-	-	-
Software	-	-	-	-
Other	-	-	-	-
Total	1,947	275	3,747	316

2.2.2 Other information about finance leases: unopted assets, assets returned after termination, other assets

	31.12.2022			31.12.2021		
	Unopted assets	Assets returned after termination	Other assets	Unopted assets	Assets returned after termination	Other assets
A - Real estate assets	14	198	-	447	240	-
Land	-	-	-	-	-	-
Buildings	14	198	-	447	240	-
B - Operating assets	-	-	-	-	-	-
C - Movable assets	50	-	-	50	-	-
Motor vehicles	-	-	-	-	-	-
Aircraft and rolling stock	50	-	-	50	-	-
Other	-	-	-	-	-	-
D - Intangible assets	-	-	-	-	-	-
Trademarks	-	-	-	-	-	-
Software	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	64	198	-	497	240	-

3. Operating leases

3.1 Breakdown of lease payments receivable by time bands

Time bands	31.12.2022 Lease payments receivable	31.12.2021 Lease payments receivable
Up to 1 year	6,151	3,738
Over 1 year up to 2 years	5,979	3,503
Over 2 year up to 3 years	5,763	3,341
Over 3 year up to 4 years	5,072	3,085
Over 4 year up to 5 years	4,510	2,301
Over 5 years	31,245	7,124
Total	58,720	23,092

3.2 Other information

No additional information is deemed necessary to meet the disclosure objective specified in paragraph 92 of IFRS 16.

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Attachments

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Attachments

Fees for audit and non-audit services	page 758
Reconciliation between the Financial statements and the Reclassified Financial statements	page 759

Fees for audit and non-audit services

Information pursuant to art. 149-duodecies of Consob Issuers' Regulation

This schedule, prepared pursuant to art. 149-duodecies of CONSOB Issuers' Regulation (Resolution 11971 of 14 May 1999 and subsequent amendments), reports the 2022 fees for audit and non-audit services provided by the Independent Auditors and member firms of its network. These fees represent the costs incurred and recorded in the financial statements, net of expenses, unrecoverable VAT and the CONSOB contribution.

Type of services	Party providing the service	Recipient	(in thousands)	
			Fees	
Audit services	Deloitte & Touche s.p.a.	BPER Banca		1,299
Certification services	Deloitte & Touche s.p.a.	BPER Banca	(1)	825
Other services	Deloitte & Touche s.p.a.	BPER Banca	(2)	89
	Deloitte Consulting s.r.l.	BPER Banca	(3)	265
Total				2,478

It should be noted that the values include the services rendered over the entire year to Banca Carige and Banca del Monte di Lucca. However, it is specified that the economic contribution to the aforementioned services is limited to the second quarter of 2022 only, since the merger took effect on 30 June 2022.

(1) Certification services rendered by Deloitte & Touche s.p.a.:

- activities performed in relation to the translation into English of the independent auditors' reports on the condensed consolidated half-year financial statements at 30 June 2022 and the separate and consolidated financial statements at 31 December 2022;
- activities performed as part of the covered bond issue programmes, EMTN programme and securitisation transactions;
- activities to check the GHG Statement that will be attached to the CDP Questionnaire – Reporting on Climate Change;
- activities carried out for the issue of the compliance opinion on the Consolidated Non-Financial Statement (Consolidated Sustainability Report);
- certification of TLTRO3 reports;
- activities carried out for the purpose of issuing the Report pursuant to art. 23, paragraph 7 of the Bank of Italy Regulation of 5 December 2019 - Mifid II.
- activities carried out for the issuing of the opinion on the settlement value of the Banca Carige savings shares in the event of withdrawal pursuant to art. 2437-ter of the Italian Civil Code.

(2) Other services rendered by Deloitte & Touche s.p.a.:

- activities carried out to verify the conformity of the 2022 tax returns and the supplementary 2021 tax returns;
- support in document collection for the processing services and merchant acquiring business;
- support as part of the contractual activities defined in the transfer of the business unit to Nexi;

(3) Other services rendered by Deloitte Consulting s.r.l.:

- methodological support for benchmarking against best practices as part of the assessment carried out prior to defining the new Client Relationship Management (CRM) ecosystem;
- methodological support with the evolution of the Sales Force platform.

Reconciliation between the Financial statements and the Reclassified Financial statements

Reclassified balance sheet - Assets																		
(in thousands)																		
Circular no. 26/2008 7* update -Assets	31.12.2022	Financial assets										Loans						
		Cash and cash equivalents	a) Financial assets held for trading	b) Financial assets designated at fair value	c) Other financial assets mandatorily measured at fair value	d) Financial assets measured at fair value through other comprehensive income	e) Debt securities measured at amortised cost - banks	f) Debt securities measured at amortised cost - customers	a) Loans to banks	b) Loans to customers	c) Loans mandatorily measured at fair value	Hedging derivatives	Equity investments	Property, equipment	Intangible assets	- of which: goodwill	Other assets	
10. Cash and cash equivalents	14,279,707	14,279,707																
20. Financial assets measured at fair value through profit or loss	1,262,885		757,978															
a) financial assets held for trading		757,978																
b) financial assets designated at fair value	2,381			2,381														
c) other financial assets mandatorily measured at fair value	522,526				388,737													
30. Financial assets measured at fair value through other comprehensive income	7,727,554				7,727,554													
40. Financial assets measured at amortised cost	105,115,203																	
a) loans to banks	12,707,409																	
b) loans to customers	93,407,794			-			6,607,091	13,031,054		80,376,740								
50. Hedging derivatives	1,898,028										1,898,028							
70. Equity investments	2,174,728											2,174,728						
80. Property, plant and equipment	1,882,311												1,882,311					
90. Intangible assets	349,522													349,522				
of which:																		
- goodwill	-																	
100. Tax assets	2,624,103																	
a) current	550,443																	550,443
b) deferred	2,073,660																	2,073,660
110. Non current assets and disposal groups classified as held for sale	940,313																	940,313
120. Other assets	3,714,215																	3,714,215
Total assets	142,878,569	14,279,707	757,978	2,381	388,737	7,727,554	6,607,091	13,031,054	6,100,318	80,376,740	132,789	1,898,028	2,174,728	1,882,311	349,522	-	7,278,631	3,714,215

(in thousands)																	
Reclassified balance sheet - Liabilities and shareholders' equity																	
Circular no. 262/2005 7* update - Liabilities and shareholders' equity	31.12.2022	Direct deposits			Macro-hedge accounting			Shareholders' equity									
		Due to banks	a) Due to customers	b) Debt securities issued	c) Financial liabilities designated at fair value	Financial liabilities held for trading	a) Hedging derivatives	b) Change in value of macro-hedged financial liabilities (+/-)	Other liabilities	a) Valuation reserves	b) Reserves	c) Equity instruments	d) Share premium reserve	e) Share capital	f) Treasury shares	g) Profit (Loss) for the year	
10. Financial liabilities measured at amortised cost	128,217,775	26,792,583	26,792,583														
a) due to banks	26,792,583	26,792,583															
b) due to customers	94,718,824	94,718,824															
c) debt securities issued	6,706,368	6,706,368		6,706,368													
20. Financial liabilities held for trading	500,555	500,555			500,555												
30. Financial liabilities designated at fair value	782,912	782,912			782,912												
40. Hedging derivatives	498,563	498,563					498,563										
50. Change in value of macro-hedged financial liabilities (+/-)	(281,292)	(281,292)						(281,292)									
60. Tax liabilities	39,326	39,326															
a) current	-	-															
b) deferred	39,326	39,326							39,326								
70. Liabilities associated with assets classified as held for sale	1,218,693	1,218,693							1,218,693								
80. Other liabilities	3,139,103	3,139,103							3,139,103								
90. Employee termination indemnities	152,929	152,929							152,929								
100. Provisions for risks and charges	1,101,532	1,101,532															
a) commitments and guarantees granted	132,148	132,148							132,148								
b) pension and similar obligations	115,166	115,166							115,166								
c) other provisions for risks and charges	854,218	854,218							854,218								
110. Valuation reserves	(136,557)	(136,557)								(136,557)							
130. Equity instruments	150,000	150,000								150,000							
140. Reserves	2,865,230	2,865,230								2,865,230							
150. Share premium reserve	1,237,276	1,237,276										1,237,276					
160. Share capital	2,104,316	2,104,316											2,104,316				
170. Treasury shares (-)	(5,672)	(5,672)												(5,672)			
180. Profit (Loss) for the year (+/-)	1,293,880	1,293,880														1,293,880	
Total liabilities and shareholders' equity	142,878,569	26,792,583	94,718,824	6,706,368	782,912	500,555	498,563	(281,292)	5,651,583	(136,557)	2,865,230	150,000	1,237,276	2,104,316	(5,672)	1,293,880	

Reclassified income statement																
In thousands)	Circular no. 26/2005 7 th update - Income statement	31.12.2022	Net interest income	Net commission income	Dividends	Net income from financial activities	Other operating expenses ¹⁾	Staff costs administrative expenses	Net adjustments to financial equipment and intangible assets	Net impairment losses to financial assets and other financial assets	Net impairment losses to financial assets at fair value	Gains (Losses) from contractual modifications without derecognition	Net provisions for risks and charges DGS, IDPF - vs	Contributors to the SIF ²⁾ - DGS, IDPF - vs	Gain on a bargain purchase	Income taxes on operations for the year
	10. Interest and similar income		1,855,697	1,855,697												
	20. Interest and similar expense		(446,640)	(446,640)												
	30. Net interest income		1,409,057													
	40. Commission income			1,650,684												
	50. Commission expense				(116,741)											
	60. Net commission income		1,533,943													
	70. Dividends and similar income		56,612		56,612											
	80. Net income from trading activities		75,539		75,539											
	90. Net income from hedging activities		(1,265)		(1,265)											
	100. Gains (Losses) on disposal or repurchase of:															
	a) financial assets measured at amortised cost		72,154		72,154											
	b) financial assets measured at fair value through other comprehensive income		3,162		3,162											
	c) financial liabilities		6,833		6,833											
	110. Net income on other financial assets and liabilities measured at fair value through profit or loss		18,838													
	a) financial assets and liabilities designated at fair value		61,592		10,575											
	b) other financial assets mandatorily measured at fair value		(42,754)													
	120. Net interest and other banking income		3,164,888													
	130. Net impairment losses for credit risk relating to:		(455,925)													
	a) financial assets measured at amortised cost		(455,507)													
	b) financial assets measured at fair value through other comprehensive income		(418)							(436,634)	(418)					
	140. Gains (Losses) from contractual modifications without derecognition		(29)									(29)				
	150. Net income from financial activities		2,708,904													
	160. Administrative expenses:		(2,655,739)				(1,435,212)									
	a) staff costs		(1,435,212)													
	b) other administrative expenses		(1,220,527)				(964,541)						(154,437)			(111,549)
	170. Net provisions for risks and charges		(111,572)													
	a) commitments and guarantees granted		(96,236)										(96,236)			
	b) other net provisions		(75,336)										(75,336)			
	180. Net adjustments to property, plant and equipment		(131,586)						(131,586)							
	190. Net adjustments to intangible assets		(73,290)						(73,290)							
	200. Other operating expense/income		520,111				305,956	214,155								
	210. Operating costs		(2,452,076)													
	220. Gains (Losses) of equity investments		(28,066)											(28,066)		
	230. Valuation differences on property, plant and equipment and intangible assets measured at fair value		(20,012)											(20,012)		
	240. Impairment losses on goodwill		-											-		
	245. Gain on a bargain purchase		948,123												948,123	
	250. Gains (Losses) on disposal of investments		2,676											2,676		
	260. Profit (Loss) from current operations before tax		1,189,549													
	270. Income taxes on current operations for the year		134,331													134,331
	280. Profit (Loss) from current operations after tax		1,323,880													
	300. Profit (Loss) for the year		1,323,880	1,409,057	1,552,518	56,612	145,671	305,956	(1,435,212)	(740,386)	(204,876)	(418)	(111,572)	(154,437)	(948,123)	1,323,880

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Certifications and other reports

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Certification of the individual financial statements for 2022 pursuant to art. 81-ter of Consob Regulation no. 11971 dated 14 May 1999 and subsequent additions and amendments

- The undersigned
 - Piero Luigi Montani, as Chief Executive Officer,
 - Marco Bonfatti, as the Manager responsible for preparing the Company's financial report,of BPER Banca S.p.A., having considered the requirements of paras. 3 and 4 of art. 154-bis of Decree no. 58 dated 24 February 1998, confirm:
 - the adequacy in relation to the characteristics of the Bank and
 - the proper application,during 2022, of the administrative and accounting procedures adopted for the preparation of the financial statements.
- This assessment of the adequacy of the administrative and accounting procedures adopted for the preparation of the financial statements at 31 December 2022 is based on a model developed by BPER Banca S.p.A., consistent with the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This framework represents reference standards for systems of internal control that are generally accepted at an international level.
- It is also certified that:
 - the financial statements at 31 December 2022:
 - a) have been prepared in accordance with the applicable international accounting standards recognised within the European Union pursuant to European Parliament and Council Regulation (EC) no. 1606/2002 dated 19 July 2002, Decree 38/2005 and the enabling regulations for art. 9 of this Decree;
 - b) agree with the underlying accounting records and entries;
 - c) present a true and fair view of the financial position and results of operations of the Bank;
 - the report on operations includes a reliable analysis of performance and the results of operations, as well as of the position of the Bank, together with a description of the principal risks and uncertainties to which it is exposed.

Modena, 9 March 2023

Signed by
Piero Luigi Montani
Chief Executive Officer

Signed by
Marco Bonfatti
**Manager responsible for preparing
the Company's financial report**

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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
BPER Banca S.p.A.**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of BPER Banca S.p.A. (the Bank), which comprise the balance sheet as at December 31, 2022, and the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification of high-risk performing loans to customers measured at amortized cost

Description of the key audit matter

As reported in paragraph "2.3 Balance sheet aggregates" of the Directors' report on operations and in the quantitative information relating to credit risk disclosed in Part E – Information on risks and related hedging policies in the explanatory notes as at December 31, 2022, performing loans to customers measured at amortized cost of BPER Banca S.p.A show a gross amount of Euro 79,941, million, reduced by portfolio adjustments of Euro 582 million, to come to a net amount of Euro 79,359 million, resulting in a coverage ratio of 0.73%.

As more widely described in the explanatory notes, during 2022 the general and sectoral macroeconomic framework was still affected by significant uncertainty brought about by the evolution of the Covid-19 pandemic and the remaining containment measures, as well as by the Russia-Ukraine conflict and consequent international sanctions. This context is also characterized by a rapid rise in inflation (driven by the "cost of energy") and the sudden rise in market interest rates. The high level of uncertainty leads banks to continuously control and monitor, in particular, credit risk and the related accounting estimates.

As reported in the qualitative information relating to credit risk disclosed in Part E – Information on risks and related hedging policies in the explanatory notes as at December 31, 2022, as part of its policies for managing loans to customers, the Bank adopted rules and procedures for monitoring credit exposures, which have entailed, among other things, a structured action of classification into homogeneous risk categories. In particular, on the basis of "rating" and "Early Warning" systems the Bank identified, among performing loans to customers measured at amortized cost, those ones with a higher degree of risk.

Given the complexity of the classification process of high-risk performing loans to customers measured at amortized cost into homogeneous risk categories followed by the Bank, which took into account also the current geopolitical and macroeconomic scenario, we considered the classification of high-risk performing loans to customers measured at amortized cost, a key audit matter of the financial statements of BPER Banca S.p.A. as at December 31, 2022.

Audit procedures performed

The main procedures carried out as part of our audit work were, among others, as follows:

- gaining an understanding of the internal regulations and processes implemented by the Bank for classifying performing loans to customers measured at amortized cost and monitoring their quality, in order to verify the compliance with the regulatory framework and the applicable accounting standards;

- checking the implementation and operating effectiveness of the relevant controls identified in relation to those processes, also supported by IT processes and systems specialists belonging to the Deloitte network;
- drawing qualitative and trend analysis of performing loans to customers measured at amortized cost by calculating appropriate qualitative and quantitative indicators in order to identify possible matters of interest;
- checking, on a sample basis, the classification of high-risk performing loans to customers measured at amortized cost in accordance with the regulatory framework;
- checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Classification and valuation of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans

Description of the key audit matter

As reported in paragraph "2.3 Balance sheet aggregates" of the Directors' report on operations and in the quantitative information relating to credit risk disclosed in Part E – Information on risks and related hedging policies of the explanatory notes as at December 31, 2022, non-performing loans to customers measured at amortized cost of BPER Banca S.p.A. show a gross amount of Euro 2,180 million, reduced by impairment losses of Euro 1,162 million, resulting in a net amount of Euro 1,018 million.

The Directors' report on operations also shows that the coverage ratio of non-performing loans to customers measured at amortized cost as at December 31, 2022 is equal to 53.32%. More specifically, the above-mentioned loans to customers, classified in accordance with IFRS 9 "Financial Instruments" as "Third Stage", include bad loans for a net value of Euro 120 million and a coverage ratio of 73.49% and unlikely to pay loans for a net value of Euro 830 million and a coverage ratio of 49.04%.

Part A – Accounting policies of the explanatory notes describes:

- the rules for classifying non-performing loans to customers measured at amortized cost followed by the Bank in compliance with the current instructions of the Supervisory Authorities and the applicable accounting standards;
- the methods for determining their recoverable amount which are based on the estimate of the present value of expected cash flows deriving from an analytical valuation of bad loans and unlikely to pay loans whose exposure is higher than the thresholds established by internal regulations, and from a flat-rate approach for the remaining non-performing loans to customers measured at amortized cost.

Furthermore, the quantification of the recoverable amount of non-performing loans which are included in the Bank's strategy, which envisages the recovery of those loans through disposals, reflects also the estimate of their disposal value, duly weighting the probability of the "workout" and "disposal" scenarios.

Given the complexity of the valuation processes adopted by the Bank, which entailed a structured action of classification of non-performing loans to customers measured at amortized cost into homogeneous risk categories, as well as the relevance of the discretionary components linked to the estimate of the related recoverable amount (such as the estimate of expected cash flows, the time of recovery, the value of the collateral if any and the possible recovery strategies), we considered the classification of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans and their valuation a key audit matter of the financial statements of BPER Banca S.p.A. as at December 31, 2022.

Audit procedures performed

The main procedures carried out as part of our audit work were, among others, as follows:

- gaining an understanding of the internal regulations and processes implemented by the Bank, for classifying non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans and determining their recoverable amount, in order to verify the compliance with the relevant regulatory framework and applicable accounting standards;
- checking the implementation and operating effectiveness of the relevant controls identified in relation to those processes, also supported by IT processes and systems specialists belonging to the Deloitte network;
- drawing trend analysis of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans;
- checking, on a sample basis, the classification and determination of the recoverable amount of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans in accordance with the regulatory framework, also by obtaining and examining written confirmations by the lawyers appointed for their collection;

- analysis and understanding of the model adopted for the valuation of the recoverable amount of non-performing loans included in the Bank's strategy which envisages the recovery of those loans through disposals and checking the reasonableness of such recoverable amount, determined also by taking into account the estimate of their disposal value, duly weighting the probability of the "workout" and "disposal" scenarios, as well as verification of the correct determination and recognition of the relevant impairment losses;
- checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Accounting recognition of the merger by absorption of Banca Carige S.p.A. and Banca del Monte di Lucca S.p.A.

Description of the key audit matter

As reported in paragraph "3.2 Targets achieved in 2022" of the Directors' report on Group operations, referred to in paragraph "1.1 Introduction" of Chapter "The Bank in 2022" of the Directors' report on operations, and in Part G – Business combinations of the explanatory notes, on February 14, 2022 BPER Banca S.p.A. signed the contract for the acquisition of a controlling interest equal to 79.418% of the share capital of Banca Carige - Cassa di Risparmio di Genova e Imperia S.p.A. (also "Banca Carige"), held by the Interbank Deposit Protection Fund (also "FITD") and by the Voluntary Intervention Scheme. The contract was executed on June 3, 2022 through the payment of a total consideration of Euro 1, subject to prior payment of a capital contribution of Euro 530 million by FITD to Banca Carige. Together with the acquisition of the majority of the share capital, BPER Banca S.p.A. started the procedure envisaged for a mandatory tender offer on the remaining ordinary shares, at the end of which the Bank held 100% of Banca Carige's ordinary share capital.

As final goal of the above described transaction, the merger by absorption of Banca Carige and Banca del Monte di Lucca S.p.A. into BPER Banca S.p.A. became effective as of November 28, 2022 with accounting and tax effect backdated to 1 July 2022.

The transaction was recognized in the financial statements, as required by IFRS 3 "Business combinations", applying the purchase method, which provides that the purchase price allocation ("PPA") is based on the fair value of the assets acquired and liabilities (including contingent liabilities) assumed. For the purpose of determining the fair value and applying the purchase method, the Bank, with the support of external advisors, implemented valuation processes and methods that, by their very nature, feature elements of high subjectivity.

At the end of the purchase price allocation, the positive income component arisen from the acquisition is equal to Euro 948.1 million and was recorded in the income statement caption "Gain on a bargain purchase", in compliance with the applicable accounting standard, and on which the Bank obtained a fairness opinion by an independent auditing firm.

Given the subjectivity that characterizes the process of determining the fair value of the assets acquired and liabilities assumed, as well as the significance of the effects recorded in the income statement, we considered the accounting recognition of the merger by absorption of Banca Carige S.p.A. and Banca del Monte di Lucca S.p.A. a key audit matter of the financial statements of BPER Banca S.p.A. as at December 31, 2022.

Audit procedures performed

The main procedures carried out as part of our audit work were, among others, as follows:

- discussing the application of the purchase method for accounting recognition of the business combination relating to the merger with the Bank's management and gaining an understanding of the process and of the relevant controls implemented by the Bank in connection with the accounting recognition of the transaction;
- checking the implementation and operating effectiveness of the relevant controls identified by the Bank with reference to that process;
- performing an analysis of compliance with the applicable accounting standards of the accounting recognition of the business combination in the financial statements;
- performing an analysis, also supported by specialists belonging to the Deloitte network, of the reasonableness of the main assumptions adopted by the Bank in determining the fair value of the assets acquired and liabilities assumed and of the determination of the "Gain on a bargain purchase" also by obtaining information from the Bank and in-depth analysis with the external advisors appointed by the Bank itself;
- obtaining and reviewing the fairness opinion issued by an independent auditing firm, also through discussions with the Bank and the professional of that auditing firm;

- checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the applicable accounting standard.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or for the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate related threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of BPER Banca S.p.A. has appointed us on November 26, 2016 as auditors of the Bank for the years from December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815**

The Directors of BPER Banca S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the financial statements as at December 31, 2022, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31, 2022 have been prepared in XHTML format, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of BPER Banca S.p.A. are responsible for the preparation of the Directors’ report on operations and the report on corporate governance and ownership structure of BPER Banca S.p.A. as at December 31, 2022, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the Directors’ report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of BPER Banca S.p.A. as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned Directors’ report on operations and some specific information contained in the report on corporate governance and ownership structure are consistent with the financial statements of BPER Banca S.p.A. as at December 31, 2022 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Benini
Partner

Bologna, Italy
March 31, 2023

This report has been translated into the English language solely for the convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ART. 2429 PARA. 2 OF THE ITALIAN CIVIL CODE AND ART. 153 OF LEGISLATIVE DECREE NO. 58/1998

Shareholders,

pursuant to art. 153 of Legislative Decree 58/1998 (the “Consolidated Law on Finance”) and art. 2429, para. 2, of the Italian Civil Code, we, as the Board of Statutory Auditors, are required to report to the Shareholders' Meeting of BPER Banca s.p.a. (“BPER” or “Bank”) on the supervisory activities that we carried out during the year and on any omissions or reprehensible facts possibly identified. We can also make observations and proposals on the financial statements, their approval and other matters within our sphere of competence.

In the course of 2022, we monitored compliance with the law, the Articles of Association, the principles of correct management and the adequacy of the organisational, administrative and accounting system adopted and its proper functioning, in accordance with the provisions of art. 2403, para. 1 of the Civil Code. The Board of Statutory Auditors carried out similar supervisory activities, with special attention to corporate governance in compliance with the provisions of art. 149 of the Consolidated Law on Finance, in respect of the indications contained in the “Rules of conduct of the Board of Statutory Auditors of Listed Companies”, issued by CNDCEC (National Institute of Chartered Accountants) in April 2018⁷². The Board of Statutory Auditors also monitored the functionality of the internal control systems, in compliance with the provisions of Bank of Italy Circular no. 285/2013.

This Report additionally contains the information required by “CONSOB Communication 1025564/2001” and subsequent amendments and/or additions, and also takes account of the indications contained in the “Rules of Conduct of the Board of Statutory Auditors of Listed Companies” mentioned above.

1. COMPOSITION OF THE BODY, MEETINGS AND INFORMATION FLOWS

At the date of this Report, the Board of Statutory Auditors is composed as follows: Daniela Travella, Chair, Carlo Appetiti and Patrizia Tettamanzi, standing statutory auditors. Until 6 June 2022, the Board of Statutory Auditors was instead composed of Daniela Travella, Chair, Paolo De Mitri and Patrizia Tettamanzi, standing auditors.

Following the resignation of the statutory auditor Paolo De Mitri, effective - to be precise - from 6 June 2022, the shareholders' meeting of 27 July 2022 appointed a new standing auditor, Carlo Appetiti, as the alternate auditor Sonia Peron, taken from the same list from which the outgoing statutory auditor had been taken at the time of appointment, would not have allowed the company to comply with the current legislation and the articles of association regarding gender balance. Based on the above, in the period between 6 June 2022 and 27 July 2022, the Board of Statutory Auditors (BoSA) operated with just two members: the Chair Daniela Travella, and the Standing Auditor Patrizia Tettamanzi.

⁷² “Rules of Conduct of the Board of Statutory Auditors of Listed Companies” issued by CNDCEC in April 2018, hereinafter also “Rules of Conduct”, Q.7.1. c1).

The activities of the Board of Statutory Auditors are governed by the rules of operation of the Body, whose most recent update has been in force since 16 November 2021.

During the year, the Board of Statutory Auditors, in its various make-ups, acquired the necessary information for fulfilling its supervisory duties, through the comprehensive system of information flows adopted by the Group, as well as through participation in the meetings of the Board of Directors and the various internal board committees (Control and Risk Committee, Remuneration Committee, Nomination and Corporate Governance Committee, Related Parties Committee and Sustainability Committee).

During FY 2022, the Board of Statutory Auditors:

- held 36 meetings, lasting an average of roughly 5 hours; the minutes report the outcomes of the control and supervisory activities carried out. During the current year and up to the date of this report, we have held 12 meetings.
 - took part in 30 meetings of the Board of Directors, which were called in accordance with the articles of association in force;
 - participated in the 22 meetings of the Control and Risk Committee: of these, 16 were partly held jointly with the Board of Statutory Auditors to examine matters of common interest, in the context of constant and constructive dialogue with full respect for the different roles and duties. During 2023 and up to the date of this report, the Board of Statutory Auditors attended all 5 meetings of the Committee.
 - participated, in the person of the Chair of the BoSA and/or statutory auditor appointed by the latter:
 - = in all of the 17 meetings of the Remuneration Committee; 6 meetings in 2023 until the date of this Report;
 - = in all 16 meetings of the Nomination and Corporate Governance Committee; 4 meetings in 2023 until the date of this Report;
 - = in all 19 meetings of the Related Parties Committee; during FY 2023, and up until the date of this Report, in 7 meetings;
- in all of the 10 meetings of the Sustainability Committee; 5 meetings in 2023 until the date of this Report.

The Board also met with the Supervisory Body pursuant to Legislative Decree 231/01 and the Boards of Statutory Auditors of the main banking and non-banking subsidiaries of BPER, in order to foster the mutual exchange of information.

In 2022, the BoSA held frequent meetings with the Manager responsible for preparing the Company's financial reports and the Independent Auditors.

With a view to coordination with the Internal Control Functions, the Board periodically engaged in dialogue with the Heads of the *Internal Audit*-CAO, Risk Management-CRO, *Compliance*-CCO and Anti-money Laundering-CAMLO Functions.

The Board of Statutory Auditors also periodically met the main corporate functions of the Bank and, in particular: the Deputy General Manager and Head of the *Strategy, Finance & Innovation* Area, the Deputy General Manager and *Chief Operating Officer* (COO), the former Deputy General Manager and *Chief Business Officer* (CBO), the *Chief Human Resource Officer* (CHRO), the *Chief General Counsel* (CGC), the *Chief Lending Officer* (CLO), the *Chief Financial Officer* (CFO), the *Chief Strategy Officer* (CSO), the Head of the *Wealth and Investment Management* Department and the Head of the Insurance Strategies Department, as well as the Chief Executive Officer and the Chair of the Board of Directors.

The opinions, recommendations and suggestions formulated by the BoSA were reported directly to the Bank's Corporate Bodies, communicated to the recipient functions during the meetings held with said parties (also through the Bank's structure that supports the BoSA in its activities) and their timely compliance and adhesion were monitored.

In addition, in order to fully and effectively fulfil its control role, the Board of Statutory Auditors carried out well-structured training activities, planned to allow statutory auditors to strengthen and/or improve some banking know-how (especially in terms of refresher training on legislative and regulatory changes and in-depth analysis of the individual topics of specific strategic relevance). In particular, during 2022, the statutory auditors took part in a total of 17 training and induction meetings – of which 7 training sessions dedicated specifically to statutory auditors and 10 sessions to the Board of Directors and, jointly with the Board of Statutory Auditors - regarding:

1. Management of Significant supervised entity;
2. the audits and responsibilities of the Board of Statutory Auditors regarding anti-money laundering provisions;
3. controls on the distribution of banking, financial and insurance products;
4. evolution of the framework of risks faced by financial intermediaries;
5. supervision of remuneration policies: new guidelines;
6. the digital transformation at the bank and cyber risk management;
7. the measurement of banking risk: standard approaches and internal models;
8. the role of *risk management* in the *Governance process*;
9. the evolution of controls on the credit process (IFRS9, new definition of default);
10. the Business Plan - progress status;
11. oversight of bank risks and supervision of the completeness, adequacy, functionality and reliability of the RAF. The governance of the ICAAP and ILAAP and the role of corporate bodies in the process;
12. the Business Plan - progress status;
13. Specific in-depth analyses of the supervisory activities of the Board of Statutory Auditors;
14. the process of defining the objectives and management of the incentive system;
15. Climate change and corporate financing: impacts on the measurement and communication of corporate risks;
16. market abuse and press releases in relation to Legislative Decree 231/2001;
17. the Value Based Management Model.

In 2022, the Control Bodies of the Group's legal entities also took part in 6 training sessions dedicated to BPER Banca's Board of Statutory Auditors, with the additional participation in 5 training days addressed to the Board of Directors and the Board of Statutory Auditors of the Parent Company.

2. SUPERVISION OF THE OBSERVANCE OF THE LAW AND OF THE ARTICLES OF ASSOCIATION AND RESPECT FOR THE PRINCIPLES OF PROPER ADMINISTRATION

The Board of Statutory Auditors monitored the observance of the law, the Articles of Association and the provisions issued by the Supervisory and Control Authorities. It also monitored the respect for the principles of proper administration and the adequacy of the organisational and accounting structures, as well as the functionality of the Bank's overall System of Internal Controls, ascertaining the effectiveness of

the structures involved in the system of controls and their adequate coordination.

In the reference period of this Report, the Board of Statutory Auditors acknowledges that it exchanged relevant information with the Control Bodies on a regular basis, and that said Functions regularly fulfilled the relevant disclosure obligations to the Board of Statutory Auditors.

We have determined that the activities of the Corporate Bodies and Board Committees were based on respect for the principles of proper administration and protection of the Bank's assets. During the meetings we attended and in light of the checks we carried out, we did not become aware of any transactions which were manifestly imprudent, risky or in potential conflict of interest, nor of actions contrary to the decisions of the Shareholders' Meeting or that might compromise the integrity of the Company's assets.

The Bank's management respects the provisions of the law and of the Articles of Association. The structure of powers and proxies, as recently updated on 22 December 2022, appears to be adequate, following the significant changes occurring in the scale, organisation and governance structure of the Bank in 2022.

As regards the decision-making processes of the Board of Directors, the Board of Statutory Auditors, through direct participation in the BoD's meetings, monitored their compliance with the law and the Articles of Association, verifying that the resolutions passed by the Board of Directors were based on the principle of correct information and reasonableness.

The Secretary of the Board of Directors, the Deputy General Managers and other Managers took part in the Board meetings to explain and discuss the matters to be decided, according to the specific items on the agenda. Supported by said figures, the Directors were able to conduct an in-depth examination, during the BoD and/or Committee meetings, of the characteristics and the nature of the main transactions proposed, as well as their effects on the income statement and the balance sheet.

As far as the Board of Statutory Auditors was able to ascertain, the Directors always resolved in a mindful and fully informed manner.

The Board of Statutory Auditors also acknowledged the statements made by the Directors in accordance with art. 2391 of the Italian Civil Code and art. 53 of the TUB (Consolidated Law on Banking), continuously verifying compliance with the applicable legislation on significant interests, in line with the provisions of the "Group Regulation of the process for managing Significant Interests of Corporate Officers".

2.1 MOST SIGNIFICANT ECONOMIC, FINANCIAL AND EQUITY TRANSACTIONS OF THE BANK

The Board of Statutory Auditors continuously monitored the most significant economic, financial and equity transactions carried out by the Bank, engaging in constant and profitable discussions with the various company functions involved, as part of their respective competences.

The Directors' Report on the 2022 financial statements contains analytical details of significant events and strategic transactions.

With reference to 2022, the Board highlights the following:

The 2022-2025 Business Plan of the BPER Banca Group

On 9 June 2022, the Board of Directors of BPER approved its three-year development plan 'Business Plan 2022-2025 – "BPER e-volution" (hereinafter the "Plan")', along the following guidelines:

- extraordinary transactions, aimed at further strengthening the BPER Banca Group's competitive position domestically and ensuring a greater focus on the "core business", therefore making provision for disposals

and deconsolidations of *non-core assets*. These extraordinary transactions include: the acquisition of the Carige Group, the branch disposal agreement, the disposal of the internal platform for the recovery of bad loan and UTPs and subsequent NPE servicing agreement, the disposal of the merchant acquiring business, the deconsolidation of Sifà - Long-Term Rental Company and of Sardaleasing and the creation of the Wealth management & Asset Management hub;

- organic growth tool, based on five pillars and targeted at boosting profitability, efficiency and productivity of the BPER Group (strengthening of the multi-specialist banking model on a national scale, transformation of the revenue model to a fee based model partnership between IT and business for transformation and growth, simple and digital Bank, development of human capital).

These project areas have been developed according to three cross-company tools: de-risking and credit control, new innovation model and ESG infusion.

The Control Body monitored the process of preparation of the 2022-2025 Business Plan through targeted checks and the participation, in 2022, in two focus sessions dedicated to the Board of Directors, as well as the board meeting for approval of the Plan. Again with reference to the process of formation of the Business Plan, the Board of Statutory Auditors had also taken part in two focus meetings dedicated to the Board of Directors held in the second half of 2021. It also took account of the positive judgment issued by the Internal Audit Function regarding the governance and the implementation of the process, certifying the adoption, in the overall project structure, of the recommendations formulated by the ECB in the 2021 SREP Letter (Investments in IT, de-risking, optimisation of the cost-to-income ratio, rationalisation of the network of branches and simplification of the Group).

It should be noted that the three-year Business Plan, which originally should have been approved in the first ten days of February 2022, was approved in June as a result of the Carige transaction, in order to factor in, from a forward-looking perspective, the impact of the acquisition of Carige in the definition of the guidelines.

As part of its activities, the Board of Statutory Auditors constantly carried out in-depth analyses, with the corporate functions, of the key contents of the “BPER *e-volution*” 2022-2025 Business Plan: in particular, in addition to the extraordinary transactions which will also be discussed hereunder, the strengthening of the Corporate and Investment Banking, Wealth Management and Bancassurance business lines together with the projects on the updating of the cost management framework.

The Plan projects are monitored through project progress reports and Steering Committees and brought to the attention of the Board of Directors on a quarterly basis.

The Board of Statutory Auditors noted that the majority of the extraordinary transactions set forth in the Plan were completed in 2022.

At the start of 2023, the Internal Audit Function launched an audit focussed on the process of planning and updating the Plan and on the process of monitoring the actual implementation of the strategic initiatives defined and their effectiveness in attaining the objectives and in addressing the recommendations of the Supervisory Authority.

Acquisition of Banca Carige s.p.a.

On 14 February 2022, following the non-binding offers presented by the Bank and the performance of due diligence activities, BPER Banca signed a contract for the acquisition of a controlling interest of 79.418% of the share capital of Banca Carige (hereinafter also “Carige”) - already held by the Interbank

Deposit Protection Fund and by the Voluntary Intervention Scheme - which was finalised on 3 June 2022, after the supervisory authorisations were obtained from the ECB and the Bank of Italy along with the authorisation from the Italian Competition Authority.

BPER Banca paid a total consideration of Euro 1 to acquire the aforementioned shareholding, based on prior payment by the Interbank Deposit Protection Fund to Banca Carige of an amount of Euro 530 million, in the form of capital contribution. BPER Banca has also taken over from the Selling Shareholders the subordinated debt issued by Banca Carige for a nominal amount of Euro 5 million.

In conjunction with the acquisition of the majority stake, BPER launched a mandatory full take-over bid on the remaining 156,568,928 ordinary shares, equal to 20.582% of the ordinary share capital of Banca Carige (offer price of Euro 0.80 per ordinary share) and a voluntary take-over bid on the 20 Banca Carige savings shares (offer price of Euro 25,000 per share).

Following the subscriptions, sell-out and squeeze-out procedures were respectively activated in August and September 2022, which led to BPER Banca holding all Carige's ordinary shares and Carige being delisted on 20 September 2022.

On 18 August 2022, the procedure was launched for the merger by absorption of Banca Carige and Banca del Monte di Lucca (BML) in BPER Banca, approved by the Boards of Directors of BPER, Carige and BML on 19 August 2022.

Subsequent to the authorisation from the European Central Bank, on 5 November 2022, the Extraordinary Shareholders' Meeting of BPER, following the Extraordinary Shareholders' Meetings of Carige and Banca del Monte di Lucca, approved the merger by absorption of Banca Carige and Banca del Monte di Lucca in BPER Banca, in addition to some amendments to the Articles of Association.

The merger took effect on 28 November 2022. Due to the aforementioned merger, BPER's share capital increased by Euro 3,880,509, through the issue of 2,587,006 ordinary shares. No preference shares were issued, or any special category shares.

BPER's Board of Statutory Auditors constantly monitored the process of acquisition and integration of the former Carige Group. Straight from the early phases of its definition, towards the end of 2021, the Board of Statutory Auditors monitored the process underlying the transaction, conducting constant, point-in-time controls on the development of the projects with the Chief Operating Officer, the Chief Human Resource Officer, the Chief Strategy Officer, the Control Functions and the other structures involved in the process.

A specific Steering Committee was set up in 2022, to which all Chief Officers were invited as permanent members, who coordinated and monitored the progress of integration activities, managing the risks that emerged from time to time. Said oversight made it possible to manage the transaction in a highly complex context by defining, in the planned time-scales, the IT migration and onboarding of the personnel of the former Carige Group.

The Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, for the areas within their respective competence, received monthly updates on the progress status of the activities and on any critical issues, from the Chief Risk Office and from the Chief Operating Officer.

In addition, during the period of suspension of the members of Carige's Board of Directors as a precautionary measure by the Court of Genoa by means of a Decree issued *inaudita altera parte* (without hearing the other party) on 25 July 2022 and subsequently revoked by said Court under order of 16 August 2022, the Board of Statutory Auditors met constantly with the Chair of Carige's Board of Statutory Auditors

and the Chief General Counsel of BPER to keep up-to-date on the situation.

In said context, the Board of Statutory Auditors supervised and closely monitored the process of preparation and disclosure to the public and to the Supervisory Authority of the BPER Group's Consolidated Financial Report as at 30 June 2022.

In compliance with the guidelines of the IAS/IFRS, the acquisition of control of the Carige Group led to the accounting of negative goodwill ("*gain from a bargain purchase*" or "*badwill*") which was quantified at Euro 948.1 million in the separate financial statements and in the consolidated financial statements of BPER as at 31 December 2022.

Disposal of a business unit consisting of bank branches

Within the context of the acquisition of the controlling interest in Banca Carige, BPER Banca signed an agreement with Banco di Desio e della Brianza s.p.a. to prevent antitrust issues from arising - for the transfer to the latter of two separate business units composed of: 8 bank branches owned by Banco di Sardegna (including 5 branches subject to an authorisation procedure of the AGCM (the Italian Competition Authority) relating to the acquisition of Unipol Banca in 2019) and 40 branches already owned by Banca Carige.

The final contracts for the sale to Banco Desio e della Brianza s.p.a. were signed on 17 February 2023, with legal effect from 20 February 2023.

The Board of Statutory Auditors monitored the transfer process in question as part of the broader acquisition of the Carige Group.

Disposal of the merchant acquiring business

On 1 June 2022, BPER Banca and Banco di Sardegna signed an agreement to establish a long-term strategic partnership with Nexi s.p.a.. ("Nexi"). Having obtained the authorisations from the competent authorities, effective from 31 December 2022, the deeds of transfer to the Nexi Group of the business units of BPER Banca s.p.a. and Banco di Sardegna s.p.a. ("*BdS*"), respectively, regarding merchant acquiring and POS management activities and, as regards BdS, the deed of transfer of the entire share capital of Numera Sistemi e Informatica s.p.a., were completed, hence initiating, effective from 1 January 2023, the strategic long-term partnership with the Nexi Group in merchant acquiring.

Framework agreement with Gardant and Amco for the creation of a strategic partnership for the management of Unlikely To Pay (UTP) and Non-Performing Loans (NPL)

On 28 November 2022, the BPER Banca Group entered into the agreements for the creation of a strategic partnership with the Gardant Group for the management of the BPER Banca Group's non-performing exposures and the sale of some portfolios of non-performing exposures of the BPER Banca Group to Amco and to subsidiary companies of Elliott, the parent company of Gardant s.p.a., to be completed in 2023.

The strategic partnership will be established through a joint venture between the BPER Banca Group and the Gardant Group, which will combine the professional, industrial, IT and management skills of the two partners.

The joint venture will focus on the management and recovery of assets classified both as unlikely to pay exposures (UTPs) and bad loans (Non-Performing Loans or NPLs) and will manage part of the non-performing exposures being disposed of under the framework agreement, part of the retained stock owned by the BPER Banca Group, as well as 90% of future potential new UTP flows and 50% of the future potential

new UTP flows of the BPER Banca Group, under a 10-year master servicing agreement.

The joint venture, worth approximately Euro 150 million, will be 70% owned by Gardant and 30% owned by BPER Banca.

The agreement also envisages the sale of up to Euro 2.5 bn worth of non-performing exposures of the BPER Banca Group, which will allow the continuation of the BPER Banca Group's derisking path. The transactions are subject to obtaining the required regulatory authorisations. In particular, they include:

- the sale to Amco s.p.a. of a portfolio of bad loans of roughly Euro 1.5 billion in total gross claimed amount. the transaction was completed on 15 December 2022 with the disposal of a portfolio of bad loans for Euro 1.046 billion;
- the sale of a UTP portfolio of approximately Euro 0.5 billion in GBV to be finalised by the end of the first half of 2023 as part of a securitisation transaction, in which companies controlled by funds of Elliott, which Gardant s.p.a. Belongs to, will underwrite 95% of the mezzanine and junior notes and BPER Banca s.p.a. will underwrite the senior notes and the remaining part of the mezzanine and junior notes;
- the potential sale, still under negotiation between BPER Banca S.p.A and Amco s.p.a., of an additional UTP portfolio of approximately Euro 0.5 billion in gross payable value, to be completed during the first half of 2023.

As part of the aforementioned transaction, 30 March 2023 saw the completion of the merger by absorption of BPER Credit Management (BCM) in BPER Banca, resolved by the competent corporate bodies, based on prior obtainment of the necessary authorisations from the Supervisory Authority on 2 March 2023 (BCM) and 9 March 2023 (BPER Banca).

The Board of Statutory Auditors continuously monitored the process of definition of the transaction, with frequent meetings with the competent corporate functions, including the Head of the *Strategy, Finance & Innovation* Function, the *Chief Lending Officer* in addition to the *Chief Human Resource Officer*, owing to the impacts that said transaction will have on the credit management processes and the human capital of the Bank. Through the reporting of the Corporate Control Functions, the Board also received regular information on the progress of the project.

Progress of de-risking activities

The Board of Statutory Auditors supervised, as part of the monitoring of the "BPER e-volution" Plan process, the development of the "de-risking and credit oversight" cross-company tool, which also had a significant impact on the *Supervisory Review and Evaluation Process* (SREP).

In addition to the transaction set out in the previous paragraph, in 2022, transfers of "*single name*" non-performing loans were completed for a gross book value of roughly Euro 103 million, which augment the *Unlikely To Pay* (UTP) portfolio disposals to investors and mutual investment funds specialised in debt collection for a total of Euro 147.7 million.

Mass disposals of UTP positions discussed in the previous point are expected to be carried out in 2023.

Renewal of Bancassurance agreements with the Unipol Group

On 22 December 2022, BPER Banca s.p.a. ("BPER Banca") finalised, the renewal of Bancassurance agreements with the Unipol Group and, in particular, with UnipolSai Assicurazioni s.p.a. ("UnipolSai"), for the distribution of life and non-life insurance policies of the companies "Arca Vita", "Arca Assicurazioni" and "Arca Vita International", as well as the "healthcare" products of the company UniSalute.

The renewal of the partnership – which, as it did before, also involves Banca Popolare di Sondrio s.p.a.. (“Banca Popolare di Sondrio”) – will have a five-year term starting from 1 January 2023 and is essentially a continuation of the previous agreements in place, with a view to strengthening the relationship in place between the BPER Group and the Unipol Group, in line with the announced strategic decision of BPER relating to growth in the insurance sector geared towards the development of bancassurance.

As part of the transaction, the three main shareholders of “Arca Vita” (UnipolSai, with 63.39% of the share capital, BPER Banca, with 19.67%, and Banca Popolare di Sondrio, with 14.84%) renewed, for the same period as for the Bancassurance agreements, the shareholder agreements and the rules that govern the circulation of the insurance company's shares.

In consideration of the substantial holding owned by Unipol Gruppo s.p.a. in BPER Banca, including via UnipolSai, the signing of the Bancassurance agreements constituted a transaction with a related party, qualifying as of greater significance pursuant to Consob Regulation No. 17221/2010 on transactions with related parties, the Supervisory Instructions for Banks on "Risk Activities and Conflicts of Interest with Associated Persons" under Bank of Italy Circular No. 285, and the "Group Policy governing non-compliance risk in relation to conflicts of interest with related parties and risk activities involving related parties and associated persons" adopted by BPER Banca.

Pursuant to said regulation, the transaction was approved by the Bank's Board of Directors, based on the prior favourable opinion of the Related Parties Committee on the existence of the company's interest in concluding said transaction and the convenience and substantive fairness of the relevant terms and conditions.

The Board of Statutory Auditors constantly monitored the process, through participation in the meetings of the Related Parties Committee, ascertaining that the same Committee was involved in the phase of negotiations and the preliminary review, received a complete and updated flow of information over time and had the possibility of requesting information and formulating observations to the parties responsible for conducting the negotiations and the preliminary review, also through the strategic-financial and legal advisors who supported Committee proceedings. The Board of Statutory Auditors also ascertained that the strategic supervision body had all the necessary information for evaluating the reasonableness, cost-effectiveness and convenience of the transaction.

2.2. ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES

The financial statements⁷³, the information received by the Board of Statutory Auditors during the course of the meetings of the Board of Directors and that provided by the Chief Executive Officer, by the various corporate functions, by the Internal Audit Function, by the Boards of Statutory Auditors of the subsidiaries and the Independent auditing firm did not highlight the existence of atypical and/or unusual transactions completed with third parties, with Banks and Companies of the Banking Group or with related parties and/or associated persons.

The intercompany transactions and those with related parties are regulated within the BPER Group by the “Group Policy for the governance of non-compliance risk concerning conflicts of interest with related

⁷³ Directors' Report of BPER Banca s.p.a., par. 4.3, and the Directors' Report of the Banca BPER Group, par. 8.6 and 8.7.

parties and risk activities with associated persons”, the latest version of which was approved by the Board of Directors on 20 May 2021, as a result of the changes in industry legislation (with particular reference to the update approved by Consob (resolution no. 21624 of 10 December 2020) which entered into force on 1 July 2021, in implementation of directive (EU) 2017/828, SHRD II (*Shareholder Rights Directive 2*).

The financial statements report the information on transactions with associated persons and related parties⁷⁴ as prescribed by art. 2497 *bis* of the Italian Civil Code and by Consob Communication DEM 6064293 of 28 July 2006. From the information gathered by the Board of Statutory Auditors, these transactions were concluded in the interests of the Bank and no critical aspects were identified in respect of their appropriateness.

As part of the Board of Statutory Auditors’ supervisory activities, we regularly receive and review quarterly information flows on transactions with related parties and/or with associated and controlling persons; where necessary, we requested additional information and details. The checks performed show that the Supervisory limits and the maximum limit established for risk activities were respected.

Through our Chair and/or another Statutory Auditor, we have constantly monitored the entire process regarding the transactions completed with Related Parties and Associated Persons and have attended all of the meetings of the Related Parties Committees.

The most significant transactions include the renewal of the *Bancassurance* agreements with the Unipol Group detailed in paragraph 2.1 of this Report.

The aforementioned transaction was approved on 15 December 2022 by the Board of Directors, based on the prior unanimous favourable opinion of the Related Parties Committee. The Board of Statutory Auditors monitored the process of analysis and evaluation of the Related Parties Committee and acknowledged the publication of the prescribed information document drafted in accordance with art. 5 of Consob Regulation no.17221 and in compliance with the layout set forth in annex 4 provided herein. Said information document has been made available to the public at the registered office of BPER Banca in Modena (Via San Carlo 8/20), on the authorised storage system (www.1info.it), and on BPER Banca s.p.a.’s website. (<https://istituzionale.bper.it/>).

We can also certify that the transactions carried out pursuant to art. 136 of the Consolidated Law on Banking were unanimously approved by the Board of Directors and with the favourable opinion of all members of the Board of Statutory Auditors.

2.3 CONTROL OF RISKS DERIVING FROM SCENARIO CHANGES

The Board of Statutory Auditors continuously monitored, by analysing the topics in depth with the competent corporate functions, the impacts and credit risks stemming from the persistence of a general and industry macroeconomic framework still impacted by the significant uncertainty brought about by: *i*) the evolution of the pandemic connected to the spread of the Covid-19 virus and the remaining containment measures (hoped to be in its final phase) *ii*) the Russia-Ukraine conflict and consequent international sanctions, climate risk and the relevant measures to counteract it; *iv*) the sudden rise in inflation (driven by the cost of energy”) in addition to the increase in interest rates and market volatility.

Since 25 March 2022, the Board of Statutory Auditors has monitored developments of the Russian-

⁷⁴ Directors’ Report of BPER Banca s.p.a., par. 4.2, and Directors’ Report of the Banca BPER Group, par. 8.6; Part H of the Explanatory Notes to the separate and consolidated financial statements of BPER Banca.

Ukrainian conflict, with particular reference to the initiatives that the Bank has undertaken to deal with potential risk situations, including setting up an appropriate Monitoring Committee.

The Board of Statutory Auditors has also conducted an in-depth examination of the economic-financial disclosure required by the particular context of uncertainty highlighted above, in light of the ESMA recommendations contained in the *Public Statement “Common enforcement priorities for 2022 annual financial reports”* of 28.10.2022. More details on said activity will be provided later in this Report.

3. SUPERVISION OF THE ADEQUACY OF THE ORGANISATIONAL STRUCTURE

During the year, the Board of Statutory Auditors also held regular meetings with the Human Resources Function and the Organisation Function, with the objective of assessing the organisational structure from a quality and adequacy perspective and also with regard to the needs connected with the completion of the acquisition of the Carige Group and to the development of the projects of the 2022-2025 Business Plan.

In particular, the Control Body constantly monitored the main contents of the BPER *e-volution* Plan – discussed previously (see paragraph 2.1) and, from said perspective, already met, in the first quarter of 2022, the Chief Operating Officer (COO), the Head of the Organisation Department and the Chief Human Resource Officer (CHRO), in order to conduct an in-depth analysis, for the areas within their respective competence, of the Parent Company’s organisational structure. In said context, the Control Body acknowledged that the finetuning of BPER Banca’s organisational chart was already in progress, with certain changes, in force from April 2022, aimed at enhancement and adjustment into line with the Group’s new operating and size requirements. At said juncture, the Board also received a disclosure regarding the commenced assessment of specific initiatives relating to the dimensions of certain structures of the Bank, asking to be regularly kept up-to-date on the gradual implementation of said initiatives, with a view to monitoring the staffing adequacy of the organisational structure.

Hence, considering the natural effects of the acquisition of Banca Carige on the headcount of the Group’s sales structures, the Board of Statutory Auditors continuously monitored the necessary post-merger strengthening of the Bank’s functions, periodically meeting the CHRO and paying special attention to the quali-quantitative composition of the Corporate Control Functions and the Credit Area.

Taking into account that the integration of Banca Carige personnel in BPER would only have been possible from the date of legal effectiveness of the merger of the Ligurian bank in the Parent Company, the Board of Statutory Auditors recommended to the Control Functions and to the CHRO to carefully monitor any staff shortage, by receiving precise information on the solutions identified to deal with said circumstances (including Group-internal transfers or *ad hoc* single hires, already authorised as part of the Business Plan), all by also taking into account the opportunity to best develop the professional skills brought by the Carige Group.

Effective from 28 November, Banca Carige’s staff became employees of BPER Banca, fully integrated in the company’s fabric. Although their onboarding involved an increase in the headcount of BPER’s Control Functions, the Board of Statutory Auditors recommended that the appropriate steps be taken (such as internal transfers and special hiring procedures), aimed at strengthening the aforementioned structures to reach the target staffing level, taking account of the required professional skills.

With reference to the Credit Area - also based on the assessment of its sizing performed as part of the

project activities for adjustment into line with the regulatory provisions set out in the EBA Guidelines on *Loan Origination and Monitoring* (LOM) – the Board of Statutory Auditors acknowledged the increase in staff deriving from the completion of the Carige transaction. The Control Body, however, acknowledged that the sizing of the Area must be re-evaluated in relation to the exits resulting from the conclusion of the disposal of the non-performing loan management platform (*Bridge Transaction*), the digitalisation of processes (in particular in retail lending) combined with the branch rationalisation plan. The Board of Statutory Auditors continuously assesses these aspects, together with the information coming from the other structures, such as those involved in the aforementioned rationalisation and digitalisation plans.

The Board of Statutory Auditors acknowledged the strengthening of the structures that deal with corporate governance and relations with the Supervisory Authorities, in response to the growing need to guarantee high quality standards, recommending that continuous attention be paid to said aspects, also with a view to constantly improving the valuable dialogue with the Regulators, providing some process suggestions.

Based on the challenging objectives of the BPER e-*volution* 2022-2025 Plan, the Control Body then monitored the organisational development of the BPER Group already launched in the first phase of the Business Plan which saw:

- the establishment of the new *Strategy, Finance & Innovation* Area, reporting directly to the Chief Executive Officer, with responsibilities, inter alia, in the strategy, finance, communication and sustainability domains;
- in the sales area, the completion of the transformation to a divisional approach in order to proactively deal with the significant growth in scale and the new role played by BPER on the market, aspects that require significant specialisation of sales chains, the drive towards digitalisation, also in sales processes, as well as faster decision-making, with a view to being increasingly more in tune with customers' needs. The new structure of the Sales Area, in compliance with industry best practices led, inter alia, to the creation of three structures, reporting directly to the General Manager, falling under the responsibility of the *Chief Retail & Commercial Banking Officer* (CRCBO), the *Chief Corporate & Investment Banking Officer* (CCIBO) and the *Chief Private & Wealth Management Officer* (CPWMO).

In this context, despite a gradual divisionalisation of business activities, the Board of Statutory Auditors carries out monitoring to ensure that the “cross-company” activities performed by the Control Functions are maintained, with the necessary adaptations to the changed organisational context.

In addition, in line with the better structuring of the Group needed to deal with the significant increase in size, the Board of Statutory Auditors examined and scrutinised the organisational changes that the Control Functions were involved in. This analysis continues on an ongoing basis, thanks to periodic meetings dedicated to the Control Functions during which the Board requests updates, *inter alia*, on the evolution of the “*sizing*” and of the “*fit*” of the personnel, also in light of the supervisory recommendations in relation to potential organisational revisions, quali-quantitative strengthening and verification of the adequacy of the functions in question and of the information technology structures.

The Board of Statutory Auditors also conducted a deep-dive into the current Disciplinary System - updated on 24 November 2022 as part of the approval of the Organisation and Management Model pursuant to Legislative Decree 231/01 of BPER Banca - which, stemming from the legislation of a general

nature (art. 7 L. 300/70 - Workers' Statute) and of a contractual nature (art 48 CCNL - National Collective Labour Agreement), regulates the management power in BPER Banca, defining *i)* the recipients of this system, *ii)* establishing the procedural methods of carrying out the disciplinary process, *iii)* classifying the sanctions that can be imposed and the criteria for doing so. The Control Body acknowledged that the procedure for identifying a breach of the principles and the provisions indicated or referenced in the Organisation and Management Model and/or the Code of Ethics also involves the Control Functions, both at the time of reporting and in the investigation phase. The Board of Statutory Auditors asked to be kept regularly up-to-date on the most significant events for which said regulation applies, also with the goal of identifying any critical aspects.

4. SUPERVISION OF THE ADEQUACY OF THE INTERNAL CONTROL SYSTEM

Internal control system

The Group's Internal control system is the set of rules, functions, structures, resources, procedures and processes aimed at ensuring that the activities carried out by the company are compliant with the pre-defined internal standards and practices.

This system is structured in order to allow the Parent Company to carry out, also as part of its management and coordination activities, at Group level:

- strategic control of both the trend in the activities carried out by the Group companies and the acquisition and disposal policies employed by the latter;
- management control aimed at ensuring the maintenance of conditions of economic, financial, equity equilibrium for both the individual group companies, and the Group as a whole;
- technical-operational control targeted at evaluating the risk profiles caused by the individual subsidiaries and the general risks of the Group.

The BPER Group Internal Control System is designed to take account of the unique business characteristics of each Group Company in respect of the following criteria:

- proportionality in the application of rules according to size and operations;
- gradual and progressive transfer to more advanced methodologies and processes for measuring risk and the capital that is available as a result;
- unity in the definition of the approaches used by the various functions foreseen in the Group's organisational system;
- effectiveness and efficiency of risk control.

The Supervisory Regulations provide that banks independently and accurately identify the first- and second-level risks to which they are or could be exposed, taking into account their operations and reference markets.

The principles of the BPER Group Internal Control System, the roles of the Control Bodies and Functions involved, the methods of coordination and collaboration and the information flows exchanged between the Functions and between the latter and the Corporate Bodies, of both the Parent Company and the Group Companies, are governed in the document "*Group Policy on the Internal control system*", whose latest version was approved by the Board of Directors on 28 April 2022.

The Internal Control System is designed, implemented and evaluated with the "Group Risks Map" as

a reference, which -in alignment with the regulatory framework- identifies the potential risks to which the Group is or could be exposed. The risk identification process determines the updating of the Risk Map, which normally happens at least annually, except where significant changes in the context occur, which require them to be revised more frequently. Lastly, the document is presented to the Corporate Bodies.

More specifically, the Board of Statutory Auditors continuously examines all the aforementioned aspects; in particular, it acknowledged the contents of the “Group Risk Map” at the meetings on 22 February and 27 September 2022⁷⁵, for FY 2022, and of 23 March 2023, for the current year.

More in general, the Board of Statutory Auditors constantly monitored the internal control system through frequent and regular meetings with the company control functions, regarding all the matters within their competence, with an additional focus on the various activities involving the system architecture in 2022 and asking for periodic updates on the most significant aspects.

As already outlined, in 2022, the Board of Statutory Auditors constantly monitored the adequacy of the quali-quantitative dimensions of the control functions and the organisational and process developments that concerned them. In particular, the Board constantly monitored the strengthening of the control functions, also in terms of the headcount, required in view of the greater size of the BPER Group following the completion of the merger by absorption of Banca Carige and Banca del Monte di Lucca.

More specifically, the Board exercised its control functions in relation to the changes to the organisational structure of the Compliance, Internal Audit, Risk Management - including reinforcement of the Validation Function -, Anti-money laundering and Financial Reporting Officer Functions, both before and after the completion of the various integration processes referred to.

During the year, the Board of Statutory Auditors constantly monitored the planning and results of the activities of the control functions, as well as the management of the findings of the Bank's internal departments and the Supervisory Authorities. The Board of Statutory Auditors paid particular attention to closing the remedial actions required by the Supervisory Authority and the Internal Audit Function, as well as those of the Validation Function, reiterating the importance of the timely observance of said actions. Additional discussions concerned the system for the management and control of credit, operational and financial risks, in relation to which the Board has provided suggestions and input.

Monitoring of risks was carried out, first and foremost, by conducting an in-depth analysis of the issues forming the object of the information flows of the Control Functions, therefore by monitoring the progress of the remedial actions resulting from the inspections completed by the Supervisory Authorities⁷⁶, and finally with the implementation of careful coordination of the inspections of the Supervisory Authorities of 2022 and the other Supervisory exercises set out in the 2022 *Supervisory Examination Programme* (SEP).

It should be noted that the Board of Statutory Auditors, fully aware of the fundamental importance of the Risk Culture – subject, moreover, to growing attention over recent years by the International Bodies and the Supervisory Authorities - followed with interest the internal initiatives that the BPER Group launched to boost the dissemination of a risk culture and of controls, by analysing them in depth at dedicated meetings. More specifically, the Committee paid particular attention to the risk awareness assessment

⁷⁵ Following the completion of the acquisition of the controlling interest in Carige, a check was carried out on the relevance of the risks identified in the risk map, taking account of the new Group structure, consistently with the provisions of the ECB Guidelines on ICAAP and ILAAP processes which require updates with a greater frequency than annually in the event of significant changes in the context.

⁷⁶ Please refer to the “Consolidated financial statements” as at 31 December 2022”, paragraph 8.5.

activity, structuring a specific Survey, endorsed by the Board of Directors of the Bank. The collection of the responses to the Survey reflected a substantially positive assessment of the awareness of risks and controls in BPER Banca. The Board of Statutory Auditors also considered the findings from the different activities of the Control Functions, also to evaluate the consistency of the aforementioned self-assessment.

Specific in-depth analyses were then promoted with the Control Functions on the priorities identified by said Functions in their work plan.

Joint periodic meetings with the Control Functions were also introduced in 2022 aimed at scrutinising the following subjects:

- outstanding issues with the various Supervisory Authorities;
- progress status of action plans;
- any critical issues that had arisen during the period.

The Board of Statutory Auditors periodically receives a copy of the minutes of the meetings of the Committee for the Coordination of the Corporate Control Functions, with evidence of the activities carried out and the aspects of greater focus. The examination of said document allows the BoSA to periodically reconsider the balancing of its activities.

In this domain, the Board continued to pay special attention to monitoring the remediation of the findings raised by the Control Functions (*Process to Remedy Findings* – PRF) by requesting repeated in-depth analyses, in particular on “Red” findings and on developments of the process and the associated reporting, targeted at ensuring a more effective process and greater standardisation of the level of granularity of the findings.

In consideration of the changed size and management characteristics of the Bank and the Group, the events evaluated during the supervisory activity and the information received from the Company’s organisational units, the Board of Statutory Auditors believes the internal control and risk management system are generally adequate as no particularly critical aspects were identified.

Also with regard to the extraordinary transactions carried out and the subsequent dimensional and organisational changes, the internal control system did not reveal any significant criticalities, including as a result of constant revision and fine-tuning activities by the control Functions in the methodological and process domain.

Data Governance and Project BCBS239

The Board of Statutory Auditors, fully aware of the importance of the topic of Data Governance, in corporate contexts and, in particular, in the banking environment, examined the activities carried out by the company in said area. The Board of Statutory Auditors noted that the multi-year action plan called “BCBS-239 Programme” was implemented to strengthen the system underlying the production of risk reporting, both from a methodological and process-related perspective, and in terms of the technological tools for its monitoring. Said project, as already noted last year, is incorporated in the supervisory recommendations and is supervised and managed by a defined governance unit whose main actors include the *Chief Operating Officer*, the *Chief Data Officer* and the *Chief Risk Officer*, in addition to the recent introduction of the *Chief Financial Officer*. Provision is also made for the involvement of the *Internal Audit* and *Internal Validation* control functions. The project aims to boost the accuracy of the Group data and the associated aggregation flexibility for dealing with new regulatory requirements or *ad hoc* requests also in stress scenarios.

The Board of Statutory Auditors and the strategic supervision body are periodically updated on the progress of the activities, which are essentially in line with the plans.

Risk management and control system

The Board of Statutory Auditors acknowledged that the BPER Group uses the Risk Appetite Framework (RAF) as a tool to oversee the risk profile that the Group intends to adopt in implementing its corporate strategies, the cornerstones of which are formalised and approved by the Parent Company. These are reviewed periodically to ensure their alignment with the strategic guidelines, the business model and the regulatory requirements applicable at any given time. The RAF represents a coordinated set of methodologies, processes, policies, controls and systems used by the Group to establish, communicate and monitor the risk appetite targets, risk tolerance thresholds and related operational limits, under both ordinary and stressed conditions, that the Group intends to respect in pursuing its strategic guidelines, having defined the respective levels in a manner consistent with its maximum acceptable risk (risk capacity).

In order to ensure effective and pervasive transmission of the risk objectives, the Group sets its overall risk appetite, establishing risk limits that govern the operations of the organisational structures to which they are assigned (so-called "risk takers"), in a structured framework consistent with the policies of governance and control of individual risks.

The activities comprising this process are updated annually, or more frequently, and whenever necessary following changes in the internal or external conditions.

In this context, the Board of Statutory Auditors could appreciate that the areas associated with the ICAAP and the ILAAP have continued to evolve; from the Capital Adequacy Statement it additionally emerged that the capital position of the BPER Group was considered adequate by the Board of Directors, with reference to both 2020 and 2021 and, in particular, the Available Financial Resources adequately cover the risks to which the Group is exposed as the corresponding levels are positioned above the risk appetite defined by the RAF.

The Risk Appetite Statement was approved by the Board of Directors on 29 March 2022; on 9 June, the core metrics were recalibrated in line with the 2022-2025 Business Plan which considers the impacts of the Carige transaction; lastly, on 29 September 2022, the calibration of the set of RAS metrics was completed.

Single European Supervision and SREP Letter 2021

BPER Banca and its banking Group are among Europe's significant institutions supervised directly by the ECB.

On 24 January 2022, after completing the 2021 annual SREP prudential review and evaluation process, the BPER Banca Group received notification from the ECB of the latest prudential requirements to be met on a consolidated basis pursuant to art. 16 of the Regulation (EU) 1024/2013. Subsequently, on 31 August 2022, the ECB notified BPER Banca of its updated decision on the SREP requirements applicable to the Group following the acquisition of Banca Carige.

The capital requirements for 2022 established in the SREP Letter 2021 (as amended as at 31 August 2022), are shown below: *Common Equity Tier 1 Ratio* (8.47%), *Tier 1 ratio* (10.46%) and *Total Capital Ratio* (13.11%).

On 9 December 2022, as a result of the "pragmatic approach for SREP 2022" adopted by the ECB following the acquisition of the Carige Group, BPER Banca received an additional letter which confirmed

the validity of the content of the SREP Letter of 24 January 2022 and the associated amendment of 31 August 2022, in particular with reference to the minimum capital requirements to be complied with. BPER's capital ratio at a consolidated level was 12.47% as at 31 December 2022 (fully phased: 12.04%) and phased-in Total Capital Ratio of 16.08%, are also markedly greater than the established minimums and SREP requirements.

The Board of Statutory Auditors monitors, from time to time, the requests from the Supervisory Authorities aimed at protecting the security and solidity of the BPER Group together with satisfaction of these requests.

5. SUPERVISION OF THE AUDITING PROCESS

Pursuant to the combined provisions of Legislative Decree 39 dated 27 January 2010 (supplemented by Legislative Decree 135/2016 transposing Directive 2014/56/EU) and Regulation (EU) 135/2014, the engagement to perform the independent audit of the accounts and audit the separate and consolidated financial statements for the nine-year period 2017-2025 was assigned at the Shareholders' Meeting held on 26 November 2016 to Deloitte & Touche s.p.a. ("Deloitte" or "Independent Auditors"), together with the issue of opinions on consistency and conformity with the law pursuant to art. 123-bis, para. 4, of the Consolidated Law on Finance.

In accordance with the provisions of art. 19 of Legislative Decree 2010/2016, as amended by Legislative Decree no. 135/2016, the Board of Statutory Auditors, identified as the "Internal Control and Audit Committee", performed the required supervisory activity also on the operations of the Independent Auditors in 2022 and until the date of this Report.

In this context, we met the Independent Auditors to examine the audit plan for 2022. The following issues were subject to special attention:

- updating of the audit principles with particular reference to ISA315;
- drafting of the annual financial report in ESEF format;
- calculation of significance;
- risk assessment procedures;
- considerations on fraud risk;
- significant risks and other areas of interest;
- internal control;
- preliminary guidelines on key audit aspects;
- independence.

We acquired the necessary information with constant interaction with the Independent Auditors regarding the audit approach used for the different areas of the financial statements, receiving updates on the progress of their audit activities and the main points of attention for the Independent Auditors.

In particular, during the numerous meetings held with the Auditor, the following, inter alia, were examined:

- classification and measurement of non-performing loans measured at amortised cost;
- classification and measurement of higher-risk performing loans measured at amortised cost;
- the accounting recognition of the acquisition of Banca Carige with particular reference to the

Purchase Price Allocation carried out by the Bank;

- merger by absorption of Banca Carige and Banca del Monte di Lucca and respective migration of their information systems into BPER Banca;
- disposal of the merchant acquiring business to NEXI s.p.a.;
- the Framework agreement with Gardant and Amco for the creation of a strategic partnership for UTP and NPL management and related NPE disposals;
- the calculation of Expected Credit Losses (ECL) with specific reference to the overlays adopted by the Bank and the updating of the macroeconomic scenarios used to determine the impairment provisions;
- impairment test on goodwill and equity investments with analysis of the models prepared for determining the discount rates, as well as the criteria to determine the forecast data used;
- measurement of the portfolio owned by the Bank;
- the method of accounting of macro-hedging of sight items (*Macro-hedging*);
- provisions for risks and charges with a special focus on those associated with the personnel initiative.
- issues linked to climate change;
- issues linked to the ongoing conflict between Russia and Ukraine.

We met with representatives of the auditing firm appointed by the Parent Company and the audit teams of the main subsidiaries, which resulted in a mutually beneficial exchange of information, as required by art. 150 of the Consolidated Law on Finance, on the key findings of their respective auditing activities.

During our periodic meetings with the Independent Auditors, the main issues and changes in processes and organisation with an impact on the accounting systems and on financial reporting were also discussed, in addition to the key aspects which may also be part of the "Management Letter".

We also informed the Independent Auditors about our activities and reported any relevant and significant facts about the Bank known to us. There are no acts or facts considered reprehensible and/or that need to be reported in accordance with art. 155, paragraph 2 of the Consolidated Law on Finance.

The areas of improvement represented by the Independent Auditing Firm, as well as the suggestions highlighted in previous years, subject to in-depth analyses by the Board of Statutory Auditors with the functions concerned, were, albeit not definitively acquired, adequately addressed, also through the projects set out in the 2022-2025 Business Plan.

Overall, based on the relations of this Board with the auditing firm, no anomalies, issues or omissions have arisen that should be reported.

On 31 March 2023, the Independent Auditors issued their report on the separate financial statements for the year ended 31 December 2022, pursuant to art. 14 of Legislative Decree 39/2010 and art. 10 of Regulation (EU) 537/2014.

In that report, the Independent Auditors:

- issued an opinion confirming that the separate financial statements present a true and fair view of the financial position of the Bank as of 31 December 2022, and of its income statement and cash flow statement for the year ended on that date, in accordance with the International Financial Reporting Standards endorsed by the European Union and with the measures issued in implementation of art. 9 of Legislative Decree 38/2005 and art. 43 of Legislative Decree 136/2015;

- confirmed that the Report on Operations accompanying the separate financial statements and certain specific information contained in the Report on corporate governance and the ownership structure specified in art. 123-bis, para. 4, of the Consolidated Law on Finance are consistent with the draft financial statements at 31 December 2022 and were prepared in accordance with the law;
- declared that it had no observations to make based on its knowledge and understanding of the business and related context, obtained during the performance of its audit activities, with reference to possible significant errors in the Report on Operations (art. 14, para. 2e) of Legislative Decree 39/10);
- released an opinion confirming that the financial statements were prepared in the XHTML format in compliance with the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a European Single Electronic reporting Format (ESEF).

In accordance with regulations applicable, the Independent Auditors' Report on the auditing of the separate financial statements sets out the auditing standards adopted and indicates the following "key aspects" that emerged during the course of the audit:

- classification of higher-risk performing loans to customers measured at amortised cost;
- classification of bad and unlikely-to-pay loans to customers measured at amortised cost;
- accounting recognition of the merger by absorption of Banca Carige s.p.a. and Banca del Monte di Lucca s.p.a.

On 31 March 2023, the Independent Auditing Firm also issued the Audit Report relating to the Consolidated financial statements, which contains similar certifications and statements to those reported above:

- an opinion confirming that the consolidated financial statements present a true and fair view of the financial position of the Group as at 31 December 2022, and of its income statement and cash flow statement for the year ended on that date, in accordance with the International Financial Reporting Standards endorsed by the European Union and with the measures issued in implementation of art. 9 of Legislative Decree 38/2005 and art. 43 of Legislative Decree 136/2015;
- confirmation that the Report on Operations accompanying the consolidated financial statements and certain specific information contained in the Report on corporate governance and the ownership structure specified in art. 123-bis, para. 4, of the Consolidated Law on Finance are consistent with the draft financial statements at 31 December 2022 and were prepared in accordance with the law;
- declared that it had no observations to make based on its knowledge and understanding of the business and related context, obtained during the performance of its audit activities, with reference to possible significant errors in the Report on Operations (art. 14, para. 2e) of Legislative Decree 39/10);
- an opinion that certifies that the consolidated financial statements have been prepared in XHTML format in compliance with the provisions of Delegated Regulation (EU) 2019/815 of the European Commission with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF – *European Single Electronic Format*), specifying, however, that certain information contained in the explanatory notes to the consolidated financial statements, when

extracted in XHTML format in an XBRL instance, may not be reproduced identically to the corresponding information viewable in the consolidated financial statements in XHTML format, due to certain technical limits.

The “key aspects” of the audit activities tend to replicate those of the separate financial statements:

- classification of higher-risk performing loans to customers measured at amortised cost;
- classification of bad and unlikely-to-pay loans to customers measured at amortised cost;
- recognition of the business combination of the Banca Carige Group.

On the same date, the Independent Auditors presented the additional report to the Board of Statutory Auditors required by art. 11 of Regulation (EU) no. 537/2014 which showed that no shortcomings were identified in the internal control system in relation to the financial disclosure process which, in the opinion of the Auditor, are important enough to be brought to the attention of the Board of Statutory Auditors.

The independent auditing firm also presented a letter of suggestions that emerged on the back of the audit of the Bank’s separate and consolidated financial statements as at 31 December 2022.

The Independent Auditing Firm additionally issued the declaration of independence referred to in art. 6 of Regulation (EU) no. 537/2014, acknowledging that no situations have emerged which may compromise their independence.

Finally, the Board of Statutory Auditors took note of the Transparency Report prepared by the Independent Auditing Firm and published on its website pursuant to art. 18 of Legislative Decree no. 39/2010.

The independent auditing firm, also in compliance with the provisions of art. 150, paragraph 4, of Legislative Decree 58/1998 (Consolidated Law on Finance), for the purpose of the reciprocal exchange of information, did not highlight to the Board of Statutory Auditors any reprehensible actions or facts, that needed to be reported specifically in accordance with art. 155, paragraph 2 of Legislative Decree 58/1998 (the ‘Consolidated Law on Finance’).

The Independent Auditors also issued the prescribed report on the limited audit of the “Consolidated non-financial statement” which will be discussed later.

The independent auditing firm, pursuant to the provisions of art. 123 - *ter*, paragraph 8 *bis* of Legislative Decree 58/1998 (Consolidated Law on Finance), verified the preparation, by the directors, of the second edition of the 2022 Report on the remuneration policy and compensation paid.

6. MONITORING OF THE INDEPENDENCE OF THE INDEPENDENT AUDITING FIRM

As required by specific regulations, it is confirmed that the fees paid by the Bank to Deloitte for the independent audit work performed in relation to the 2022 separate and consolidated financial statements, as authorised at the Shareholders’ Meeting held on 26 November 2016, and supplemented by the resolutions adopted at the Shareholders’ Meetings held on 17 April 2019, 22 April 2020, 21 April 2021 and 20 April 2022, totalled Euro 1,299 thousand⁷⁷ in addition to Euro 841 thousand for audit work performed in relation to the subsidiaries.

⁷⁷ See Group consolidated financial statements for 2022, Annex “Fees for independent audit and non-audit services”. With respect to the compensation approved by BPER’s shareholders’ meeting of 20 April 2022, the amount also includes the compensation due to Deloitte for the auditing of Carige Banca and Banca del Monte di Lucca until the merger took effect.

In 2022, the Board of Statutory Auditors verified and monitored, pursuant to art. 19 of Legislative Decree 39/2010, the independence of the independent auditing firm Deloitte Touche s.p.a., pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of the aforementioned decree and art. 6 regulation (EU) 537/2014 (hereinafter also "Regulation"), in particular regarding the adequacy of the provision of non-audit services (NAS). In addition, the Board of Statutory Auditors received from Deloitte a declaration of confirmation of its independence.

Since 2018, BPER has adopted, for the purposes of the correct application of the Regulation, the *Group regulation of the process of conferral of engagements to the independent auditing firm and its associated network*, most recently updated on 21 December 2021.

In accordance with the tendency of the Parent Company BPER to use a single auditor for all subsidiaries, for the purpose of coordination and rationalisation of audit activities at the relevant corporate Group level, all subsidiaries were audited by Deloitte & Touche s.p.a. in 2022.

Based on the final data for 2022, the value of *non-audit* services provided to BPER Group companies by the Group's independent auditing firm and by the companies in its network amounted to roughly Euro 1.4 million, of which Euro 1.0 million relating to audit/certification services and Euro 0.4 million relating to other *non-audit* services. At Group level, the *non-audit* services assigned to the independent auditing form fell by 49% compared to 2021.

With reference to information concerning solely the Parent Company, provided in the table "Fees for independent audit and non-audit services" - information pursuant to art. 149-*duodecies* of Consob Issuers' Regulation - the Board notes that, the costs of *non-audit* services assigned to the Independent Auditing Firm amounted to approximately Euro 1.2 million, down by 56% compared to the previous year. More specifically, the costs of certification services amounted to Euro 0.8 million and costs for other services came to Euro 0.4 million.

The ratio between the cost of *non-audit* services provided by the independent auditors of the Parent Company, Deloitte & Touche s.p.a., and the average of *audit* services in the prior three-year period (2019-2020-2021) stood at 40% for 2022, below the 70% limit established by the applicable internal and external regulations ("*fee cap*").

By a letter dated 1 February 2023 Deloitte & Touche s.p.a. presented a request for its fees to be supplemented in relation to the additional time dedicated to extra audit work with respect to that envisaged in the initial offer submitted for the years 2017-2025, and subsequent integrations, primarily in relation to the acquisition of Banca Carige s.p.a. and subsequent merger by absorption of Banca Carige s.p.a. e Banca del Monte di Lucca s.p.a. The case falls under paragraph 5 "Updating of fees" contained in the proposal of the Independent Auditing Firm of 3 March 2017. The Board of Statutory Auditors, having carried out the necessary audits and in-depth analyses, drafted, in compliance with art. 13 of Legislative Decree 39/2010 the "Reasoned proposal by the Board of Statutory Auditors of BPER Banca s.p.a. on supplementary fees to be paid to Deloitte & Touche s.p.a., the company responsible for auditing the accounts for the period 2017-2025", submitted for resolution to the forthcoming Shareholders' Meeting scheduled for 26 April 2023. The proposed addition to the fees brings the total audit costs to Euro 1.344 million for 2022 (compared to Euro 0.989 million) and to Euro 1.194 million for the years 2023 to 2025 (compared to Euro 0.979 million).

7. SUPERVISION OF THE ADEQUACY OF THE ADMINISTRATIVE-ACCOUNTING SYSTEM AND ECONOMIC-FINANCIAL INFORMATION

We have monitored the adequacy of the administrative and accounting system and the financial reporting process, by obtaining information from the heads of the various Corporate Functions and from the Manager responsible for preparing the company's financial reports, examining the most significant corporate documents, analysing the work performed by the Independent Auditors Deloitte & Touche s.p.a.

The administrative and accounting procedures for the preparation of the separate and consolidated financial statements were prepared by the Manager responsible for preparing the company's financial reports who, together with the Chief Executive Officer, has confirmed their adequacy and effective application.

In relation to the Internal Control System, with reference to financial disclosure, the primary role is held by the Manager responsible for preparing the company's financial reports. The latter avails himself/herself of a dedicated operating structure, that reports hierarchically directly to him/her, called the 'Financial & Sustainability Reporting Supervision unit', which is responsible for defining the "Financial Disclosure Control Model", understood as the set of requirements to be complied with for the correct management and control of the risks of unintentional errors and fraud in financial disclosure, to be applied to BPER Banca and, with reference to the procedures for the preparation of the consolidated financial statements, to the companies included in the scope of consolidation.

The *Financial & Sustainability Reporting Supervision* unit manages the risk of unintentional errors and fraud in financial disclosure, which includes the set of rules, procedures and resources aimed at identifying, measuring or evaluating, monitoring, mitigating and communicating this risk to the appropriate levels; management activities also include reporting, with the objective of identifying, among other aspects, the responses to plausible risk in consideration of the risk profile identified and their disclosure to the different organisational levels concerned.

During the year, the activities of the Service were aimed at constantly strengthening the methodological tools for monitoring and controlling financial disclosure at BPER Group level, taking account of the regulatory changes occurred and the BPER Group's governance and operational structure. In this regard, in 2022, also in consideration of the extraordinary transactions, the publication of the 2022-2025 Business Plan of the BPER Banca Group and the regulatory updates, project activities were carried out which led to a gradual extension of the control framework to the financial disclosure relating to the following themes: *i)* IT risks - execution of specific checks on IT controls impacting administrative-accounting processes *ii)* ESG (*Environmental, Social, Governance*) risks – execution of checks on a perimeter of information in the Sustainability Report which may have an impact on the economic and financial disclosure, as well as the associated preparation process; *iii)* public disclosure risks (*Pillar 3*) - execution of checks on compliance and effective application on a quarterly basis in alignment with the relevant periodic certifications pursuant to art. 431 CCR2; *iv)* launch of projects for the review of current digital media towards a single integrated IT suite that will manage the operating processes of the Service on an end-to-end basis (from the Planning to the execution and reporting phase).

As regards ESG issues, the Service made provision, already in the Sustainability Report as at 31 December 2022, for a gradual expansion of controls on the additional disclosure obligations of the Bank stemming from the regulatory provisions or the membership of International Organisations; inter alia,

provision has been made for the extension of controls to the TCFD (*Task force on Climate - related Financial Disclosure*) Report regarding climate change. This activity responds to the aim of gradually allowing the internal control system for sustainability reporting to reach a level in line with that of financial information, as outlined by the best practices in the sector and the internal prospective reference legislation (CSRD - Corporate Sustainability Reporting Directive).

The Board of Statutory Auditors was also informed that the structure monitoring financial disclosure (reporting to the Manager responsible for preparing the Company's financial reports) - in consideration of the methodological and operating maturity reached, the frequent requests by the Regulator and the Corporate Bodies, as well as the expanded corporate perimeter - launched, as part of the 2022-2025 Business Plan, a process of evolution of the current IT suite dedicated to the management of unintentional errors and fraud in accounting and financial disclosure with the goal of defining a target solution for the automated management of the obligations envisaged and the creation of real-time reports (i.e. dynamic *dashboarding*). The advantages stemming from said project initiative will concern *first and foremost*, more harmonious management of the operating complexity resulting from the centralisation of new activities at the Control Unit (extraordinary transactions in progress, expansion of the perimeter subject to analysis), plus the strengthening of exchange and coordination mechanisms with the other Control Functions.

Finally, continuous monitoring of changes and updates of the external regulations continued during the year for issues relating to the Financial statements and the International Accounting Standards, as well as the performance of specific adequacy assessments, checks on compliance and effective application on the process of adoption of said regulations in the BPER Banca Group; in this regard, note should be taken of the first checks performed on the adoption of Delegated Regulation (EU) 2019/815 regarding the regulatory technical standards on the specification of a single electronic reporting format (ESEF – *European Single Electronic Format*).

Acting in its capacity as the Internal Control and Audit Committee pursuant to article 19, para. 2 c) of Legislative Decree 39/2010, the Board of Statutory Auditors maintained close coordination with the Manager responsible for preparing the company's financial reports who did not identify any material shortcomings in the operating and control processes, which could invalidate the judgement of adequacy and effective application of the administrative-accounting procedures set up to monitor the accuracy of the economic, capital and financial representation of the accounting events in compliance with the international accounting standards.

We reviewed the planning of activities for 2023, drawn up by the Financial & Sustainability Reporting Supervision unit for the SREP areas and in line with the overall synoptic framework, on which the verification activities of the Control Functions of BPER Banca were directed, in order to facilitate greater coordination between them. In this regard, the main *drivers* for 2023 are highlighted, aimed at strengthening the methodological tools adopted for the oversight and control of financial disclosure at Group level: *i)* increase in the scope of ESG-related controls/checks; *ii)* creation, maintenance and execution of a framework of *Quality assurance* on the data and information provided to the Resolution Authority aimed at guaranteeing the performance of compliance checks and their effective application; *iii)* identification of the criteria for the appointment and selection of the new independent auditing firm for the years 2026-2034; *iv)* finetuning of the methodological and IT tools to be adopted for the oversight and control of financial disclosure at BPER Banca Group level, also taking into account, over time, the various regulatory changes and the governance

and operating structure of the BPER Group.

The Board of Statutory Auditors acknowledged the Report on activities carried out in 2022 by the Service which shows that all activities planned in 2022 were carried out and no negative elements came to light which may prejudice correct financial disclosure.

The separate and consolidated financial statements were prepared in accordance with Legislative Decree 38/2005, according to the IAS/IFRS issued by the IASB (International Accounting Standards Board) and following the indications provided by Circular 262/2005 of the Bank of Italy and subsequent amendments and additions, most recently provided in a communication dated 17 November 2022. During preparation, account was taken, as applicable, of the interpretations and support documents for the application of the accounting standards in relation to the impacts of the 'extraordinary' events occurring in the the last few years, issued by the European Regulatory and Supervisory Bodies including *ESMA's Public Statement* of 28 October 2022 – “*European common enforcement priorities for 2022 annual financial reports*”) and by the Standard Setters, published in 2020 and aimed at clarifying the methods of application of IAS/IFRS in the current context, with particular reference to IFRS 9.

The Bank prepares and updates, if necessary on a preliminary basis with respect to the preparation of the periodic financial information, the document entitled "Accounting policies of the BPER Banca Group", to transpose the information provided by the applicable IAS/IFRS and to define the application choices adopted for preparation of the financial reports for the period. This document, which represents an instrument through which the Parent Company exercises its guidance and coordination activities over the Banks and Companies of the Group, in order to ensure uniformity of application of the accounting standards, is submitted for our review; the last updated was approved on 19 January 2023.

With particular regard to the verification of uncertainties connected with: the COVID-19 pandemic, the war between Russia and Ukraine, the acquired awareness of climate risk and the relevant containment measures implemented at international level, the associated consequences on the macroeconomic context, already impacted by a rapid increase in inflation (driven by the “cost of energy”) and a sudden increase in market interest rates, which influenced the accounting estimates drawn up by the Group in 2022, the Board of Statutory Auditors acknowledged that the administrative body of the BPER Banca Group - referring also to the indications of IASB in its document of 27 March 2020 - deemed that the current context may be considered “highly exceptional”, meaning that the standard measurement models adopted - in particular the models used to estimate the ECL and to determine the significant increase in credit risk (SICR) in relation to impairment under IFRS 9 - cannot be applied “mechanically”, but with alternative approaches. In said context, in 2022, the Board of Statutory Auditors met the Manager responsible for preparing the company's financial reports and the independent auditing firm, requesting in-depth analyses regarding said cases. The Manager responsible for preparing the company's financial reports and the independent auditing firm certified the compatibility of the valuation approaches adopted (so-called overlay approaches) with the overall legislative and regulatory framework in force. The Board of Statutory Auditors monitored the process of control of systems for the measurement and forecasting of credit risk, including in light of the critical context referred to above, systematically engaging in dialogue with the functions responsible for monitoring and with the independent auditing firm and notes that it has not received any reports of anomalies. The Board of Statutory Auditors also conducted an in-depth analysis, of the relevant disclosure in the financial statements in compliance with the ESMA guidelines (*ESMA Public Statement* of 28 October 2022 –

"European common enforcement priorities for 2022 annual financial reports") noting that the 2022 consolidated financial statements contain detailed information on the impact of the *overlay approach* on the measurement of loans and receivables, which generates higher adjustments of roughly Euro 280 million⁷⁸.

The separate and consolidated financial statements as at 31 December 2022 reflect the effect of the estimates connected with the accounting of the business combination performed in 2022, with the acquisition of the Carige Group, already outlined in this Report in the part dedicated to the most significant transactions.

As it qualifies as a business combination pursuant to IFRS 3, the transaction was accounted for and posted in the financial statements according to the acquisition method permitted by said accounting principle. The Board of Statutory Auditors verified and scrutinised the *fair value* measurements of the assets and liabilities acquired and the associated accounting representation during the numerous meetings held with the Manager responsible for preparing the Company's financial reports, the advisors involved in the process in various capacities and the Independent Auditing Firm. Following the in-depth analyses referred to, goodwill emerged for an amount of Euro 948.1million. As permitted by IFRS 3, BPER Banca made the values of the PPA (*Purchase Price Allocation*) definitive in the financial statements as at 31 December 2022. In relation to the aforementioned process, carried out with the support of various advisors, and the relevant outcomes, a fairness opinion was issued by an independent auditing firm, different from the Group's independent auditing firm.

The Board of Statutory Auditors monitored the process of impairment of equity investments and goodwill.

The goodwill impairment process, updated at 31 December 2022, in conjunction with the preparation of the separate and consolidated financial statements, was examined and discussed at the appropriate meetings with the Manager responsible for preparing the company's financial reports, with the Planning and Control Department and with the Independent Auditing Firm, requiring further study of the results of the valuation analyses (and associated sensitivity analyses), which did not highlight the need to adjust the carrying values.

In the same context, and solely for the separate financial statements, the Board of Statutory Auditors acknowledged the impairment of the investee Sardaleasing as well as the resulting need to write down, in the separate financial statements of BPER Banca and Banco di Sardegna, the relevant carrying value for a total of Euro 50 million.

Deferred tax assets are recognised following the positive outcome of the probability test on the consolidated tax perimeter as required by IAS 12. This test, based on the economic forecast developed over a prospective 5-year horizon (2023-2027) and consistent with other types of estimate based on projections of future results, allows for an estimate to be made of the future taxable income expected to be available for the recovery of deferred tax assets. It has therefore led to the recognition of deferred tax assets on deductible temporary differences relating principally to the deferred deductibility of the adjustments made on FTA of IFRS 9. For the associated impacts, please refer to Part C of the Explanatory Notes. As part of its monitoring activities, the Board of Statutory Auditors is informed on a quarterly basis of the main tax aspects concerning the BPER Group.

⁷⁸ See 2022 Consolidated financial statements, Explanatory notes Part A, "Accounting estimates - *Overlay approach* applied in credit risk assessment.

In relation to the acquisition of the former Carige Group, the Board of Statutory Auditors conducted an in-depth analysis of the conversion of the DTAs on tax losses pursuant to Law 178/2020. The regulation requires DTAs on tax losses to be converted for an amount not exceeding 2% of the value of Banca Carige's consolidated assets at 31 December 2021. The transformation to tax credits is subject to the payment of a commission of 25%, with one quarter carried out on the date of legal effectiveness of the merger (i.e. 28 November 2022) and the remaining three quarters on the first day of the following year (therefore 1 January 2023). As at 31.12.2022, the relevant convertible DTAs for CET1 purposes amounted to Euro 111.4 million; at 1 January 2023, the convertible DTAs increased by Euro 334.7 million.

The Board of Statutory Auditors acknowledged the certifications signed by the Manager responsible for preparing the company's financial reports and the Chief Executive Officer relating to the separate and consolidated financial statements as at 31 December 2022 - required by art. 154-*bis*, paragraph 5, of the Consolidated Law on Finance and art. 81-*ter* of Consob Regulation no.11971, as amended with Consob Regulation no. 22551 of 2022 – on the adequacy and effective application of the administrative and accounting procedures, on the consistency of the financial statements with underlying documentary evidence, books and accounting records, their compliance with the IAS/IFRS, on the fact that the separate and consolidated financial statements thus drafted provide a true and fair view of the equity, economic and financial position of BPER Banca and of its Group.

It is worth recalling that the BPER Group does not include any companies incorporated under the laws of non-EU countries.

In light of the above, the information received, the analyses carried out, as also mentioned below, the administrative-accounting structure appears to be adequately defined and suitable to meet the business needs that emerged during the year and, overall, it is adequate for what is expected by the current regulations.

The Independent Auditors checked the administrative and accounting procedures without making any comments on their reliability or elements that could affect the internal control system involved in the above-mentioned procedures. They also checked the accuracy of the recognition of operating events in the accounting records, as well as the completeness of the information and accounting policies for the preparation of the separate and consolidated financial statements, without making any comments or observations.

Even though the statutory audit of the accounts as per Legislative Decree 39/2010 is delegated to the Independent Auditors, based on the information received from the latter and from the Manager responsible for preparing the company's financial reports and the checks provided for in arts. 2403 et seq. of the Italian Civil Code, we are of the opinion that the administrative and accounting system, as a whole, is adequate and reliable and that operating events are correctly and promptly recognised.

As regards the scope of consolidation, please refer to the Group report on operations and to Part A of the notes for information on the unification of the line-by-line scope of consolidation for accounting purposes with the scope of consolidation for supervisory purposes for reasons of rationalisation, simplification and control of process for producing the consolidated figures for supervisory and financial reporting purposes, without appreciable effects in terms of equity, economic results or financial performance of the Group.

BPER Banca s.p.a. was admitted to the cooperative compliance regime by a Tax Authority Decision dated 25 July 2018. This regime was created with Legislative Decree 128/2015 with the aim of promoting

better forms of communication and cooperation between the Tax Authorities and tax payers who have a system for the recognition, measurement and control of tax risk.

BPER Banca is included in the list of companies admitted to the collaborative compliance regime published on the institutional website of the Italian Revenue Agency.

In this regard, the Board of Statutory Auditors acknowledged that, in 2022, as part of the 2022-2025 Business Plan, a project was launched for the development of an IT platform, for use by the Tax Service, for the management of the activities and the obligations related to the proper functioning of the Bank's map of tax risks. The new platform will guarantee the traceability of information, data integrity and the tracing of the decision-making process with a view to adequately managing the relationship with the Tax Authorities, according to the principles of transparency.

8. MONITORING OF RELATIONS WITH SUBSIDIARIES

We have monitored the adequacy of the instructions given by the Bank to its subsidiaries, pursuant to art. 114 of Legislative Decree 58/1998, deeming them appropriate for the latter to comply with the legal disclosure requirements.

In exercising its management and coordination activities, the Parent Company issues provisions to the companies of the Group for executing the instructions of the Bank of Italy, in the interest of maintaining stability within the Group.

In relation to the close functional and operational links, a proper and adequate flow of information was guaranteed during 2020, supported by appropriate accounting documents and calculations relating to the management of legal entities under the Bank's control.

The Board of Statutory Auditors remained in constant contact with the corresponding bodies of the main Group banks and companies, organising regular meetings with them; in said context, it should be noted that, in October 2022, the Board of Statutory Auditors held special meetings with the members of the Control Bodies of the Italian Banks and the Group's main operating companies, to exchange information on the main topics of relevance to the individual companies, aimed at examining the aspects of greater interest and corporate development or any critical elements.

These meetings also concerned the Banks acquired as part of the Carige transaction. In particular, the Board regularly engaged in dialogue, also through its Chairperson, with the Board of Statutory Auditors of Banca Carige in relation to proceedings and disputes in progress, in order to monitor the process of preparation of BPER's consolidated financial statements as at 30 June 2022, and the process of the merger of Carige and BML in BPER.

Based on the activities performed, we have no observations to make regarding the adequacy of the instructions given by BPER Banca to Group Banks and Subsidiaries for the purpose of obtaining the information flows needed to ensure timely compliance with the disclosure requirements envisaged by law.

We would also point out that as a result of the discussions underway with the corresponding control bodies of the main Subsidiaries, as well as in light of the directives issued by the Parent Company, no critical issues worthy of mention emerged.

9. ESG INFUSION AND THE CONSOLIDATED NON-FINANCIAL STATEMENT (NFS)

During its monitoring activities and thanks to the constant participation in the meetings of the Sustainability Committee (CSost), the Board of Statutory Auditors noted the progressive and growing attention of the BPER Group to ESG issues which concern all areas of the Bank across the board, in addition to the adjustment of the Internal Regulations resulting from the evolution of the provisions governing ESG matters (*Sustainable Finance Disclosure Regulation* – SFDR, *Taxonomy Regulation* and ESMA Guidelines on Adequacy).

The BoSA received precise information in relation to the main ESG projects of the 2022-2025 Business Plan, the dialogue with the ECB on the matter, and the Consolidated Non-Financial Statement of the BPER Group.

BPER e-volution 2022-2025 Business Plan - progress status of the ESG Infusion Projects

The Business Plan has traced the Group's line of development in ESG with the aim of creating long-term shared value by focusing on sustainability issues as part of the corporate business model. In 2022, the Board of Statutory Auditors was presented, in particular, with the progress status of the vertical projects in the ESG domain, the ESG infusion project, which maps out the development line of the Group in the ESG area, with the objective of creating shared long-term value by strengthening sustainability themes in the company business model, and specific ESG KPIs, which involve different areas of the bank.

Dialogue with the European Central Bank on ESG matters

Starting from 2021, consistently with the Guide to Climate and Environmental Risks published in November 2020, the ECB conducted a "*Thematic review*" on climate-related and environmental risks targeted at evaluating the strategy, the governance and risk governance processes", aimed at verifying BPER Banca's degree of compliance with the expectations of the Supervisory Authorities, identified in the aforementioned guide.

The outcome of the *Thematic review* was addressed as part of the SREP *Dialogue* 2022 between the Bank and the *Joint Supervisory Team* (JST), with qualitative inclusion in the SREP 2022.

On 29 September 2022, the Regulator sent the *Feedback Letter* relating to the "*Supervisory assessment performed in the context of the 2022 thematic review of climate-related and environmental risk strategies, governance and risk management frameworks*". The summary judgment issued by the Authorities was generally positive ("*Broadly adequate*", level two on a scale of four), in both absolute terms, and in relation to the Bank's positioning with respect to its peers. The judgment of the associated adjustment plans was positive ("*Mostly effective*").

In respect of the deadlines defined with the ECB, on 13 September 2022, BPER Banca provided its responses and proposed some changes with regard to the letter in question.

Lastly, it should be noted that, on 3 February 2023, BPER Banca received the *Disclosure Feedback Letter* from the ECB which, having analysed the 2021 Consolidated Non-Financial Statement and the CDP (*Carbon Disclosure Project*) ratings relating to the same year, highlighted, on the whole, a positive summary judgment (3 out of 4): "*broadly adequate*"; the letter describes some areas of improvement which were already partly resolved in the Consolidated Non-Financial Statement, the TCFD *Report* and the 2022 PRB *Report*.

The Board of Statutory Auditors monitored, also through participation in the meetings of the Sustainability Committee, the process to close the remedial activities requested by the Supervisory

Authorities.

Consolidated Non-Financial Statement

As required by Legislative Decree 254/2016 implementing Directive 2014/95/EU, the Bank has prepared a "Consolidated Non-Financial Statement" (CNFS) relating to 2022. This CNFS, which was approved by the Board of Directors on 09 March 2023, is published together with the draft financial statements and the consolidated financial statements.

As required by art. 5, para. 3, letter b) of Legislative Decree 254/2016, the CNFS of the BPER Group constitutes a separate report (Sustainability Report) with respect to the Report on Operations and is made available on the corporate website. The CNFS contains, among other, information of an environmental and social nature, relating to personnel, respect for human rights, the fight against bribery and corruption, to the extent necessary to understand the progress being made by the company, the situation in which it operates and the impact of its activity, developing the material themes identified in the non-financial context through the materiality analysis applied to the issues set forth in Legislative Decree 254/2016 and the reporting framework (*GRI – Global Reporting Initiative - Standards*). The NFS relating to 2022 also contains the information required pursuant to art. 115, paragraph 1, letter a), of Legislative Decree no. 58/98.

Implementing internal regulations and, in particular, the "Group Regulation governing the process of preparing the consolidated non-financial statement", in 2022 the Bank updated its Materiality Matrix. This is an essential element in the preparation of the BPER Group's consolidated NFS, which involves identifying material aspects and relevant performance indicators capable of reflecting the economic, environmental and social impacts of the company or those which, in any case, influence the decisions of stakeholders and which must therefore be included in the Sustainability Report.

Starting from 2022, following the update to the "Group Regulation of the Process of Preparing the Consolidated Non-Financial Statement" and the drafting of the relevant operating instructions, the Materiality Matrix is updated annually.

The GRI Standards contributed to the development of the materiality analysis process.

The new 2022 Materiality Analysis, in line with the process of compliance with EU legislation, the *Corporate Sustainability Reporting Directive* (CSRD), proposes a "dual materiality" approach, which identifies the two strands into which to funnel corporate governance, social and environmental issues, i.e.: (i) how these influence the financial performances of a company and its long-term value (impacts suffered) and (ii) the effects the company causes on society and the surrounding environment (impacts generated). To this end, this was followed by the new regulatory framework proposed by the *European Financial Reporting Advisory* (EFRAG) – for which a new draft standard was published in November 2022.

The 2022 Consolidated Non-Financial Statement is composed of two additional documents: the TCFD (*Task Force on Climate Related Disclosure*) Report and the PRB (*Principles for Responsible Banking*) Report. Said reporting covers the developments, including forward-looking, of the regulatory context and the standards currently applicable (i.e. 2021 Updating of the GRI *Standards* and EU Directive 2022/2464 of the European Parliament and of the Council of 14 December 2022- *Corporate Sustainability Reporting Directive* - CSRD) and the requests of the Supervisory Authorities.

The 2022 TCFD Report was drafted in compliance with the guidelines of the *Task Force on Climate-Related Financial Disclosures* and highlights the risk management processes and the actions implemented to seize climate-related opportunities, also in response to the supervisory expectations issued by the ECB.

The *PRB Report*, drafted in accordance with the requirements of the *United Nations Environment Programme Finance Initiative* (UNEP FI), describes the analysis conducted to identify, based on the most significant Italian needs, the main impact areas of the retail and corporate portfolio of the BPER Group, on which the Bank must define its targets by the end of 2023. In relation to the retail portfolio, the analysis highlights resource and services availability, accessibility, cost-effectiveness and quality as priority areas, along with the theme of “financial inclusion”, in particular; in the corporate domain, “climate stability” was identified as a priority impact area.

The “EU Taxonomy of environmentally sustainable activities” is also attached to the Consolidated Non-Financial Statement, in line with the regulatory requirements envisaged for the year just ended, which represents the KPIs of the BPER Group for calculation of the portion of balance sheet assets that can be classified under sustainable activities pursuant to said Taxonomy (EU Reg. 852/2020), i.e. investments that can contribute to one or more objectives identified by the aforementioned EU regulation and, therefore, of the “*Green Deal*”.

The Board of Statutory Auditors, as part of its monitoring activities, in addition to constantly participating in the meetings of the Sustainability Committee, met with the Bank structures responsible for drafting the Consolidated Non-Financial Statement (ESG Strategy Department) on a number of occasions, to discuss the underlying processes and structures, which lead to the production, reporting, measurement and representation of the results and the non-financial information. The Board of Statutory Auditors also met the representatives of the Independent Auditing Firm (Deloitte) which represented the activities performed on the Group Consolidated Non-Financial Statement and on the *TCFD Report*, noting that said activities did not bring to light any critical elements to be reported to the Control Body.

In addition, as already detailed extensively in paragraph 7, the Board of Statutory Auditors acknowledges that BPER has a Financial & Sustainability Reporting Supervision Service in place which, also on the Sustainability Report as at 31 December 2022, implemented specific controls on non-financial disclosure obligations. These controls were also extended, as from 2022, to the TCFD (*Task force on Climate-related Financial Disclosure*) Report regarding climate change.

The Board of Statutory Auditors has acknowledged the Report issued by the Independent Auditing Firm on 31 March 2022, which shows that no elements came to its attention that lead it to believe that the Group Consolidated Non-Financial Statement relating to the year ended as at 31 December 2022 was not drafted, as regards all significant aspects, in compliance with the requirements of the reference legislation and the GRI Standards.

The Board of Statutory Auditors has also acknowledged the Report issued by the Independent Auditing Firm on 31 March 2022 on the *TCFD Report* which shows that no elements came to its attention that lead it to believe that the aforementioned *Report* of the BPER Banca Group relating to the year ended as at 31 December 2022 was not drafted, as regards all significant aspects, in compliance with the criteria illustrated in the section “Methodological note” of said Report, by making reference to the TCFD Recommendations.

Based on the information acquired, the Board of Statutory Auditors certifies that, as required by art. 3, paragraph 7 of Legislative Decree 254/16, in carrying out the functions attributed to it by the regulatory framework, no elements of non-compliance and/or violations of the regulatory provisions came to light that need to be reported.

10. REMUNERATION POLICIES

The Board of Statutory Auditors monitored aspects of remuneration concerning BPER through the participation, by at least one member, in all meetings of the Remuneration Committee and an examination of the documentation filed in the records.

On 20 April 2022, the Shareholders' Meeting approved the "2022 Remuneration Policies", including the 2022-2024 Long-Term Incentive Plan. The Shareholders' Meeting expressed an opinion on the Long-Term Incentive Plan before approval of the 2022-2025 Business Plan, which occurred on 9 June 2022, in order to incorporate the impacts of the acquisition of the Carige Group. Consequently, it was necessary to evaluate the adjustment of the Incentive Plan into line with the new Business Plan.

On 29 September 2022, the Board of Directors therefore resolved to present, for approval of the Shareholders' Meeting, an amendment to the Remuneration Policies and the Long-Term Incentive Plan, in order to extend their duration until 2025. The revised 2022 Remuneration Policies and the Long-Term Incentive Plan were then approved by the Shareholders' Meeting on 5 November 2022.

The Board of Directors, at its meeting on 9 March 2023, subject to the prior favourable opinion of the Remuneration Committee, approved the Remuneration Report of the BPER Banca Group, including the remuneration policies for the year 2023 and the annual disclosure on the implementation of the "Remuneration Policies" in 2022, which will be presented to the Shareholders' Meeting on 26 April 2023.

In this regard, the Board of Statutory Auditors acknowledged the opinion of regulatory compliance issued by the *Compliance* function with respect:

- to the supervisory provisions, by verifying the correct identification of the beneficiaries, respect for the criteria for determining the variable remuneration and the relevant allocation methods and the compensation structure;
- to the provisions regarding Corporate Information, pursuant to art. 123-ter of the Consolidated Law on Finance (TUF) and art. 84-Quater of the Consob Issuers' Regulation, reflecting the indications pursuant to Scheme no. 7-bis of Annex 3 of the latter Regulation.

The independent auditing firm, pursuant to the provisions of art. 123 - *ter*, paragraph 8 *bis* of Legislative Decree 58/1998 (TUF), verified the preparation of the second edition of the 2023 Report on the remuneration policy and compensation paid.

The Board of Statutory Auditors, as part of its functions, acknowledged the audit of 14 April 2022 on the remuneration and incentive policies of personnel for 2021, which did not highlight any criticalities to be reported. An audit is in progress on FY 2022, which will be concluded after the issue of this report, before the date of the Shareholders' Meeting.

The Board of Statutory Auditors also acknowledged that the Board of Directors, at its meeting on 09 March 2023, approved the Report on the proposed authorisation to purchase and dispose of treasury shares pursuant to articles 2357 and 2357-*ter* of the Italian Civil Code and art. 132 of Legislative Decree 58/1998 (Consolidated Law on Finance) to be used for the long-term incentive plan and the 2023 MBO incentive system, as well as any share-based severance payments due, which will be submitted to the Shareholders' Meeting of 26 April 2023.

As regards the buy-back proposal, the *Chief Risk Officer* has quantified the impact on capital and on liquidity, concluding that said proposal does not identify any criticalities from either a capital perspective - considering the current position with respect to the regulatory levels, and also from a forward-looking

position - or in terms of liquidity, considering that current levels are well above the regulatory requirements.

The Board of Statutory Auditors, in compliance with the legislation in force, expressed its opinion on the remuneration of the Directors vested with special roles, for the remainder of the current mandate, pursuant to art. 2389 of the Italian Civil Code.

11. ADOPTION BY THE COMPANY OF THE CODE OF CONDUCT OF THE CORPORATE GOVERNANCE COMMITTEE

The Company's compliance with the Code of Corporate Governance and the Report on Corporate Governance

BPER Banca adheres to the Code of *Corporate Governance* recently approved in January 2020, by the *Corporate Governance Committee* promoted, inter alia, by Borsa Italiana s.p.a..

On 25 January 2023, the Chairperson of the Corporate Governance Committee (the "Committee") addressed to the Bank (as to all issuer companies) the normal letter aimed at providing details of the monitoring activities carried out by the Committee regarding the application of the corporate governance provisions and highlighting the main vulnerabilities identified by said Committee during the year, as well as formulating recommendations to promote the evolution of corporate Governance according to the principles of the "Corporate Governance Code" (the "Recommendations of the Corporate Governance Committee for 2023", hereinafter the "Recommendations").

The Letter of the Committee Chairperson and the associated Recommendations were analysed in detail by the Nomination and *Corporate Governance* Committee at the meeting on 6 March 2023, in which the Board of Statutory Auditors also took part. Having conducted an in-depth examination of the implementation status of the aforementioned Recommendations in 2022 and the activities planned for 2023, the Nomination and *Corporate Governance* Committee evaluated the *Bank's governance* system to be substantially in line with the Recommendations of the *Corporate Governance* Committee for 2023. Said examination was conducted by the Board of Directors on 9 March 2023, which took account of the considerations and proposals that emerged during the meeting of the Nomination and *Corporate Governance* Committee, also with reference to possible initiatives to be undertaken.

The Board of Statutory Auditors further examined the Report on Corporate Governance and the Ownership Structure for 2021², prepared pursuant to art. 123-bis of the Consolidated Law on Finance and approved by the Board of Directors on 27 March 2023.

The Board of Statutory Auditors verified that the aforementioned Report provided details of the Recommendations and the subsequent initiatives undertaken and planned by the Bank to ensure its full and constant alignment with the Recommendations provided by the Corporate Governance Committee.

The fulfilment of fitness and propriety requirements of Directors and the self-assessment process of the Board of Directors

The Board of Directors in office as at the end of the 2022 financial year, was appointed, for the 2021-2023 three-year period, by the Shareholders' meeting of 21 April 2021 and subsequently supplemented by the Shareholders' Meeting of 23 June 2021 and 5 November 2022.

Pursuant to the applicable legislation, on 21 July 2022, BPER's Board of Directors carried out, with the help of the Nomination and Corporate Governance Committee, the periodic verification of Directors'

fulfilment of the requirements and criteria of fitness and propriety as well as their observance of the applicable legislative and corporate governance provisions. During said meeting, the Board of Directors ascertained the adequacy of its composition at collective level and the consistency of the actual composition with that identified as optimal in the Shareholders' Guidelines published in 2021 in view of the renewal of the Administrative Body.

Following the appointment of the Director Monica Cacciapuoti by the Shareholders' Meeting on 5 November 2022, on 24 November 2022, the Board of Directors ascertained the fulfilment of the fitness and propriety requirements and that there were no situations of incompatibility or loss of office on the part of Director Cacciapuoti, and reassessed the adequacy of the optimal quali-quantitative composition of the Board itself.

As a result of the verifications carried out, all members of BPER's Board of Directors qualified as meeting the professionalism and expertise required to carry out the tasks assigned to them.

On 21 July 2022, the Board of Directors assessed the independence of each non-executive director based on:

- i) art. 148, paragraph 3, of the Consolidated Law on Finance;
- ii) Ministerial Decree no. 169/2020;
- iii) Recommendation 7 of the Code of *Corporate Governance*;
- iv) the parameters of evaluation of the significance of professional, commercial or financial relations established by the "Rules for verification of the independence requirement of directors", updated by the Board of Directors on 16 June 2022.

The Board of Statutory Auditors, which participates in all meetings of the Nomination and Corporate Governance Committee, through the Chairperson or one of its members, monitored the process and, at the meeting of the Board of Directors of 21 July 2022, did not see fit to formulate observations in relation to the correct application of the criteria and the procedures for assessing independence adopted by the Board of Directors.

The Board of Statutory Auditors, by constantly participating in the meetings of the Nomination and Corporate Governance Committee, continuously monitored the self-assessment process of the Board of Directors for FY 2022, carried out internally, without recourse to an external advisor.

Following the self-assessment process, the Board of Directors positively evaluated its quali-quantitative composition and its function, presenting its results at the meeting on 27 March 2023.

The existence of the suitability requirements of Statutory Auditors and the self-assessment process of the Board of Statutory Auditors

The Board of Statutory Auditors in office was appointed, for the 2021-2023 three-year period, by the Shareholders' meeting of 21 April 2021 and subsequently supplemented by the Shareholders' meeting of 23 June 2021 and 27 July 2022.

On 1 August 2022, the Board of Statutory Auditors ascertained the fulfilment of the requirements and criteria of fitness and propriety by both the newly elected statutory auditor Carlo Appetiti - according to the applicable legislation governing the periodic assessment of requirements - and by the other members of the Board of Statutory Auditors, also with regard to compliance with the limit on the accumulation of offices, the *interlocking* prohibition, the time commitment, possession of the independence requirements set forth in the legislation in force and the Code of Corporate Governance.

On said occasion, the Board of Statutory Auditors again evaluated the composition of the Body as a whole, ascertaining its adequacy in ensuring the independence and professionalism of its function.

On 04 August 2022, for the purposes of art. 148, paragraph 4-*quater* of the Consolidated Law on Finance, the Board of Directors confirmed the absence of causes of ineligibility and forfeiture, as well as the existence of the integrity and professionalism requirements on the part of newly elected members and on the pre-existing members.

As regards the self-assessment process of the Board of Statutory Auditors for 2022, it was carried out by said Board with the assistance of an external advisor. Following said process, the Board deemed its composition to be adequate on the whole, and believed that it had effectively carried out the monitoring and control activities it was responsible for in the second year of its mandate. Based on the outcomes of the assessment, the Board also formulated some considerations geared towards increasingly more effective development of its operations.

12. OMISSIONS AND REPREHENSIBLE FACTS RECORDED. OPINIONS PROVIDED AND INITIATIVES UNDERTAKEN.

12.1 COMPLAINTS PURSUANT TO ART. 2408 OF THE ITALIAN CIVIL CODE, IF ANY, AND INITIATIVES UNDERTAKEN

With reference to the presentation of complaints pursuant to art. 2408 of the Italian Civil Code by shareholders, on facts deemed reprehensible, the action taken and the outcome of it, note that we have not received any complaints in 2022.

12.2 INFORMATION ABOUT ANY PETITIONS RECEIVED AND ACTION TAKEN

The Board of Statutory Auditors is periodically informed of the activities aimed at handling customer complaints and statements by the structures in charge (Banking Complaints Department and Financial and Insurance Complaints Department) and, in the event it receives complaints and/or statements directly, monitors their orderly handling. In 2022, the Board did not directly receive any complaints and/or statements. The Board received communications that, despite not qualifying as complaints, contained grievances from customers, for which the Control Body verified prompt resolution.

In relation to the activities carried out, the Board, therefore, did not note any critical elements to be reported as regards the process of handling customer grievances.

The Board of Statutory Auditors also interacted with the Compliance function which, as control function, draws up rules, verifies procedures, practices and monitors the evolution of complaints. The Compliance Function also helps to analyse and assess the adequacy of possible customer care actions, and other initiatives intended to settle specific situations in which BPER Banca s.p.a. may be involved, in order to obtain the best possible outcome.

During the year, the Board of Statutory Auditors was updated in relation to so-called Whistleblowing reports, by conducting an in-depth analysis, with the support of the Internal Audit Function, of those that could imply problems relating to unlawful conduct regardless of their relevance pursuant to Legislative

Decree 231/2001.

12.3 OPINIONS ISSUED BY THE BOARD OF STATUTORY AUDITORS PURSUANT TO THE LAW DURING 2022

During 2022 and up to the date of this report, we issued a number of opinions required by current law. The Board also:

- formulated its justified proposals to the Shareholders regarding the supplementing of the fees of the independent auditing firm pursuant to Legislative Decree no. 39/2010, art. 13, para. 1;
- presented the additional report pursuant to art. 11 of Regulation EU 537/2014 to the Board of Directors, together with the Manager responsible for preparing the company's financial reports.

13. FINAL ASSESSMENT OF THE SUPERVISORY ACTIVITIES PERFORMED

We, as the Board of Statutory Auditors, have verified the functionality of the internal procedures, and this activity has not revealed any evidence that casts doubt on compliance with laws, regulations and the Articles of Association. With regard to compliance with the principles of correct administration, we ascertained that the decision-making process takes into adequate consideration the riskiness and effects of management's decisions and that the corporate bodies have an adequate system of information flows, also with reference to any interests of the Directors. The organisational structure and particularly the administrative and accounting system are adequate and functional to the tasks they are required to perform.

The activities carried out by the Board of Statutory Auditors did not reveal any critical elements such as to affect the structure of the control system and the risk governance and management process.

Our supervisory and control activity did not give rise to any omissions, reprehensible facts, imprudent operations or irregularities to be reported here and no significant facts have emerged that ought to be reported to the Supervisory Authorities.

As regards the principal risks and uncertainties to which the Bank and the Group are exposed, business continuity as a going concern, litigation, the business outlook and the key events occurred as of 31 December 2022, reference should be made to the Directors' Report on Operations.

The economic, financial and equity position of the Bank presented in the draft financial statements reports a profit for the year of Euro 1,293,880,151, a comprehensive profit of Euro 1,196,781,190 and shareholders' equity of Euro 7,508,472,992.

As regards the result of the year, the Board of Directors proposes *i)* the preliminary allocation, pursuant to art. 41 (paragraph 2) of the Articles of Association, of Euro 5,800,437.70, to the restricted reserve under Legislative Decree 38/2005 (art. 6, paragraph 1.a) for unrealised gains, net of the related tax effects; *ii)* to allocate a portion of profit, equal to Euro 64,403,985.66, to the legal reserve, and *iii)* the distribution of a dividend of Euro 169,902,062.16 (Euro 0.12 for each of the 1,415,850,518 shares representing the share capital) corresponding to a share of 13.13% of the profit for the year, and therefore *iv)* the allocation to the equity reserve of the residual part of the profit for the year, equal to Euro 1,053,773,665.46.

In this regard, the Directors have noted that this distribution does not appreciably affect the capitalisation of the Bank and the Group, according to the parameters established by the prudential supervisory regulations and the decisions of the European Central Bank concerning capital requirements.

As represented in paragraph 4, the prudential requirements to be respected on a consolidated basis pursuant to art. 16 of Regulation (EU) no. 1024/2013 for 2022 established in the SREP Letter 2021 (as amended on 31 August 2022 and referenced above in paragraph 4), the following are summarised: *Common Equity Tier 1 Ratio* of 8.47%, *Tier 1 ratio* of 10.46% and *Total Capital Ratio* of 13.11%. In accordance with the new 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.

It is worth noting that the capital ratios of the Bank on its own show a Common Equity Tier 1 ratio of 11.65% and a Total Capital Ratio of 15.85%, which are in excess of the minimum levels set by the ECB, including the SREP requirements.

The capital ratios at consolidated level, Common Equity Tier 1 ratio of 12.47% (fully phased: 12.04%) and Total Capital Ratio of 16.08%, are also greater than the established minimums and SREP requirements.

The consolidated financial statements of the BPER Group report a profit of Euro 1,448,975 thousand, a comprehensive profit of Euro 1,341,914 thousand and shareholders' equity, including the profit for the year, of Euro 7,940,173 thousand.

The incidence of gross non-performing loans at consolidated level is equal to 3.20% (1.41% on a net basis) with an average coverage ratio of 57.06%; the Texas ratio has fallen to 32.29%, from 45.58% at 31 December 2021.

Both the draft separate and draft consolidated financial statements have been prepared on a going concern basis, without making exceptions when applying the established accounting standards and measurement criteria and, as already stated, they have been audited by the auditing firm without qualifications or emphasis of matter.

As a result of our supervision and control activity, we do not believe that there is any reason to exercise our right to make proposals to the Shareholders' Meeting in accordance with art. 153, paragraph 2, of the Consolidated Law on Finance.

14. CONCLUSIONS

Shareholders,

Taking into account all of the above, considering the content of the audit reports issued by Deloitte & Touche s.p.a. and taking note of the attestations issued jointly by the Chief Executive Officer and the Manager responsible for preparing the company's financial reports, for our part, we have no objections to you approving the financial statements of BPER Banca s.p.a. as at 31 December 2022 accompanied by the report on operations and the explanatory notes, as approved by the Board of Directors on 09 March 2023.

With regard to the dividend payout proposal made by the Board of Directors, having acknowledged that it is based on assumptions that are expected to allow constant compliance with the prudential capital requirements, we point out that it is in line with the ECB recommendations on this matter.

On the conclusion of the second year of our mandate, we wish to express our heartfelt thanks for the esteem and confidence shown in the appointment, as well as to express our gratitude to all the Directors,

and among them, in particular, to the Chair of the Board of Directors, Flavia Mazzearella and to the Chief Executive Officer, Piero Luigi Montani, to the Management, to the Internal Control Functions as well as to all personnel of the Bank for their fruitful collaboration and assistance in carrying out the functions and duties assigned to us.

The Board of Statutory Auditors

Modena, 31 March 2023

The Board of Statutory Auditors

Daniela Travella (Chair)

Carlo Appetiti (Standing Auditor)

Patrizia Tettamanzi (Standing Auditor)

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Other attachments

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Financial statements of the Group's Subsidiary Companies and Banks

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BPER BANK Luxembourg société anonyme
Public limited company
Share Capital: Euro 30,667,500 fully paid in.
Registered office in Luxembourg

Balance sheet as at 31 December 2022

		(In Euro)
Assets	2022	2021
10. Cash and cash equivalents at banks and post offices	5,905,253	43,473,773
20. Loans to banks:	504,865,209	506,833,943
a) on demand	125,340,658	253,329,075
b) other loans	379,524,551	253,504,868
40. Loans to customers	207,283,907	216,192,153
50. Bonds and other securities:	140,226,732	122,528,857
a) of public issuers	58,764,291	54,958,011
b) other issuers:	81,462,441	67,570,846
c) financial institutions	-	-
d) other issuers	-	-
60. Shares, quotas and other equity instruments	10,677,937	16,125,565
70. Equity investments	-	-
80. Equity investments in Group Companies	-	-
90. Intangible fixed assets	211,309	267,991
100. Property, plant and equipment	178,492	168,438
130. Other assets	3,342,687	2,647,347
140. Accrued income and prepaid expenses:	2,998,447	2,635,478
a) accrued income	-	-
Total assets	875,689,973	910,873,545

		(In Euro)
Guarantees and commitments	2022	2021
10. Guarantees granted	5,442,679	7,193,866
of which: other guarantees	5,442,679	7,193,866
20. Commitments	81,363,948	77,373,000

BPER BANK Luxembourg société anonyme
Public limited company
Share Capital: Euro 30,667,500 fully paid in.
Registered office in Luxembourg

		(In Euro)	
Liabilities	2022	2021	
10. Due to banks:	194,603,421	106,417,470	
a) on demand	1,503,313	294,690	
b) forward or with notice	193,100,108	106,122,780	
30. Due to customers	587,034,185	715,061,110	
a) on demand	275,680,147	359,471,316	
b) forward or with notice	311,354,038	355,589,794	
40. Debt securities in issue:	-	-	
a) bonds	-	-	
b) forward or with notice	-	-	
50. Other liabilities	1,092,175	800,988	
60. Accrued expenses and deferred income:	6,796,291	3,347,937	
a) accrued expenses	-	-	
80. Provisions for risks and charges:	3,390,539	3,830,840	
a) provisions taxes and duties	3,094,951	3,329,122	
b) other aprovisions	295,588	501,718	
110. Subordinated liabilities	15,000,000	15,000,000	
120. Share capital	30,667,500	30,667,500	
140. Reserves:	33,747,701	30,081,490	
a) legal reserve	2,236,129	1,952,819	
d) other reserves	31,511,572	28,128,671	
170. Profit (loss) for the year	3,358,161	5,666,210	
Total liabilities	875,689,973	910,873,545	

BPER BANK Luxembourg société anonyme
Public limited company
Share Capital: Euro 30,667,500 fully paid in.
Registered office in Luxembourg

Income Statement as at 31 December 2022

		(in Euro)	
Captions	2022	2021	
10. Interest and similar income	11,726,681	8,497,482	
20. Interest and similar expense	(5,916,999)	(4,220,842)	
30. Dividends and other income:	-	-	
a) on shares, quotas and other equity instruments	-	-	
b) equity investments in Group Companies	-	-	
40. Commission income	6,461,201	6,345,240	
50. Commission expense	(258,419)	(235,164)	
60. Profits (losses) from financial transactions	1,295,326	2,678,263	
70. Other operating income	107,608	99,429	
80. Administrative expenses:	(5,972,322)	(5,121,534)	
a) staff costs	(3,311,304)	(2,835,936)	
of which: wages and salaries	(2,770,272)	(2,354,657)	
social security charges	(346,612)	(307,969)	
other staff costs	(194,420)	(173,310)	
b) other administrative expenses	(2,661,018)	(2,285,598)	
90. Net adjustments to property, plant and equipment and intangible assets	(219,036)	(178,476)	
100. Provisions for risks and charges	-	-	
110. Other operating expense	(132,675)	(112,039)	
120. Net impairment adjustments on guarantees and commitments	(2,592,849)	(378,788)	
130. Reversals on loans, guarantees issued and commitments	-	-	
160. Reversals on property, plant, equipment and intangible assets	-	228,079	
170. Profit (loss) from current operations	4,498,516	7,601,650	
180. Non-recurring income	54,728	-	
190. One-off charges	-	-	
200. Extraordinary profit (loss)	-	-	
220. Income taxes for the year	(1,195,083)	(1,935,440)	
230. Profit (loss) for the year	3,358,161	5,666,210	

Banco di Sardegna
 Società per azioni
 Share Capital: Euro 155,247,762 fully paid in.
 Tax Code and Companies Register no. 01564560900
 Registered office in Cagliari
 Administrative headquarters and General Management - Sassari

Balance sheet as at 31 December 2022

		(in Euro)
	2022	2021
Assets		
10. Cash and cash equivalents	3,737,703,626	4,320,387,591
20. Financial assets measured at fair value through profit or loss	41,357,688	28,471,069
a) financial assets held for trading	2,544,970	1,736,513
c) other financial assets mandatorily measured at fair value	38,812,718	26,734,556
30. Financial assets measured at fair value through other comprehensive income	81,750,154	35,758,971
40. Financial assets measured at amortised cost	9,665,982,472	9,257,526,752
a) loans to banks	1,083,079,090	666,466,704
b) loans to customers	8,582,903,382	8,591,060,048
50. Hedging derivatives	-	-
70. Equity investments	166,087,802	166,423,045
80. Property, plant and equipment	263,838,904	262,849,240
90. Intangible assets	2,037,767	2,144,183
of which		
- goodwill	1,650,000	1,650,000
100. Tax assets	213,057,156	213,562,467
a) current	20,920,550	17,009,333
b) deferred	192,136,606	196,553,134
110. Non-current assets and disposal groups classified as held for sale	248,666,453	92,416,798
120. Other assets	217,402,162	126,945,696
Total assets	14,637,884,184	14,506,485,812

	2022	2021
Liabilities and shareholders' equity		
10. Financial liabilities measured at amortised cost	12,974,955,421	12,997,286,876
a) due to banks	1,233,041,718	1,514,124,654
b) due to customers	11,651,431,113	11,369,796,874
c) debt securities issued	90,482,590	113,365,348
20. Financial liabilities held for trading	1,893,300	1,914,041
40. Hedging derivatives	309,998	7,439,081
60. Tax liabilities	14,040,207	10,881,492
a) current	3,146,722	-
b) deferred	10,893,485	10,881,492
70. Liabilities associated with assets classified as held for sale	188,418,722	167,415,025
80. Other liabilities	312,279,762	254,739,057
90. Employee termination indemnities	19,544,854	29,150,044
100. Provisions for risks and charges	163,738,647	141,054,641
a) commitments and guarantees granted	20,243,230	14,952,201
c) other provisions for risks and charges	143,495,417	126,102,440
110. Valuation reserves	138,688,629	149,415,874
140. Reserves	465,608,488	510,894,090
150. Share premium reserve	126,318,353	126,318,353
160. Share capital	155,247,762	155,247,762
180. Profit (Loss) for the year(+/-)	76,840,041	(45,270,524)
Total liabilities and shareholders' equity	14,637,884,184	14,506,485,812

Banco di Sardegna
 Società per azioni
 Share Capital: Euro 155,247,762 fully paid in.
 Tax Code and Companies Register no. 01564560900
 Registered office in Cagliari
 Administrative headquarters and General Management - Sassari

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
10. Interest and similar income	206,181,594	180,010,580
of which: interest income calculated using the effective interest method	205,630,642	179,747,403
20. Interest and similar expense	(15,521,598)	(6,069,564)
30. Net Interest Income	190,659,996	173,941,016
40. Commission income	204,519,813	172,447,620
50. Commission expense	(7,996,709)	(7,329,385)
60. Net commission income	196,523,104	165,118,235
70. Dividends and similar income	3,256,251	2,407,724
80. Net income from trading activities	1,249,187	1,257,159
90. Net income from hedging activities	(124,696)	132,526
100. Gains (Losses) on disposal or repurchase of:	30,610,552	24,798,758
a) financial assets measured at amortised cost	29,529,068	24,798,758
b) financial assets measured at fair value through other comprehensive income	1,081,484	-
c) financial liabilities	-	-
110. Net income on other financial assets and liabilities measured at fair value through profit or loss	(1,469,027)	1,192,453
b) other financial assets mandatorily measured at fair value	(1,469,027)	1,192,453
120. Net interest and other banking income	420,705,367	368,847,871
130. Net impairment losses for credit risk relating to:	(90,994,105)	(113,772,621)
a) financial assets measured at amortised cost	(90,972,377)	(113,772,918)
b) financial assets measured at fair value through other comprehensive income	(21,728)	297
140. Gains (Losses) from contractual modifications without derecognition	(94,006)	(382,287)
150. Net income from financial activities	329,617,256	254,692,963
160. Administrative expenses:	(307,180,430)	(317,173,367)
a) staff costs	(160,599,167)	(186,517,173)
b) other administrative expenses	(146,581,263)	(130,656,194)
170. Net provisions for risks and charges	(16,624,864)	(7,436,941)
a) commitments and guarantees granted	(5,291,030)	(2,246,244)
b) other net provisions	(11,333,834)	(5,190,697)
180. Net adjustments to property, plant and equipment	(11,367,051)	(13,020,301)
190. Net adjustments to intangible assets	(129,042)	(148,401)
200. Other operating expense/income	99,750,137	25,879,150
210. Operating costs	(235,551,250)	(311,899,860)
220. Gains (Losses) of equity investments	(20,188,547)	-
230. Valuation differences on property, plant and equipment and intangible assets measured at fair value	(2,344,077)	(9,705,190)
250. Gains (Losses) on disposal of investments	102,300	(947)
260. Profit (Loss) from current operations before tax	71,635,682	(66,913,034)
270. Income taxes on current operations for the year	5,204,359	21,642,510
280. Profit (Loss) from current operations after tax	76,840,041	(45,270,524)
300. Profit (loss) for the year	76,840,041	(45,270,524)

Bibanca
 Società per Azioni
 Share Capital: Euro 74,458,606.80 fully paid in.
 Tax Code and Companies Register no. 01583450901
 Registered office in Sassari

Balance sheet as at 31 December 2022

		(in Euro)
	2022	2021
Assets		
10. Cash and cash equivalents	524,063,314	329,834,904
30. Financial assets measured at fair value through other comprehensive income	12,495,212	12,384,824
40. Financial assets measured at amortised cost	3,068,496,826	1,920,408,731
a) loans to banks	15,304,919	24,321,050
b) loans to customers	3,053,191,907	1,896,087,681
80. Property, plant and equipment	12,058,075	11,541,856
90. Intangible assets	3,180,153	3,622,367
100. Tax assets	15,500,518	16,427,115
a) current	769,022	753,004
b) deferred	14,731,496	15,674,111
120. Other assets	16,471,556	12,912,275
Total assets	3,652,265,654	2,307,132,072

	2022	2021
Liabilities and shareholders' equity		
10. Financial liabilities measured at amortised cost	3,234,598,565	1,927,150,839
a) due to banks	2,971,932,553	1,675,602,446
b) due to customers	262,666,012	251,548,393
c) debt securities issued	-	-
60. Tax liabilities	918,564	2,450,227
a) current	286,764	1,826,246
b) deferred	631,800	623,981
80. Other liabilities	76,905,184	52,836,857
90. Employee termination indemnities	959,270	1,793,980
100. Provisions for risks and charges	12,529,868	10,106,272
a) commitments and guarantees granted	503,810	80,483
c) other provisions for risks and charges	12,026,058	10,025,789
110. Valuation reserves	1,580,446	982,878
140. Reserves	82,794,092	74,254,804
150. Share premium reserve	139,067,612	139,067,612
160. Share capital	74,458,607	74,458,607
170. Treasury shares (-)	(5,784)	(5,784)
180. Profit (Loss) for the year (+/-)	28,459,230	24,035,781
Total liabilities and shareholders' equity	3,652,265,654	2,307,132,072

Bibanca
 Società per Azioni
 Share Capital: Euro 74,458,606.80 fully paid in.
 Tax Code and Companies Register no. 01583450901
 Registered office in Sassari

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
10. Interest and similar income	115,388,835	71,313,039
of which: interest income calculated using the effective interest method	115,374,040	71,306,375
20. Interest and similar expense	(25,401,678)	(11,627,287)
30. Net Interest Income	89,987,157	59,685,752
40. Commission income	93,924,811	75,333,840
50. Commission expense	(51,822,776)	(37,941,932)
60. Net commission income	42,102,035	37,391,908
70. Dividends and similar income	27,461	30,142
80. Net income from trading activities	974	3,152
100. Gains (Losses) on disposal or repurchase of:	-	(381,298)
b) financial assets measured at fair value through other comprehensive income	-	(381,298)
120. Net interest and other banking income	132,117,627	96,729,656
130. Net impairment losses for credit risk relating to:	(24,110,684)	(4,265,224)
a) financial assets measured at amortised cost	(24,110,684)	(4,265,224)
140. Gains (Losses) from contractual modifications without derecognition	350	-
150. Net income from financial activities	108,007,293	92,464,432
160. Administrative expenses:	(73,179,743)	(60,879,808)
a) staff costs	(15,162,902)	(12,568,186)
b) other administrative expenses	(58,016,841)	(48,311,622)
170. Net provisions for risks and charges	(1,665,578)	(522,179)
a) commitments and guarantees granted	(423,327)	(46,601)
b) other net provisions	(1,242,251)	(475,578)
180. Net adjustments to property, plant and equipment	(504,663)	(1,752,209)
190. Net adjustments to intangible assets	(1,823,182)	(1,976,119)
200. Other operating expense/income	12,117,075	10,585,076
210. Operating costs	(65,056,091)	(54,545,239)
230. Valuation differences on property, plant and equipment and intangible assets measured at fair value	(71,686)	(267,871)
250. Gains (losses) on disposal of investments	14,769	3,479
260. Profit (Loss) from current operations before tax	42,894,285	37,654,801
270. Income taxes on current operations for the year	(14,435,055)	(13,619,020)
280. Profit (Loss) from current operations after tax	28,459,230	24,035,781
300. Profit (loss) for the year	28,459,230	24,035,781

BPER Real Estate
 Società per azioni
 Share Capital: Euro 138,694,095 fully paid in.
 Tax Code and Companies Register no. 01795510237
 Registered office in Modena

Balance sheet as at 31 December 2022

	(in Euro)	
	2022	2021
Assets		
Investment Property	245,415,103	212,763,749
Property, plant and equipment intended for business administration	6,822,000	6,795,200
Other property, plant and equipment	2,041,365	810,659
Intangible fixed assets	18,283	23,523
Financial assets measured at fair value through other comprehensive income	36,552	36,552
Deferred tax assets	124,553	124,553
Other non-current tax receivables	1,596	1,596
Trade receivables and other non-current assets	42,631,539	2,832
-of which Parent Company and its subsidiaries	42,628,633	
-of which others	2,906	2,832
Total non-current assets	297,090,991	220,558,664
Inventories of goods	11,650,000	33,402,248
Other current tax receivables	2,143,159	463,639
Trade receivables and other current assets	2,865,396	1,301,127
- of which customers	535,083	394,662
-of which Parent Company and its subsidiaries	2,105,342	796,133
-of which others	224,971	110,332
Current tax assets	-	-
Cash and cash equivalents	953	61,340
-of which Parent Company and its subsidiaries	-	60,819
- of which Cash	953	521
Total current assets	16,659,508	35,228,354
Non-current assets held for sale	-	415,000
Total assets	313,750,499	256,202,018

BPER Real Estate
 Società per azioni
 Share Capital: Euro 138,694,095 fully paid in.
 Tax Code and Companies Register no. 01795510237
 Registered office in Modena

	2022	2021
Liabilities and shareholders' equity		
Share capital	138,694,095	127,307,361
Valuation reserves	25,745,468	25,745,468
Share premium reserve	6,349,850	-
Other reserves	67,715,782	75,910,416
Losses carried forward	(2,815,938)	(2,815,938)
Profit (loss) for the year	(6,053,004)	(8,194,683)
Shareholders' equity	229,636,253	217,952,624
Non-current payables due to banks and other lenders	43,813,843	3,404,064
-of which Parent Company and its subsidiaries	2,307,786	3,022,420
-of which others	41,506,057	381,644
Deferred tax liabilities	9,441,918	8,171,014
Provisions for risks and charges	363,675	72,043
Total non-current liabilities	53,619,436	11,647,121
Current payables due to banks and other lenders	24,724,485	23,892,715
-of which Parent Company and its subsidiaries	24,034,848	23,852,001
-of which others	689,637	40,714
Trade receivables and other current liabilities	5,283,032	2,018,761
-of which suppliers	3,325,137	904,334
-of which Parent Company and its subsidiaries	1,366,235	654,083
-of which others	591,660	460,344
Current tax liabilities	463,739	683,741
Other tax payables	23,554	7,056
Total current liabilities	30,494,810	26,602,273
Liabilities directly associated with assets held for sale	-	
Total liabilities	84,114,246	38,249,394
Total Liabilities and Shareholders' Equity	313,750,499	256,202,018

BPER Real Estate
 Società per azioni
 Share Capital: Euro 138,694,095 fully paid in.
 Tax Code and Companies Register no. 01795510237
 Registered office in Modena

Income Statement as at 31 December 2022

	(in Euro)	
	2022	2021
Captions of the Income Statement		
Revenues from sales and services	13,767,371	13,023,054
-of which Parent Company and its subsidiaries	10,061,061	9,410,255
-of which from others	3,706,310	3,612,799
Changes in inventories of work in progress	(4,350,000)	(6,561,501)
Other income and revenues	1,753,773	1,534,104
-of which Parent Company and its subsidiaries	1,014,485	301,694
-of which from others	739,288	1,232,410
Total value of production	11,171,144	7,995,657
Service costs	(4,553,231)	(3,561,389)
-of which Parent Company and its subsidiaries	(959,584)	(658,743)
-of which from others	(3,593,647)	(2,902,646)
Costs for use of third-party assets	(29,514)	(49,500)
Amortisation, depreciation and write-downs	(6,333,474)	(20,531,791)
-of which write-downs/write-backs from property, plant and equipment intended for business administration	85,943	-
-of which write-downs from investment property	-	-
-of which write-downs from intangible assets	-	-
-of which write-down from receivables included in current assets	(69,801)	(295,800)
-of which net result of fair value measurement of investment property	(5,249,266)	(18,127,084)
-of which net result of fair value measurement of property, plant and equipment intended for business administration	-	(1,666,102)
-of which depreciation from investment property	(734,945)	(20,208)
-of which depreciation from Property, plant and equipment intended for business administration	(95,943)	(196,347)
-of which depreciation from other fixed assets	(264,222)	(223,573)
-of which amortisation from intangible assets	(5,240)	(2,677)
Provisions for risks and charges	(291,632)	(81,915)
Other operating costs	(3,123,019)	(2,691,442)
Total cost of production	(14,330,870)	(26,916,037)
Operating income	(3,159,726)	(18,920,380)
Dividends	-	-
Financial income	882,879	3
-of which Parent Company and its subsidiaries	882,879	-
-of which from others	-	3
Financial charges	(1,262,945)	(125,620)
-of which Parent Company and its subsidiaries	(258,074)	(123,659)
-of which from others	(1,004,871)	(1,961)
Write-down of equity investments	-	-
Pre-tax profit	(3,539,792)	(19,045,997)
Taxes	(2,513,212)	10,851,314
-of which current	(1,242,308)	(1,528,435)
-of which deferred	(1,270,904)	12,379,749
Profit (loss) from current operations after tax	(6,053,004)	(8,194,683)
Profit (loss) after tax from discontinued operations	-	-
Profit (loss) after tax	(6,053,004)	(8,194,683)

Modena Terminal
 Società a responsabilità limitata a Socio unico
 Share Capital: Euro 8,000,000 fully paid in.
 Tax Code and Companies Register no. 00993810365
 Registered office in Campogalliano

Balance sheet as at 31 December 2022

		(in Euro)
Assets	2022	2021
B) Fixed assets, with those granted under a finance lease indicated separately:		
I. Intangible fixed assets	2,708	3,955
II. Tangible fixed assets	12,182,407	12,591,384
Total fixed assets, with those granted under a finance lease indicated separately	12,185,115	12,595,339
C) Current assets:		
I. Inventories:	68,290	69,654
II. Receivables, with those granted under a finance lease indicated separately:		
- due within one year	2,397,091	1,439,012
- due after one year	8,116	8,116
IV. Cash and cash equivalents	381,651	938
Total working capital	2,855,148	1,517,720
D) Accruals and deferrals, with separate indication of the discount on loans	2,907	5,436
Total assets	15,043,170	14,118,495

		(in Euro)
Liabilities and shareholders' equity	2022	2021
A) Shareholders' equity:		
Capital	8,000,000	8,000,000
II. Share premium reserve	1,032,135	1,032,135
IV. Legal reserve	306,952	268,321
VII. Other reserves	2,737,898	2,003,898
VIII. Losses carried forward	-	-
IX. Profit (loss) for the year	589,817	772,632
Total shareholders' equity	12,666,802	12,076,986
B) Provisions for risks and charges	-	-
a) Provisions for staff severance indemnities	699,506	605,570
D) Payables, with separate indication, for each item, of the amounts payable after the next financial year		
- payable within next financial year	1,448,546	1,159,988
- payable after next financial year	32,261	95,128
Total payables, with separate indication, for each item, of the amounts payable after the next financial year	15,043,170	1,255,116
E) Accrued expenses and deferred income	196,055	180,823
Total liabilities and shareholders' equity	15,043,170	14,118,495

		(in Euro)
Memorandum accounts	2022	2021
Sureties to third parties	250,000	340,000
Third-party assets deposited at the company	102,065,370	92,973,466
Total memorandum and guarantee accounts	102,315,370	93,313,466

Modena Terminal
 Società a responsabilità limitata a Socio unico
 Share Capital: Euro 8,000,000 fully paid in.
 Tax Code and Companies Register no. 00993810365
 Registered office in Campogalliano

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
A) Value of production:		
1) revenues from sales and services	7,173,683	6,082,005
5) other revenue and income, with operating grants indicated separately	549,461	311,719
- of which operating grants	292,048	
Total value of production	7,723,144	6,393,724
B) Costs of production:		
6) Raw materials, supplies and consumables	98,830	96,393
7) for services	4,131,501	2,483,375
8) use of third-party assets	29,627	34,678
9) staff costs	1,512,921	1,460,018
10) amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	2,197	5,253
b) depreciation of property, plant and equipment	1,001,246	925,693
c) Other write-downs of fixed assets	-	-
d) write-downs of receivables included in current assets and cash and cash equivalents	-	-
11) changes in inventories of raw materials, ancillary materials, consumables and commodities	1,364	5,665
12) Provisions for risks	-	-
14) other operating expense	260,716	242,975
Total costs of production	7,038,402	5,254,050
Difference between production revenues and costs (A-B)	684,742	1,139,674
C) Financial income and expense:		
16) Other financial income		
17) interest and other financial expense, with separate indication of those from subsidiaries and associates and to parent companies	(6,398)	(8,339)
Total net operating income and expense		
Total net operating income and expense	(6,398)	(8,339)
Profit (loss) before tax	678,344	1,131,335
20) Income taxes for the year: current, deferred and prepaid	88,527	358,703
21) Profit (Loss) for the year	589,817	772,632

BPER Credit Management
 Società consortile per azioni
 Share Capital: Euro 1,000,000 fully paid in.
 Tax Code and Companies Register no. 03667810364
 Registered office in Modena

Balance sheet as at 31 December 2022

IAS Assets	(in Euro)	
	31 December 2022	31 December 2021
Property, plant and equipment	4,347,733	4,393,401
Intangible fixed assets	2,604	10,386
Deferred tax assets	150,331	143,030
Trade receivables and other non-current assets	58,488	54,382
Total non-current assets	4,559,156	4,601,199
Trade receivables and other current assets	31,940	11,447
-of which Parent Company and its subsidiaries	31,940	11,377
-of which others	-	70
Tax receivables	12,679	22,770
Cash and cash equivalents	4,728,735	6,728,946
-of which Parent Company and its subsidiaries	4,728,735	6,728,946
Total current assets	4,773,354	6,763,163
Total assets	9,332,510	11,364,362

IAS liabilities and shareholders' equity	(in Euro)	
	2022	2021
Share capital	1,000,000	1,000,000
Valuation reserves	2,654	(5,123)
Other reserves	(27,587)	(27,587)
Retained earnings (losses)	(12,970)	-
Profit (loss) for the year	-	(12,970)
Shareholders' equity	962,097	954,320
Provisions for personnel:	512,694	587,604
- of which provisions for risks and charges	497,547	565,583
-of which employee termination indemnities	15,147	22,021
Provision for deferred tax liabilities	838	-
Non-current amounts due to banks	2,636,818	3,110,924
-of which Parent Company and its subsidiaries	2,636,818	3,110,924
Trade receivables and other non-current liabilities	1,513,858	1,018,840
-of which Parent Company and its subsidiaries	1,513,857	1,018,840
Total non-current liabilities	4,664,208	4,717,368
Current amounts due to Banks	-	-
-of which Parent Company and its subsidiaries	-	-
Trade receivables and other current liabilities	3,677,755	5,676,762
-of which suppliers	366,027	738,137
-of which Parent Company and its subsidiaries	3,225,586	4,904,484
-of which others	86,141	34,141
Tax liabilities	28,450	15,912
Total current liabilities	3,706,205	5,692,674
Total liabilities	8,370,413	10,410,042
Total Liabilities and Shareholders' Equity	9,332,510	11,364,362

BPER Credit Management
 Società consortile per azioni
 Share Capital: Euro 1,000,000 fully paid in.
 Tax Code and Companies Register no. 03667810364
 Registered office in Modena

Income Statement as at 31 December 2022

		(in Euro)
IAS Income Statement	2022	2021
Revenues from sales and services	14,580,192	15,344,448
Other income and revenues	131,242	40,720
Total value of production	14,711,434	15,385,168
Costs of production:		
raw materials, ancillary materials, consumables and commodities	(12,485)	(25,106)
services	(13,461,415)	(14,162,419)
use of third-party assets	(70,457)	(131,020)
staff costs	(334,346)	(275,990)
a) wages and salaries	(226,570)	(202,243)
b) social security charges	(66,263)	(54,811)
- Employee termination indemnities (Severance pay)	(3,820)	(2,501)
d) pension and similar obligations	(17,280)	(16,435)
2) other not-retired employees	(20,413)	-
Amortisation, depreciation and write-downs	(704,154)	(718,114)
a) amortisation of intangible fixed assets	(7,781)	(12,934)
b) depreciation of property, plant and equipment	(696,373)	(705,180)
Other operating costs	(39,322)	(27,046)
Total cost of production	(14,622,179)	(15,339,695)
Operating income	89,255	45,473
Total financial income and expenses:		
Financial income	-	37
-of which Parent Company and its subsidiaries	-	37
Financial charges	(79,498)	(52,395)
-of which Parent Company and its subsidiaries	(79,498)	(52,395)
Pre-tax profit	9,757	(6,885)
Taxes	(9,757)	(6,085)
-of which current	(18,676)	(28,806)
-of which deferred	8,919	22,721
Profit (loss) from current operations after tax	-	(12,970)

Sardaleasing
 Società per Azioni
 Share Capital: Euro 184,122,459 fully paid in.
 Tax Code and Companies Register no. 00319850905
 Registered office in Sassari

Balance sheet as at 31 December 2022

		(in Euro)	
Assets	2022	2021	
10. Cash and cash equivalents	8,149,463	65,061,144	
20. Financial assets measured at fair value through profit or loss	81,630,277	82,689,878	
c) other financial assets mandatorily measured at fair value	81,630,277	82,689,878	
30. Financial assets measured at fair value through other comprehensive income	189,798	202,994	
40. Financial assets measured at amortised cost	3,385,936,626	3,096,460,449	
a) loans to banks	80,622	382,678	
Loans to financial institutions	61,565,834	69,778,312	
c) loans to customers	3,324,290,170	3,026,299,459	
80. Property, plant and equipment	42,616,905	61,508,765	
90. Intangible assets	2,693,319	2,890,860	
100. Tax assets	25,426,163	29,528,988	
a) current	-	23,884	
b) deferred	25,426,163	29,505,104	
120. Other assets	100,618,572	54,354,634	
Total assets	3,647,261,123	3,392,697,712	

		(in Euro)	
Liabilities and shareholders' equity	2022	2021	
10. Financial liabilities measured at amortised cost	3,377,888,131	3,193,547,669	
a) payables	3,377,888,131	3,193,547,669	
20. Financial liabilities held for trading	94,119	339,838	
60. Tax liabilities	1,021,749	750,426	
a) current	388,700	-	
b) deferred	633,049	750,426	
80. Other liabilities	95,727,187	92,626,983	
90. Employee termination indemnities	1,072,345	1,367,605	
100. Provisions for risks and charges	13,871,768	9,511,760	
a) commitments and guarantees granted	1,533,340	623,756	
c) other provisions for risks and charges	12,338,428	8,888,004	
110. Share capital	184,122,459	152,632,074	
140. Share premium reserve	3,157,000	3,157,000	
150. Reserves	(36,372,372)	(36,372,372)	
160. Valuation reserves	3,656,661	3,566,343	
170. Profit (Loss) for the year	3,022,076	- 28,429,614	
Total liabilities and shareholders' equity	3,647,261,123	3,392,697,712	

Sardaleasing
 Società per Azioni
 Share Capital: Euro 184,122,459 fully paid in.
 Tax Code and Companies Register no. 00319850905
 Registered office in Sassari

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
10. Interest and similar income	77,087,875	61,388,470
of which: interest income calculated using the effective interest method	77,087,875	61,383,618
20. Interest and similar expense	(20,099,875)	(6,116,060)
30. Net Interest Income	56,988,000	55,272,410
40. Commission income	3,930,099	3,329,198
50. Commission expense	(1,425,237)	(1,143,154)
60. Net commission income	2,504,862	2,186,044
70. Dividends and similar income	188,945	
80. Net income from trading activities	150,540	27,214
100. Gains (Losses) on disposal or repurchase of:	(238,555)	(5,146,583)
a) financial assets measured at amortised cost	(238,555)	(5,146,583)
110. Net income on financial assets and liabilities measured at fair value through profit or loss	(3,580,890)	(2,266,743)
b) other financial assets mandatorily measured at fair value	(3,580,890)	(2,266,743)
120. Net interest and other banking income	56,012,903	50,072,342
130. Net impairment losses for credit risk relating to:	(27,965,505)	(61,962,284)
a) financial assets measured at amortised cost	(27,965,505)	(61,962,284)
140. Gains (losses) due to contractual modifications without derecognition	(24,692)	(349,133)
150. Net income from financial activities	28,022,706	(12,239,075)
160. Administrative expenses:	(17,369,936)	(17,207,801)
a) staff costs	(10,479,854)	(9,896,854)
b) other administrative expenses	(6,890,082)	(7,310,947)
170. Net provisions for risks and charges	(3,978,094)	(1,123,580)
a) commitments and guarantees granted	(909,584)	(434,072)
b) other net provisions	(3,068,510)	(689,508)
180. Net adjustments to property, plant and equipment	(720,843)	(710,269)
190. Net adjustments to intangible assets	(1,400,206)	(1,416,743)
200. Other operating expense/income	(232,783)	(768,422)
210. Operating costs	(23,701,862)	(21,226,815)
230. Valuation differences on property, plant and equipment and intangible assets measured at fair value	(2,811,632)	(3,318,105)
250. Gains (losses) on disposal of investments	(200,000)	(49,000)
260. Profit (Loss) from current operations before tax	1,309,212	(36,832,995)
270. Income taxes on current operations for the year	1,712,864	8,403,381
280. Profit (Loss) from current operations after tax	3,022,076	(28,429,614)
300. Profit (loss) for the year	3,022,076	(28,429,614)

Optima s.p.a. SIM
 Società per Azioni
 Share Capital: Euro 13,000,000 fully paid in.
 Tax Code and Companies Register no. 11218220157
 Registered office in Modena

Balance sheet as at 31 December 2022

		(in Euro)	
Assets	2022	2021	
10. Cash and cash equivalents	9,025,629	11,132,877	
20. Financial assets measured at fair value through profit or loss	3,540,637	6,757,795	
c) other financial assets mandatorily measured at fair value	3,540,637	6,757,795	
30. Financial assets measured at fair value through other comprehensive income	50,177,121	48,814,220	
40. Financial assets measured at amortised cost	5,528,363	6,659,461	
a) loans to banks	5,252,568	5,456,281	
Loans to financial institutions	70,918	70,997	
c) loans to customers	204,877	1,132,183	
80. Property, plant and equipment	3,694,245	3,694,315	
100. Tax assets:	1,315,867	165,413	
a) current	44,992	49,992	
b) deferred	1,270,875	115,421	
120. Other assets	811,694	646,377	
Total assets	74,093,556	77,870,458	

		(in Euro)	
Liabilities and shareholders' equity	2022	2021	
10. Financial liabilities measured at amortised cost	3,765,626	3,752,198	
a) payables	3,765,626	3,752,198	
60. Tax liabilities	14,386	318,673	
a) current	6,909	171,766	
b) deferred	7,477	146,907	
80. Other liabilities	3,776,665	4,782,307	
90. Employee termination indemnities	21,363	25,332	
110. Provisions for risks and charges	404,185	357,287	
c) other provisions for risks and charges	404,185	357,287	
110. Share capital	13,000,000	13,000,000	
140. Share premium reserve	8,640,000	8,640,000	
150. Reserves	41,562,203	39,571,298	
160. Valuation reserves	(3,625,506)	432,458	
170. Profit (loss) for the year	6,534,634	6,990,905	
Total liabilities and shareholders' equity	74,093,556	77,870,458	

Optima s.p.a. SIM
 Società per Azioni
 Share Capital: Euro 13,000,000 fully paid in.
 Tax Code and Companies Register no. 11218220157
 Registered office in Modena

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
30. Gains (losses) on disposal or repurchase of:	1,976	90,913
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	1,976	90,913
c) financial liabilities	-	-
40. Net income on financial assets and liabilities measured at fair value through profit or loss	(136,907)	76,958
a) financial assets and liabilities designated at fair value	-	-
b) other financial assets mandatorily measured at fair value	(136,907)	76,958
50. Commission income	22,650,058	21,341,673
60. Commission expense	(102,229)	(250,134)
70. Interest and similar income	745,892	646,739
of which: interest income calculated using the effective interest method	596,823	417,279
80. Interest and similar expense	(40,651)	(41,741)
90. Dividends and similar income	-	-
110. Net interest and other banking income	23,118,139	21,864,408
120. Net impairment losses for credit risk relating to:	(5,496)	(2,495)
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	(5,496)	(2,495)
130. Net income from financial activities	23,112,643	21,861,913
140. Administrative expenses:	(13,451,177)	(11,668,155)
a) staff costs	(6,063,115)	(5,516,466)
b) other administrative expenses	(7,388,062)	(6,151,689)
150. Net provisions for risks and charges	-	-
160. Net adjustments to property, plant and equipment	(432,508)	(396,584)
170. Net adjustments to intangible assets	-	-
180. Other operating income/expense	33,844	(993)
190. Operating costs	(13,849,841)	(12,065,732)
240. Profit (Loss) from current operations before tax	9,262,802	9,796,181
250. Income taxes on current operations for the year	(2,728,168)	(2,805,276)
260. Profit (Loss) from current operations after tax	6,534,634	6,990,905
280. Profit (loss) for the year	6,534,634	6,990,905

Estense Covered Bond
 Società a responsabilità limitata
 Share Capital: Euro 10,000 fully paid in.
 Tax Code and Treviso - Belluno Companies Register no. 04362620264
 BPER BANCA VAT GROUP - VAT NO. 03830780361
 Registered office in Conegliano

Balance sheet as at 31 December 2022

Assets	2022	(in Euro) 2021
40. Financial assets measured at amortised cost	45,406	40,500
a) loans to banks	45,406	40,500
100. Tax assets:	2,982	492
a) current	2,982	492
120. Other assets	13,023	15,626
Total assets	61,411	56,617

Liabilities and shareholders' equity	2022	(in Euro) 2021
60. Tax liabilities:	4,347	3,035
a) current	4,347	3,035
80. Other liabilities	40,886	37,404
110. Share capital	10,000	10,000
140. Share premium reserve	2,000	2,000
150. Reserves	4,178	4,178
170. Profit (loss) for the year	-	-
Total liabilities and shareholders' equity	61,411	56,617

Income Statement as at 31 December 2022

Captions	2022	(in Euro) 2021
10. Interest and similar income	198	-
of which: interest income calculated using the effective interest method	198	-
30. Net Interest Income	198	-
50. Commission expense	(54)	-
60. Net commission income	144	-
120. Net interest and other banking income	144	-
150. Net income from financial activities	144	-
160. Administrative expenses:	(113,558)	(107,851)
a) staff costs	(26,279)	(26,815)
b) other administrative expenses	(87,279)	(81,036)
200. Other operating income/expense	117,761	110,555
210. Operating costs	4,347	2,705
260. Profit (Loss) from current operations before tax	4,347	2,705
270. Income taxes on current operations for the year	(4,347)	(2,705)
280. Profit (Loss) from current operations after tax	-	-
300 Profit (loss) for the year	-	-

ESTENSE CPT COVERED BOND S.R.L.
 Società a responsabilità limitata
 Share Capital: Euro 10,000.00 fully paid in.
 Tax Code and Treviso - Belluno Companies Register no. 04730160266
 BPER BANCA VAT GROUP - VAT NO. 03830780361
 Registered office in Conegliano

Balance sheet as at 31 December 2022

Assets	2022	(in Euro) 2021
10. Cash and cash equivalents	46,908	32,971
a) loans to banks	46,908	32,971
100. Tax assets:	-	1,202
a) current	-	1,202
120. Other assets	13,332	16,330
Total assets	60,240	50,503

Liabilities and shareholders' equity	2022	(in Euro) 2021
60. Tax liabilities:	5,139	1,618
a) current	5,139	1,618
80. Other liabilities	45,101	38,885
110. Share capital	10,000	10,000
140. Share premium reserve	-	-
150. Reserves	-	-
170. Profit (loss) for the year	-	-
Total liabilities and shareholders' equity	60,240	50,503

Income Statement as at 31 December 2022

Captions	2022	(in Euro) 2021
10. Interest and similar income	-	-
of which: interest income calculated using the effective interest method	-	-
30. Net Interest Income	-	-
50. Commission expense	(502)	(400)
60. Net commission income	(502)	(400)
120. Net interest and other banking income	(502)	(400)
150. Net income from financial activities	(502)	(400)
160. Administrative expenses:	(126,500)	(127,433)
a) staff costs	(27,377)	(28,805)
b) other administrative expenses	(99,123)	(98,629)
200. Other operating income/expense	131,392	128,625
210. Operating costs	4,390	791
260. Profit (Loss) from current operations before tax	4,390	791
270. Income taxes on current operations for the year	(4,390)	(791)
280. Profit (Loss) from current operations after tax	-	-
300. Profit (loss) for the year	-	-

BPER Factor s.p.a.
 Società per azioni
 Share Capital: Euro 54,590,910 fully paid in.
 Tax Code and Companies Register no. 02231420361
 Registered office in Bologna

Balance sheet as at 31 December 2022

		(in Euro)	
Assets	2022	2021	
10. Cash and cash equivalents	12,252,789	2,350,042	
30. Financial assets measured at fair value through other comprehensive income	868,673	1,627,815	
40. Financial assets measured at amortised cost	1,931,208,044	1,258,155,255	
a) loans to banks	9,060,277	1,785,358	
Loans to financial institutions	148,606,948	84,541,747	
c) loans to customers	1,773,540,819	1,171,828,150	
80. Property, plant and equipment	4,258,264	4,442,767	
90. Intangible assets	5,995,124	6,008,402	
of which			
- goodwill	5,468,739	5,468,739	
100. Tax assets	3,334,638	5,040,526	
a) current		539,068	
b) deferred	3,334,638	4,501,458	
120. Other assets	1,284,738	2,574,801	
Total assets	1,959,202,270	1,280,199,608	

		(in Euro)	
Liabilities and shareholders' equity	2022	2021	
10. Financial liabilities measured at amortised cost	1,750,792,802	1,079,179,244	
a) payables	1,750,792,802	1,079,179,244	
60. Tax liabilities	946,719	28,711	
a) current	864,777	-	
b) deferred	81,942	28,711	
80. Other liabilities	45,024,392	48,610,850	
90. Employee termination indemnities	876,017	1,034,392	
100. Provisions for risks and charges	14,117,512	16,125,322	
a) commitments and guarantees granted	48,044	29,326	
c) other provisions for risks and charges	14,069,468	16,095,996	
110. Share capital	54,590,910	54,590,910	
140. Share premium reserve	20,814,175	20,814,175	
150. Reserves	60,033,988	59,155,007	
160. Valuation reserves	(106,061)	(217,984)	
170. Profit (Loss) for the year	12,111,816	878,981	
Total liabilities and shareholders' equity	1,959,202,270	1,280,199,608	

BPER Factor s.p.a.
 Società per azioni
 Share Capital: Euro 54,590,910 fully paid in.
 Tax Code and Companies Register no. 02231420361
 Registered office in Bologna

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
10. Interest and similar income	19,940,248	11,640,095
of which: interest income calculated using the effective interest method	19,940,248	11,640,095
20. Interest and similar expense	(3,539,708)	(203,032)
30. Net Interest Income	16,400,540	11,437,063
40. Commission income	17,397,699	13,160,332
50. Commission expense	(6,238,926)	(3,820,892)
60. Net commission income	11,158,773	9,339,440
70. Dividends and similar income	-	21,887
80. Net income from trading activities	198,918	(12,970)
100. Gains (Losses) on disposal or repurchase of:	(11,400)	-
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	(11,400)	-
c) financial liabilities	-	-
110. Net income on financial assets and liabilities measured at fair value through profit or loss	-	-
a) financial assets and liabilities designated at fair value	-	-
b) other financial assets mandatorily measured at fair value	-	-
120. Net interest and other banking income	27,746,831	20,785,420
130. Net impairment losses for credit risk relating to:	390,096	(8,250,437)
a) financial assets measured at amortised cost	389,799	(8,250,337)
b) financial assets measured at fair value through other comprehensive income	297	(100)
150. Net income from financial activities	28,136,927	12,534,983
160. Administrative expenses:	(10,344,534)	(10,846,719)
a) staff costs	(6,293,805)	(7,063,607)
b) other administrative expenses	(4,050,729)	(3,783,112)
170. Net provisions for risks and charges	(205,514)	(512,294)
a) commitments and guarantees granted	(18,718)	(21,712)
b) other net provisions	(186,796)	(490,582)
180. Net adjustments to property, plant and equipment	(495,856)	(477,765)
190. Net adjustments to intangible assets	(238,771)	(278,986)
200. Other operating expense/income	1,185,157	1,376,557
210. Operating costs	(10,099,518)	(10,739,207)
230. Valuation differences on property, plant and equipment and intangible assets measured at fair value	(1,000)	(519,681)
260. Profit (Loss) from current operations before tax	18,036,409	1,276,095
270. Income taxes on current operations for the year	(5,924,593)	(397,114)
280. Profit (Loss) from current operations after tax	12,111,816	878,981
290. Profit (loss) from discontinued operations after tax	-	-
300. Profit (loss) for the year	12,111,816	878,981

SIFA' - Società Italiana Flotte Aziendali
 Società per azioni
 Share Capital: Euro 122,449 fully paid in.
 Tax Code and Companies Register no. 02269640229
 Registered office in Trento (TN)

Balance sheet as at 31 December 2022

		(in Euro)
Assets	2022	2021
B) Fixed assets, with those granted under a finance lease indicated separately:		
I. Intangible fixed assets	2,419,195	2,295,695
II. Tangible fixed assets	578,865,372	466,018,100
III. Financial fixed assets, with separate indication, for each item, of the amounts payable after the next financial year	3,235,312	-
Total fixed assets	584,519,879	468,313,796
C) Current assets:		
I. Inventories	2,195,933	1,950,774
II. Receivables, with separate indication, for each item, of the amounts payable after the next financial year:		
- payable within next financial year	59,267,315	48,708,811
- payable after next financial year		-
IV. Cash and cash equivalents	5,359	4,091,948
Total working capital	61,468,607	54,751,533
D) Accruals and deferrals	24,831,414	22,326,975
Total assets	670,819,900	545,392,304

		(in Euro)
Liabilities and shareholders' equity	2022	2021
A) Shareholders' equity:		
Capital	122,449	122,449
II. Share premium reserve	562,038	562,038
IV. Legal reserve	24,490	24,490
VI. Other reserves	13,741,931	8,329,095
VII. Reserve for expected cash flow hedge	2,458,837	-
IX. Profit (loss) for the year	9,207,185	5,412,835
Total shareholders' equity	26,116,930	14,450,907
B) other provisions for risks and charges	4,836,152	3,264,323
a) Provisions for staff severance indemnities	864,304	676,937
D) Payables, with separate indication, for each item, of the amounts payable after the next financial year:		
- payable within next financial year	290,324,826	164,602,222
- payable after next financial year	324,214,127	340,614,728
E) Accrued expenses and deferred income	24,463,561	21,783,187
Total liabilities and shareholders' equity	670,819,900	545,392,304

SIFA' - Società Italiana Flotte Aziendali
 Società per azioni
 Share Capital: Euro 122,449 fully paid in.
 Tax Code and Companies Register no. 02269640229
 Registered office in Trento (TN)

Income Statement as at 31 December 2022

Captions	(In Euro)	
	2022	2021
A) Value of production:		
1) revenues from sales and services	217,360,910	185,541,345
4) Increases for internal works	-	-
5) other income and revenues	22,287,064	17,297,608
Total value of production	239,647,974	202,838,953
B) Costs of production:		
6) costs for raw materials, ancillary materials, consumables	29,746,048	37,368,404
7) service costs	75,180,115	58,479,125
8) use of third-party assets	5,329,350	2,509,544
9) staff costs:		
a) wages and salaries	6,420,884	5,811,883
b) social security charges	1,963,084	1,775,369
a) Provisions for staff severance indemnities	452,798	351,256
e) other costs	15,885	5,787
10) Amortisation, depreciation and write-downs:		
a) amortisation of intangible fixed assets	711,172	584,775
b) depreciation of property, plant and equipment	89,075,415	74,910,656
d) write-downs of receivables recorded under current assets	2,667,147	1,912,248
11) change in inventories	(252,994)	250,265
14) other operating costs	9,490,780	8,279,900
Total costs of production	220,799,684	192,239,212
Difference between production revenues and costs (A-B)	18,848,290	10,599,741
C) Financial income and expense:		
16) Other financial income	178,055	27,134
17) interest and other financial expense	(6,576,987)	(5,370,618)
Total net operating income and expense	(6,398,932)	(5,343,484)
D) One-off income and expense:		
19) write-downs	-	-
a) of equity investments	-	-
Derivatives	-	-
Total write-downs	-	-
Profit (loss) before tax (A - B +/- C +/- D)	12,449,358	5,256,257
20) income taxes for the year	3,242,173	(156,578)
21) Profit (loss) for the year	9,207,185	5,412,835

BPER Trust Company
 Società per azioni a socio unico
 Share Capital: Euro 500,000 fully paid in.
 Tax Code and Companies Register no. 03443650365
 Registered office in Modena

Balance sheet as at 31 December 2022

		(in Euro)
Assets	2022	2021
C) Current assets:		
II. Receivables, with those granted under a finance lease indicated separately:		
- due within one year	421,000	313,325
- payable after next financial year	-	-
IV. Cash and cash equivalents	689,623	583,093
Total working capital	1,110,623	896,418
D) Accruals and deferrals, with separate indication of the discount on loans		
- prepaid expenses	1,943	1,393
Total assets	1,112,566	897,811

		(in Euro)
Liabilities and shareholders' equity	2022	2021
A) Shareholders' equity:		
Capital	500,000	500,000
IV. Legal reserve	21,075	14,404
VII. Other reserves	246,729	119,973
IX. Profit (loss) for the year	202,863	133,427
Total shareholders' equity	970,667	767,804
D) Payables, with separate indication, for each item, of the amounts payable after next financial year:		
- due within one year	141,899	130,007
- payable after next financial year	-	-
Total liabilities and shareholders' equity	1,112,566	897,811

		(in Euro)
Memorandum accounts	2022	2021
Third party assets held by the company:		
Other third party assets held by the company	68,266,115	65,208,803
Total memorandum and guarantee accounts	68,266,115	65,208,803

BPER Trust Company
 Società per azioni a socio unico
 Share Capital: Euro 500,000 fully paid in.
 Tax Code and Companies Register no. 03443650365
 Registered office in Modena

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
A) Value of production:		
1) revenues from sales and services	474,231	357,612
5) other revenue and income, with operating grants indicated separately year	31,813	7,784
Total value of production	506,044	365,396
B) Costs of production:		
7) services	217,990	177,756
8) use of third-party assets	2,405	2,342
14) other operating costs	4,599	4,478
Total costs of production	224,994	184,576
Difference between production revenues and costs (A-B)	281,050	180,820
C) Financial income and expense:		
16) Other financial income	11	9
Total net operating income and expense	11	9
Profit (loss) before tax (A - B +/- C +/- D +/- E)	281,061	180,829
20) Income tax for the year: current, deferred, prepaid	78,198	47,402
21) Profit (Loss) for the year	202,863	133,427

Italiana Valorizzazioni Immobiliari
 Società a responsabilità limitata a Socio unico
 Share Capital: Euro 2,000,000.00 fully paid in.
 Tax Code and Companies Register no. 08357920969
 Registered office in Milan

Balance sheet as at 31 December 2022

Assets	2022	(in Euro) 2021
B) Fixed assets:	3,307	4,813
I. Intangible fixed assets	-	-
II. Tangible fixed assets	3,307	4,813
III. Financial fixed assets	-	-
C) Current assets:	11,628,764	15,197,399
I. Inventories:	8,705,857	14,259,800
II. Loans and receivables:	1,309,269	542,744
IV. Cash and cash equivalents:	1,613,638	394,855
D) Accruals and deferrals	10,290	11,486
Total assets	11,642,361	15,213,698

Liabilities and shareholders' equity	2022	(in Euro) 2021
A) Shareholders' equity:	1,976,915	1,593,117
Capital	2,000,000	2,000,000
III Revaluation reserves	-	0
IV. Legal reserve	1,158	1,158
VII. Other reserves, indicated separately	2,451,218	2,469,993
VIII. Retained earnings (losses)	(2,859,257)	(2,286,738)
IX. Profit (loss) for the year	383,796	(591,295)
Debts	9,665,446	13,620,581
a) within the next financial year	3,308,724	4,218,090
b) after the next financial year	6,356,722	9,402,491
- payable within next financial year	-	-
E) Accrued expenses and deferred income	-	-
Total liabilities and shareholders' equity	11,642,361	15,213,698

Italiana Valorizzazioni Immobiliari
 Società a responsabilità limitata a Socio unico
 Share Capital: Euro 2,000,000.00 fully paid in.
 Tax Code and Companies Register no. 08357920969
 Registered office in Milan

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
A) Value of production:		
1) revenues from sales and services	7,402,251	5,201,565
2) changes in inventories of work in progress	(5,553,943)	(3,104,444)
5) other income and revenues	28,401	6,700
A) Total value of production	1,876,709	2,103,822
B) Costs of production:		
6) raw materials, ancillary materials, consumables and commodities	-	1,371
7) for services	1,170,142	2,579,854
8) use of third-party assets	11,960	4,524
10) Amortisation, depreciation and write-downs	1,506	2,967
a) amortisation of intangible fixed assets	-	-
b) depreciation of property, plant and equipment	1,506	2,967
12) provisions for risks	-	-
14) other operating expense	82,674	51,322
B) Total cost of production	1,266,282	2,640,039
Difference between production revenues and costs (A-B)	610,427	(536,218)
C) Financial income and expense:		
16) Other financial income	-	3
d) Other income	-	3
3) in parent companies	-	2
4) Other	-	1
17) interest and other financial expense	(212,933)	(44,951)
c) parent companies	(212,933)	(44,951)
d) other	-	-
C) Total net operating income and expense	(212,933)	(44,948)
Profit (loss) before tax (A - B +/- C +/- D +/- E)	397,494	(581,166)
22) income taxes for the year	(13,698)	(10,129)
23) Profit (loss) for the year	383,796	(591,295)

Adras
 Società per azioni a socio unico
 Share capital: resolved - subscribed - paid-in for Euro 1,954,535.00
 Tax Code and Companies Register no. 02052820905
 Registered office in Milan

Balance sheet as at 31 December 2022

Assets	2022	(in Euro) 2021
B) Fixed assets:	28,092,418	28,654,028
I. Intangible fixed assets	1,171	1,289
II. Tangible fixed assets	27,696,127	28,242,291
III. Financial fixed assets	395,119	410,448
C) Current assets:	1,853,578	900,600
I. Inventories:		
II. Loans and receivables:	621,245	305,239
a) within the next financial year	620,179	292,964
b) after the next financial year	1,066	12,275
- payable after 12 months	-	-
IV. Cash and cash equivalents:	1,232,333	595,361
D) Accruals and deferrals	3,630	3,495
Total assets	29,949,626	29,558,124

Liabilities and shareholders' equity	2022	(in Euro) 2021
A) Shareholders' equity:	3,088,115	2,914,601
Capital	1,954,535	1,954,535
III. Revaluation reserve	-	-
IV. Legal reserve	42,470	-
VII. Other reserves, indicated separately	19,000,000	19,000,000
VIII. Losses carried forward	(18,082,404)	(18,889,343)
IX. Profit (loss) for the year	173,515	849,409
B) Provisions for risks and charges	274,966	543,741
a) Provisions for staff severance indemnities	12,212	14,748
Debts	26,565,259	26,075,196
a) due within the next financial year	329,829	346,773
b) due after the next financial year	26,235,429	25,728,423
E) Accrued expenses and deferred income	9,074	9,838
Total liabilities and shareholders' equity	29,949,626	29,558,124

Adras

Società per azioni a socio unico

Share capital: resolved - subscribed - paid-in for Euro 1,954,535.00

Tax Code and Companies Register no. 02052820905

Registered office in Milan

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
A) Value of production:		
1) revenues from sales and services	2,613,328	2,316,456
2) change in inventories	-	-
5) other income and revenues	1,158,956	1,901,706
c) contributions during the year	1,777	1,053
b) other	1,157,179	1,900,653
Total value of production	3,772,284	4,218,161
B) Costs of production:		
6) raw materials, ancillary materials, consumables and commodities	-	-
7) services	1,433,988	1,262,117
8) Use of third-party assets	13,353	7,237
9) staff costs	64,879	74,279
a) wages and salaries	49,310	57,012
b) social security charges	10,018	12,621
- Employee termination indemnities (Severance pay)	5,451	4,546
d) pension and similar obligations	-	-
e) other costs	100	100
10) Amortisation, depreciation and write-downs	1,113,744	1,019,882
a) Amortisation of intangible fixed assets	117	117
b) Depreciation of property, plant and equipment	1,006,487	972,722
c) Other write-downs of fixed assets	-	-
d) Write-down of receivables included in current assets and of cash and cash equivalents	107,139	47,043
12) provisions for risks	26,186	49,499
13) other provisions	-	-
14) other operating expense	433,473	420,317
B) Total cost of production	3,085,623	2,833,330
Difference between production revenues and costs (A-B)	686,661	1,384,831
C) Financial income and expense:		
16) Other financial income	-	2
d) From receivables recorded under fixed assets	-	-
2) in associated companies	-	-
d) Other income	-	2
4) Other	-	2
17) interest and other financial expense	(485,421)	(500,987)
b) in associated companies	(210,704)	(217,021)
c) in parent companies	(274,662)	(283,936)
d) other	(55)	(30)
Total between financial income and expense (15+16+17+17-bis)	(485,421)	(500,985)
D) Value adjustments of financial assets		
18) revaluations	-	-
19) write-downs	(15,330)	(29,070)
a) of equity investments	(15,330)	(29,070)
D) Total value adjustments of financial assets (18-19)	(15,330)	(29,070)
Profit (loss) before tax (A - B +/- C +/- D +/- E)	185,911	854,777
22) income taxes for the year		
a) current tax	(12,396)	(5,368)
b) direct taxes of previous years	-	-
23) Profit (loss) for the year	173,515	849,409

Balance sheet as at 31 December 2022

		(in Euro)
Assets	2022	2021
10. Cash and cash equivalents	103,814,807	131,511,777
20. Financial assets measured at fair value through profit or loss	212,843,298	144,366,270
c) other financial assets mandatorily measured at fair value	212,843,298	144,366,270
40. Financial assets measured at amortised cost	89,433,565	113,472,421
80. Property, plant and equipment	18,902,139	18,178,576
90. Intangible assets	119,257,168	120,412,940
of which		
- goodwill	113,620,017	113,620,017
100. Tax assets	31,787,720	34,846,154
a) current	1,990,828	1,288,027
b) deferred	29,796,892	33,558,127
120. Other assets	13,332,231	5,183,308
Total assets	589,370,928	567,971,446

		(in Euro)
Liabilities and shareholders' equity	2022	2021
10. Financial liabilities measured at amortised cost	57,883,484	64,793,932
a) payables	57,883,484	64,793,932
60. Tax liabilities	1,860,399	3,051,362
a) current	29,235	1,585,675
b) deferred	1,831,164	1,465,687
80. Other liabilities	25,449,365	34,570,989
90. Employee termination indemnities	445,682	463,586
100. Provisions for risks and charges	1,515,648	3,855,624
b) pension and similar obligations	821,109	511,085
c) other provisions for risks and charges	694,539	3,344,539
110. Share capital	50,000,000	50,000,000
140. Share premium reserve		-
150. Reserves	392,738,579	329,097,428
160. Valuation reserves	4,385,646	3,497,373
170. Profit (Loss) for the year	55,092,125	78,641,152
Total liabilities and shareholders' equity	589,370,928	567,971,446

Income Statement as at 31 December 2022

	(in Euro)	
	2022	2021
10. Commission income	374,046,699	393,436,380
20. Commission expense	(226,920,522)	(227,975,050)
30. Net commission income	147,126,177	165,461,330
50. Interest and similar income	130,718	33,844
60. Interest and similar expense	(817,955)	(227,921)
Net income on financial assets and liabilities		
100. measured at fair value through profit or loss	(11,522,972)	810,024
<i>b) other financial assets mandatorily measured at fair value</i>	(11,522,972)	810,024
110. Net interest and other banking income	134,915,968	166,077,277
130. Net income from financial activities	134,915,968	166,077,277
140. Administrative expenses:	(57,408,948)	(55,541,573)
a) staff costs	(21,139,698)	(20,591,243)
b) other administrative expenses	(36,269,250)	(34,950,330)
150. Net provisions for risks and charges	1,970,000	-
160. Net adjustments to property, plant and equipment	(1,121,629)	(1,354,144)
170. Net adjustments to intangible assets	(1,155,773)	(1,231,681)
180. Other operating income/expense	1,727,907	(562,099)
190. Operating costs	(55,988,443)	(58,689,497)
210. Valuation differences on property, plant and equipment and intangible assets measured at fair value	45,917	(45,917)
240. Profit (Loss) from current operations before tax	78,973,442	107,341,863
250. Income taxes on current operations for the year	(23,881,317)	(28,700,711)
260. Profit (Loss) from current operations after tax	55,092,125	78,641,152
290. Profit (loss) from discontinued operations after tax	-	-
280. Profit (loss) for the year	55,092,125	78,641,152

Arca Holding s.p.a.
 Società per Azioni
 Share Capital: Euro 50,000,000 fully paid in.
 Tax Code and Companies Register no. 07155680155
 Registered office in Milan, via Disciplini 3.

Balance sheet as at 31 December 2022

Assets	(In Euro)	
	2022	2021
10. Cash and cash equivalents	23,978,025	40,398,769
20. Financial assets measured at fair value through profit or loss	30,059,056	-
c) other financial assets mandatorily measured at fair value	30,059,056	-
70. Equity investments	174,443,483	174,443,483
100. Tax assets	24,051,210	26,916,922
a) current	6,000	213,980
b) deferred	24,045,210	26,702,942
120. Other assets	1,454,821	2,145,135
Total assets	253,986,595	243,904,309

Liabilities and shareholders' equity	(In Euro)	
	2022	2021
60. Tax liabilities	29,235	-
a) current	29,235	-
80. Other liabilities	131,246	146,246
100. Provisions for risks and charges	44,539	44,539
c) other provisions for risks and charges	44,539	44,539
110. Share capital	50,000,000	50,000,000
150. Reserves	178,713,524	175,342,212
170. Profit (Loss) for the year	25,068,051	18,371,312
Total liabilities and shareholders' equity	253,986,595	243,904,309

Income Statement as at 31 December 2022

Captions	(In Euro)	
	2022	2021
40. Dividends and similar income	27,500,000	20,000,000
50. Interest and similar income	118	33,093
60. Interest and similar expense	(32,690)	-
Net income on financial assets and liabilities measured at fair value through profit or loss	59,056	-
b) other financial assets mandatorily measured at fair value	59,056	-
110. Net interest and other banking income	27,526,484	20,033,093
130. Net income from financial activities	27,526,484	20,033,093
140. Administrative expenses:	(2,154,106)	(1,939,875)
a) staff costs	(1,738,249)	(1,646,416)
b) other administrative expenses	(415,857)	(293,459)
180. Other operating income/expense	(1,430)	(109,237)
190. Operating costs	(2,155,536)	(2,049,112)
240. Profit (Loss) from current operations before tax	25,370,948	17,983,981
250. Income taxes on current operations for the year	(302,897)	387,331
260. Profit (Loss) from current operations after tax	25,068,051	18,371,312
280. Profit (loss) for the year	25,068,051	18,371,312

Arca Fondi SGR s.p.a.
 Società per Azioni
 Share Capital: Euro 50,000,000 fully paid in.
 Tax Code and Companies Register no. 09164960966
 Registered office in Milan, via Disciplini 3.

Balance sheet as at 31 December 2022

Assets	2022	(in Euro) 2021
10. Cash and cash equivalents	79,836,782	91,113,008
20. Financial assets measured at fair value through profit or loss	182,784,242	144,366,270
c) other financial assets mandatorily measured at fair value	182,784,242	144,366,270
40. Financial assets measured at amortised cost	89,433,565	113,472,421
80. Property, plant and equipment	18,902,139	18,178,576
90. Intangible assets	119,257,168	120,412,940
of which		
- goodwill	113,620,017	113,620,017
100. Tax assets	7,736,510	7,929,233
a) current	1,984,828	1,074,047
b) deferred	5,751,682	6,855,186
120. Other assets	11,909,287	3,129,885
Total assets	509,859,693	498,602,333

Liabilities and shareholders' equity	2022	(in Euro) 2021
10. Financial liabilities measured at amortised cost	57,883,484	64,793,932
a) payables	57,883,484	64,793,932
60. Tax liabilities	1,831,164	3,051,362
a) current	-	1,585,675
b) deferred	1,831,164	1,465,687
80. Other liabilities	25,349,996	34,516,457
90. Employee termination indemnities	445,682	463,586
100. Provisions for risks and charges	1,471,109	3,811,085
b) pension and similar obligations	821,109	511,085
c) other provisions for risks and charges	650,000	3,300,000
110. Share capital	50,000,000	50,000,000
140. Share premium reserve	124,408,896	124,408,896
150. Reserves	186,559,642	133,789,803
160. Valuation reserves	4,385,646	3,497,373
170. Profit (Loss) for the year	57,524,074	80,269,839
Total liabilities and shareholders' equity	509,859,693	498,602,333

Arca Fondi SGR s.p.a.
 Società per Azioni
 Share Capital: Euro 50,000,000 fully paid in.
 Tax Code and Companies Register no. 09164960966
 Registered office in Milan, via Disciplini 3.

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
10. Commission income	374,046,699	393,436,380
20. Commission expense	(226,920,522)	(227,975,050)
30. Net commission income	147,126,177	165,461,330
50. Interest and similar income	130,600	751
60. Interest and similar expense	(785,265)	(227,921)
Net income on financial assets and liabilities		
100. measured at fair value through profit or loss	(11,582,028)	810,024
b) other financial assets mandatorily measured at fair value	(11,582,028)	810,024
110. Net interest and other banking income	134,889,484	166,044,184
130. Net income from financial activities	134,889,484	166,044,184
140. Administrative expenses:	(55,273,842)	(53,620,698)
a) staff costs	(19,401,449)	(18,944,827)
b) other administrative expenses	(35,872,393)	(34,675,871)
150. Net provisions for risks and charges	1,970,000	-
160. Net adjustments to property, plant and equipment	(1,121,629)	(1,354,144)
170. Net adjustments to intangible assets	(1,155,773)	(1,231,681)
180. Other operating income/expense	1,748,337	(433,863)
190. Operating costs	(53,832,907)	(56,640,386)
210. Valuation differences on property, plant and equipment and intangible assets measured at fair value	45,917	(45,917)
240. Profit (Loss) from current operations before tax	81,102,494	109,357,881
250. Income taxes on current operations for the year	(23,578,420)	(29,088,042)
260. Profit (Loss) from current operations after tax	57,524,074	80,269,839
290. Profit (loss) from discontinued operations after tax	-	-
280. Profit (loss) for the year	57,524,074	80,269,839

Finitalia s.p.a.
 Società per Azioni
 Share Capital: Euro 15,376,285 fully paid in.
 Tax Code and Companies Register no. 01495490151
 Registered office in Milan

Balance sheet as at 31 December 2022

		(in Euro)	
Assets		2022	2021
10.	Cash and cash equivalents	227,329	208,898
40.	Financial assets measured at amortised cost	641,650,159	605,163,557
	a) loans to banks	173,292	61,613
	Loans to financial institutions	11,696,238	9,362,167
	c) loans to customers	629,780,629	595,739,777
80.	Property, plant and equipment	3,676,692	4,141,533
100.	Tax assets	7,652,305	8,491,262
	a) current	186,883	7,152
	b) deferred	7,465,422	8,484,110
120.	Other assets	9,542,910	8,702,918
Total assets		662,749,395	626,708,168

		(in Euro)	
Liabilities and shareholders' equity		2022	2021
10.	Financial liabilities measured at amortised cost	582,545,952	552,524,051
	a) payables	582,545,952	552,524,051
60.	Tax liabilities	74,321	165,491
	a) current	-	101,988
	b) deferred	74,321	63,503
80.	Other liabilities	16,661,587	12,667,687
90.	Employee termination indemnities	364,992	444,828
100.	Provisions for risks and charges	396,545	432,715
	c) other provisions for risks and charges	396,545	432,715
110.	Share capital	15,376,285	15,376,285
140.	Share premium reserve	258,228	258,228
150.	Reserves	39,635,811	37,278,984
160.	Valuation reserves	(194,467)	(240,132)
170.	Profit (Loss) for the year	7,630,141	7,800,031
Total liabilities and shareholders' equity		662,749,395	626,708,168

Finitalia s.p.a.
 Società per Azioni
 Share Capital: Euro 15,376,285 fully paid in.
 Tax Code and Companies Register no. 01495490151
 Registered office in Milan

Income Statement as at 31 December 2022

Captions	2022	(in Euro)
		2021
10. Interest and similar income	42,177,495	39,319,989
of which: interest income calculated using the effective interest method	41,789,205	38,907,588
20. Interest and similar expense	(23,051,663)	(20,334,239)
30. Net interest income	19,125,832	18,985,750
40. Commission income	25,215,002	24,301,537
50. Commission expense	(11,445,411)	(11,505,907)
60. Net commission income	13,769,591	12,795,630
70. Dividends and similar income	-	-
110. Net income on financial assets and liabilities measured at fair value through profit or loss	-	-
b) other financial assets mandatorily measured at fair value	-	-
120. Net interest and other banking income	32,895,423	31,781,380
130. Net impairment losses for credit risk relating to:	(5,629,320)	(4,711,668)
a) financial assets measured at amortised cost	(5,629,320)	(4,711,668)
150. Net income from financial activities	27,266,103	27,069,712
160. Administrative expenses:	(19,260,109)	(18,983,097)
a) staff costs	(7,701,861)	(7,506,930)
b) other administrative expenses	(11,558,248)	(11,476,167)
180. Net adjustments to property, plant and equipment	(700,185)	(670,374)
200. Other operating expense/income	4,096,370	4,052,495
210. Operating costs	(15,916,183)	(15,600,976)
260. Profit (Loss) from current operations before tax	11,349,920	11,468,736
270. Income taxes on current operations for the year	(3,719,779)	(3,668,705)
280. Profit (Loss) from current operations after tax	7,630,141	7,800,031
300. Profit (loss) for the year	7,630,141	7,800,031

Banca Cesare Ponti
 Società per azioni
 Share Capital: Euro 14,000,000.00 fully paid in.
 Tax Code and Companies Register no. 07051880966
 Registered office in Milan, Piazza Duomo 19
 Administrative headquarters and General Management in Milan, Piazza Duomo 19

Balance sheet as at 31 December 2022

		(in Euro)
	2022	2021
Assets		
10. Cash and cash equivalents	122,393,103	77,645,108
20. Financial assets measured at fair value through profit or loss	101,480,949	2,819,637
a) financial assets held for trading	13,714,956	419,795
b) financial assets designated at fair value	87,765,993	2,387,379
c) other financial assets mandatorily measured at fair value	-	12,463
30. Financial assets measured at fair value through other comprehensive income	38,700	43,009
40. Financial assets measured at amortised cost	125,731,141	179,161,188
a) loans to banks	43,196,253	86,638,722
b) loans to customers	82,534,888	92,522,466
50. Hedging derivatives	-	-
70. Equity investments	-	-
80. Property, plant and equipment	3,458,703	4,213,633
90. Intangible assets	-	5,048,068
of which		
- goodwill	-	-
100. Tax assets	1,422,789	6,453,079
a) current	23,289	3,544,728
b) deferred	1,399,500	2,908,351
110. Non-current assets and disposal groups classified as held for sale	2,902,370	2,986,550
120. Other assets	13,089,674	5,453,252
Total assets	370,517,429	283,823,524

	2022	2021
Liabilities and shareholders' equity		
10. Financial liabilities measured at amortised cost	211,387,907	221,146,137
a) due to banks	18,292,681	47,173,954
b) due to customers	186,530,315	167,406,956
c) debt securities issued	6,564,911	6,565,227
20. Financial liabilities held for trading	1,164,883	177,407
30. Financial liabilities designated at fair value	96,286,071	2,519,620
40. Hedging derivatives	14,203,610	25,538,968
50. Change in value of macro-hedged financial liabilities (+/-)		
60. Tax liabilities	790,857	253,319
a) current	585,329	35,886
b) deferred	205,528	217,433
70. Liabilities associated with assets classified as held for sale		
80. Other liabilities	15,074,727	7,477,761
90. Employee termination indemnities	323,835	373,457
100. Provisions for risks and charges	589,821	692,183
a) commitments and guarantees granted	4,815	299
b) pension and similar obligations	-	-
c) other provisions for risks and charges	585,006	691,884
110. Valuation reserves	(66,414)	(91,164)
140. Reserves	5,347,041	54,110
150. Share premium reserve	6,388,794	6,388,794
160. Share capital	14,000,000	14,000,000
180. Profit (Loss) for the year (+/-)	5,026,297	5,292,932
Total liabilities and shareholders' equity	370,517,429	283,823,524

Banca Cesare Ponti
 Società per azioni
 Share Capital: Euro 14,000,000.00 fully paid in.
 Tax Code and Companies Register no. 07051880966
 Registered office in Milan, Piazza Duomo 19
 Administrative headquarters and General Management in Milan, Piazza Duomo 19

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
10. Interest and similar income	5,209,038	2,218,103
of which: interest income calculated using the effective interest method	3,199,654	2,660,435
20. Interest and similar expense	(855,542)	(513,327)
30. Net Interest Income	4,353,496	1,704,776
40. Commission income	8,898,846	9,015,013
50. Commission expense	(5,423,655)	(2,487,638)
60. Net commission income	3,475,191	6,527,375
70. Dividends and similar income		
80. Net income from trading activities	(277,923)	658,450
90. Net income from hedging activities	705,977	(562,254)
100. Gains (Losses) on disposal or repurchase of:	(8,368)	(91)
a) financial assets measured at amortised cost	(8,368)	(91)
b) financial assets measured at fair value through other comprehensive income	-	-
c) financial liabilities	-	-
110. Net income on other financial assets and liabilities measured at fair value through profit or loss	4,456,251	23,451
a) financial assets and liabilities designated at fair value	4,468,714	-
b) other financial assets mandatorily measured at fair value	(12,463)	23,451
120. Net interest and other banking income	12,704,624	8,351,707
130. Net impairment losses for credit risk relating to:	(36,357)	140,640
a) financial assets measured at amortised cost	(36,345)	140,640
b) financial assets measured at fair value through other comprehensive income	(12)	-
140. Gains (Losses) from contractual modifications without derecognition	10,882	2,174
150. Net income from financial activities	12,679,149	8,494,521
160. Administrative expenses:	(8,926,766)	(8,654,708)
a) staff costs	(3,798,994)	(4,031,246)
b) other administrative expenses	(5,127,772)	(4,623,462)
170. Net provisions for risks and charges	(26,534)	(163,011)
a) commitments and guarantees granted	(4,516)	(11)
b) other net provisions	(22,018)	(163,000)
180. Net adjustments to property, plant and equipment	(1,175,208)	(1,124,145)
190. Net adjustments to intangible assets	(1,119,901)	(824,431)
200. Other operating expense/income	5,816,338	8,133,585
210. Operating costs	(5,432,071)	(2,632,710)
230. Valuation differences on property, plant and equipment and intangible assets measured at fair value	-	-
250. Gains (losses) on disposal of investments	-	1,279,208
260. Profit (Loss) from current operations before tax	7,247,078	7,141,019
270. Income taxes on current operations for the year	(2,220,781)	(1,848,087)
280. Profit (Loss) from current operations after tax	5,026,297	5,292,932
300. Profit (loss) for the year	5,026,297	5,292,932

Carige REOCO

Società per azioni

Share Capital: Euro 8,326,160.00 fully paid in.

Tax Code and Companies Register no. 02484190992

Registered office in Genoa

Administrative headquarters and General Management - Via Cassa di Risparmio 15, Genoa

Balance sheet as at 31 December 2022

	(in Euro)	
	2022	2021
Assets		
B) FIXED ASSETS		
I - Intangible assets		
1) Start-up and expansion costs	4,699	8,028
3) Industrial patent and intellectual property rights	-	12,541
Total intangible fixed assets	4,699	20,569
II - Materials		
1) Land and buildings	4,759,292	-
4) Other assets	48,256	61,468
Total property, plant and equipment	4,807,548	61,468
III - Financial		
1) Equity investments in		
a) Subsidiaries	1,007,283	1,097,694
Total equity investments	1,007,283	1,097,694
Total financial fixed assets	1,007,283	1,097,694
TOTAL FIXED ASSETS (B)	5,819,530	1,179,731
C) CURRENT ASSETS		
I - Inventories		
2) Work in progress and semi-finished products	33,414,585	51,321,404
4) Finished products and goods for resale	57,991,358	71,975,993
Total inventories	91,405,943	123,297,397
II - Loans		
1) From customers		
- payable within next financial year	92,969	96,456
Total loans to customers	92,969	96,456
2) from subsidiaries		
- payable within next financial year	10,000	-
Total receivables from subsidiaries	10,000	-
4) Due from parent companies		
- payable within next financial year	106,716	245,704
Total receivables from parent companies	106,716	245,704
5bis) Tax receivables		
- payable within next financial year	3,033,655	3,596,939
Total tax credits	3,033,655	3,596,939
5quater) Due from others		
- payable within next financial year	51,215	54,374
Total loans: other	51,215	54,374
Total loans	3,294,555	3,993,473
IV - Cash and cash equivalents		
1) Bank and postal deposits	18,106,588	5,273,089
3) Cash on hand	223	506
Total cash and cash equivalents	18,106,811	5,273,595
TOTAL CURRENT ASSETS (C)	112,807,309	132,564,465
D) ACCRUED INCOME AND PREPAID EXPENSES	60,439	25,312
Total assets	118,687,278	133,769,508

Carige REOCO
 Società per azioni
 Share Capital: Euro 8,326,160.00 fully paid in.
 Tax Code and Companies Register no. 02484190992
 Registered office in Genoa
 Administrative headquarters and General Management - Via Cassa di Risparmio 15, Genoa

Liabilities and shareholders' equity	2022	2021
A) SHAREHOLDERS' EQUITY		
I - Capital	8,326,160	8,326,160
II - Share premium reserve	6,300,000	6,300,000
VI - Other reserves, indicated separately	16,000,000	-
8) Payments to cover losses	16,000,000	-
VIII - Retained earnings (losses carried forward)	(2,991,733)	-
IX - Profit (loss) for the year	(18,593,679)	(2,991,733)
TOTAL SHAREHOLDERS' EQUITY (A)	9,040,748	11,634,427
B) PROVISIONS FOR RISKS AND CHARGES		
4) Other	2,826,970	2,857,914
- payable within next financial year	2,826,970	2,857,914
TOTAL PROVISIONS FOR RISK AND CHARGES (B)	2,826,970	2,857,914
D) LIABILITIES		
6) Advances		
- payable within next financial year	477,581	711,359
Advances	477,581	711,359
7) Due to suppliers		
- payable within next financial year	806,108	871,085
Total due to suppliers	806,108	871,085
11) Due to Parent Companies		
- payable within next financial year	1,231,526	1,026,875
- payable after next financial year	103,952,049	116,638,835
Total due to Parent Companies	105,183,575	117,665,710
12) Tax liabilities		
- payable within next financial year	328,106	26,376
Total tax payables	328,106	26,376
13) Payables due to pension and social security institutions		
- payable within next financial year	643	1,157
Total payables due to pension and social security institutions	643	1,157
14) Other liabilities		
- payable within next financial year	9,222	1,480
Total other liabilities	9,222	1,480
TOTAL PAYABLES (D)	106,805,235	119,277,167
E) ACCRUED INCOME AND PREPAID EXPENSES	14,325	-
Total liabilities and shareholders' equity	118,687,278	133,769,508

Carige REOCO

Società per azioni

Share Capital: Euro 8,326,160.00 fully paid in.

Tax Code and Companies Register no. 02484190992

Registered office in Genoa

Administrative headquarters and General Management - Via Cassa di Risparmio 15, Genoa

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
A) VALUE OF PRODUCTION		
1) Revenues from sales and services	16,917,651	14,026,474
2) change in inventories of work in progress, semi-finished and finished products	(27,132,163)	(11,375,593)
5) Other revenue and income relating to:	573,512	583,166
- Core business	560,612	489,589
- Extraordinary operations	12,900	93,577
TOTAL VALUE OF PRODUCTION (A)	(9,641,000)	3,234,047
B) COSTS OF PRODUCTION		
6) raw materials, ancillary materials, consumables and commodities	(4,420,256)	(3,002,070)
7) services	(1,411,975)	(1,326,983)
8) use of third-party assets	(34,890)	(34,444)
10) Amortisation, depreciation and write-downs	(44,263)	(53,408)
a) Amortisation of intangible fixed assets	(15,869)	(16,767)
b) Depreciation of property, plant and equipment	(9,507)	(5,548)
c) Other write-downs of fixed assets	(3,910)	-
d) Write-downs of receivables included in current assets and cash and cash equivalents	(14,977)	(31,093)
12) Provisions for risks	3,144	-
14) Other operating costs relating to:	(847,521)	(706,076)
- Core business	(844,791)	(700,819)
- Extraordinary operations	(2,730)	(5,257)
TOTAL COST OF PRODUCTION (B)	(6,755,761)	(5,122,981)
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	(16,396,761)	(1,888,934)
16) Other financial income:		
d) Other income		
3) from parent companies	759	130
Total other financial income	759	130
17) Interest and other financial expense		
c) to parent companies	(926,069)	(985,493)
Total interest and other financial expense	(926,069)	(985,493)
TOTAL FINANCIAL INCOME AND EXPENSE (15 + 16 - 17 +/- 17bis)	(925,310)	(985,363)
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES		
Write-downs		
a) of equity investments	(1,272,569)	(102,310)
Total write-downs	(1,272,569)	(102,310)
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND FINANCIAL LIABILITIES (D)	(1,272,569)	(102,310)
PROFIT (LOSS) BEFORE TAX (A - B +/- C +/- D)	(18,594,640)	(2,976,607)
a) Current tax	-	164,193
b) taxes relating to previous years	961	(179,319)
21) Profit (loss) for the year	(18,593,679)	(2,991,733)

Carige Covered Bond Srl
 Società a responsabilità limitata
 Share Capital: Euro 10,000.00 fully paid in.
 Tax Code and Companies Register no. 05887770963
 Registered Office in Via Cassa di Risparmio 15, Genoa

Balance sheet as at 31 December 2022

		(in Euro)
	2022	2021
Assets		
10. Cash and cash equivalents	88,120	10,002
100. Tax assets	1,187	1
a) current	1,187	1
120. Other assets	-	10,838
Total assets	89,307	20,841
Liabilities and shareholders' equity	2022	2021
80. Other liabilities	79,307	10,841
160. Share capital	10,000	10,000
Total liabilities and shareholders' equity	89,307	20,841

Income Statement as at 31 December 2022

		(in Euro)
	2022	2021
Captions		
10. Interest and similar income	4,560	-
30. Net Interest Income	4,560	-
50. Commission expense	(6)	-
60. Net commission income	(6)	-
120. Net interest and other banking income	4,554	-
150. Net income from financial activities	4,554	-
160. Administrative expenses:	(72,527)	(57,932)
a) staff costs	(20,500)	(17,092)
b) other administrative expenses	(52,027)	(40,840)
200. Other operating expense/income	67,973	57,932
210. Operating costs	(4,554)	-
260. Profit (Loss) from current operations before tax	-	-
270. Income taxes on current operations for the year	-	-
280. Profit (Loss) from current operations after tax	-	-
300. Profit (loss) for the year	-	-

Carige Covered Bond 2 Srl in Liquidation
 Società a responsabilità limitata
 Share Capital: Euro 10,000.00 fully paid in.
 Tax Code and Companies Register no. 02074520996
 Registered Office in Via Cassa di Risparmio 15, Genoa

Balance sheet as at 31 December 2022

		(in Euro)
	2022	2021
Assets		
10. Cash and cash equivalents	99,315	10,001
a) current	1	1
120. Other assets	-	9,937
Total assets	99,316	19,939
	2022	2021
Liabilities and shareholders' equity		
80. Other liabilities	89,316	9,939
160. Share capital	10,000	10,000
180. Profit (Loss) for the year (+/-)	-	-
Total liabilities and shareholders' equity	99,316	19,939

Income Statement as at 31 December 2022

		(in Euro)
	2022	2021
Captions		
50. Commission expense	(43)	-
60. Net commission income	(43)	-
120. Net interest and other banking income	(43)	-
150. Net income from financial activities	(43)	-
160. Administrative expenses:	(48,653)	(43,105)
a) staff costs	(21,542)	(15,307)
b) other administrative expenses	(27,111)	(27,798)
200. Other operating expense/income	48,696	43,105
210. Operating costs	43	-
260. Profit (Loss) from current operations before tax	-	-
280. Profit (Loss) from current operations after tax	-	-
300. Profit (loss) for the year	-	-

Argo Mortgage 2 Srl in liquidation
 Società a responsabilità limitata IN LIQUIDATION
 Share Capital: Euro 10,000.00 fully paid in.
 Tax Code and Companies Register no. 01468350994
 Registered office in Genoa

Balance sheet as at 31 December 2022

		(in Euro)
	2022	2021
Assets		
10. Cash and cash equivalents	68,109	11,181
100. Tax assets	1,227,174	10
a) current	1,227,174	10
120. Other assets	-	8,334
Total assets	1,295,283	19,525
Liabilities and shareholders' equity	2022	2021
80. Other liabilities	1,316,407	9,525
100. Provisions for risks and charges	17,539	-
c) other provisions for risks and charges	17,539	-
160. Share capital	10,000	10,000
180. Profit (Loss) for the year (+/-)	(48,663)	-
Total liabilities and shareholders' equity	1,295,283	19,525

Income Statement as at 31 December 2022

		(in Euro)
	2022	2021
Captions		
10. Interest and similar income	196	1
30. Net Interest Income	196	1
50. Commission expense	(98)	(25)
60. Net commission income	(98)	(25)
120. Net interest and other banking income	98	(24)
150. Net income from financial activities	98	(24)
160. Administrative expenses:	(37,525)	(41,301)
a) staff costs	(16,513)	(13,975)
b) other administrative expenses	(21,012)	(27,326)
170. Net provisions for risks and charges	(17,539)	-
b) other net provisions	(17,539)	-
200. Other operating expense/income	6,303	41,325
210. Operating costs	(48,761)	24
260. Profit (Loss) from current operations before tax	(48,663)	-
280. Profit (Loss) from current operations after tax	(48,663)	-
300. Profit (loss) for the year	(48,663)	-

Lanterna Finance s.r.l.
 Società a responsabilità limitata
 Share Capital: Euro 10,000.00 fully paid in.
 Tax Code and Companies Register no. 08703420961
 Registered office in Genoa

Balance sheet as at 31 December 2022

		(in Euro)
	2022	2021
Assets		
10. Cash and cash equivalents	66,441	10,000
120. Other assets	27,794	14,089
Total assets	94,235	24,089
Liabilities and shareholders' equity	2022	2021
80. Other liabilities	84,235	14,089
160. Share capital	10,000	10,000
Total liabilities and shareholders' equity	94,235	24,089

Income Statement as at 31 December 2022

		(in Euro)
	2022	2021
Captions		
50. Commission expense	(171)	-
60. Net commission income	(171)	-
120. Net interest and other banking income	(171)	-
150. Net income from financial activities	(171)	-
160. Administrative expenses:	(65,664)	(69,880)
a) staff costs	(17,382)	(13,975)
b) other administrative expenses	(48,282)	(55,905)
200. Other operating expense/income	65,835	69,880
210. Operating costs	171	-
260. Profit (Loss) from current operations before tax	-	-
270. Income taxes on current operations for the year	-	-
280. Profit (Loss) from current operations after tax	-	-
300. Profit (loss) for the year	-	-

Lanterna Lease Srl in liquidation
 Società a responsabilità limitata IN LIQUIDATION
 Share Capital: Euro 10,000.00 fully paid in.
 Tax Code and Companies Register no. 09342930964
 Registered office in Genoa

Balance sheet as at 31 December 2022

		(in Euro)
	2022	2021
Assets		
C) CURRENT ASSETS		
II. Loans		
5) from others		
- receivables from securitised assets	-	11,352
Total loans	-	11,352
IV. Cash and cash equivalents		
1) bank and postal deposits;	54,209	9,725
Total cash and cash equivalents	54,209	9,725
TOTAL CURRENT ASSETS (C)	54,209	21,077
TOTAL CURRENT ASSETS (A+B+C+D)	54,209	21,077
LIABILITIES	2022	2021
A) SHAREHOLDERS' EQUITY:		
I. Share capital	10,000	10,000
IX. Profit (Loss) for the year	-	-
TOTAL SHAREHOLDERS' EQUITY (A)	10,000	10,000
B) PROVISIONS FOR RISKS AND CHARGES		
3) other provisions	-	-
TOTAL PROVISIONS FOR RISK AND CHARGES (B)	-	-
D) DEBTS		
7) due to suppliers;	-	10,089
12) tax liabilities;	616	723
13) due to social security institutions;	240	240
14) other liabilities	43,353	25
- sundry payables	43,353	25
TOTAL PAYABLES (D)	44,209	11,077
TOTAL LIABILITIES (A+B+C+D+E)	54,209	21,077

Lanterna Lease Srl in liquidation
 Società a responsabilità limitata IN LIQUIDATION
 Share Capital: Euro 10,000.00 fully paid in.
 Tax Code and Companies Register no. 09342930964
 Registered office in Genoa

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
A) VALUE OF PRODUCTION:		
5) other revenue and income, with operating grants indicated separately	38,406	39,032
TOTAL VALUE OF PRODUCTION (A)	38,406	39,032
B) COSTS OF PRODUCTION:		
7) service costs;	34,278	34,270
9) staff costs;	3,698	4,332
a) wages and salaries;	3,538	4,172
b) social security charges;	160	160
14) other operating costs.	430	430
TOTAL COST OF PRODUCTION (B)	38,406	39,032
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	-	-
C) FINANCIAL INCOME AND EXPENSE:		
TOTAL FINANCIAL INCOME AND EXPENSE (C)	-	-
PROFIT (LOSS) BEFORE TAX (A-B+/-C+/-D+/-E)	-	-
23) PROFIT (LOSS) FOR THE YEAR	-	-

Lanterna Mortgage Srl
 Società a responsabilità limitata
 Share Capital: Euro 10,000.00 fully paid in.
 Tax Code and Companies Register no. 09342920965
 Registered office in Genoa

Balance sheet as at 31 December 2022

		(in Euro)
ASSETS	2022	2021
C) CURRENT ASSETS		
II. Loans		
5) from others		
- sundry receivables	24,353	11,110
Total loans	24,353	11,110
IV. Cash and cash equivalents		
1) bank and postal deposits;	9,369	9,916
Total cash and cash equivalents	9,369	9,916
TOTAL CURRENT ASSETS (C)	33,722	21,026
TOTAL CURRENT ASSETS (A+B+C+D)	33,722	21,026
LIABILITIES	2022	2021
A) SHAREHOLDERS' EQUITY:		
I. Share capital	10,000	10,000
TOTAL SHAREHOLDERS' EQUITY (A)	10,000	10,000
D) DEBTS		
7) due to suppliers;	22,219	10,034
12) tax liabilities;	1,083	722
13) due to social security institutions;	420	240
14) other liabilities	-	30
- sundry payables	-	30
- payables due to securitised assets	-	-
TOTAL PAYABLES (D)	23,722	11,026
TOTAL LIABILITIES (A+B+C+D+E)	33,722	21,026

Lanterna Mortgage Srl
 Società a responsabilità limitata
 Share Capital: Euro 10,000.00 fully paid in.
 Tax Code and Companies Register no. 09342920965
 Registered office in Genoa

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
A) VALUE OF PRODUCTION:		
5) other revenue and income, with operating grants indicated separately	36,577	39,036
TOTAL VALUE OF PRODUCTION (A)	36,577	39,036
B) COSTS OF PRODUCTION:		
6) raw materials, ancillary materials, consumables and commodities;	-	-
7) service costs;	29,676	34,274
9) staff costs;	6,471	4,332
a) wages and salaries	6,191	4,172
b) social security charges;	280	160
14) other operating costs.	430	430
TOTAL COST OF PRODUCTION (B)	36,577	39,036
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	-	-
C) FINANCIAL INCOME AND EXPENSE:		
17) interest and other financial charges	-	-
TOTAL FINANCIAL INCOME AND EXPENSE (C)	-	-
PROFIT (LOSS) BEFORE TAX (A-B+/-C+/-D+/-E)	-	-
23) PROFIT (LOSS) FOR THE YEAR	-	-

Centro Fiduciario SpA in liquidation
 Società a responsabilità limitata
 Share Capital: Euro 500,000.00 fully paid in.
 Tax Code and Companies Register no. 00526940101
 Registered Office in Via Cassa di Risparmio 15, Genoa

Balance sheet as at 31 December 2022

		(in Euro)
	2022	2021
ASSETS		
C) CURRENT ASSETS		
II. Receivables due within 12 months		
4 bis) Tax receivables	61,893	52,714
5) from others	514	6
Total loans	62,407	52,720
IV. Cash and cash equivalents		
1) Bank and postal deposits	491,572	546,727
3) Cash on hand	86	86
Total cash and cash equivalents	491,658	546,813
TOTAL CURRENT ASSETS (C)	554,065	599,533
TOTAL ASSETS (C)	554,065	599,533
LIABILITIES	2022	2021
A) SHAREHOLDERS' EQUITY:		
I. - Share capital	500,000	500,000
IV. - Legal reserve	15,119	15,119
VI. - Other reserves - liquidation adjustments	(7,500)	(7,500)
VIII. - Losses carried forward	(301,048)	(240,862)
IX. - Profit (Loss) for the year	10,353	(60,186)
TOTAL SHAREHOLDERS' EQUITY (A)	216,924	206,571
B) PROVISIONS FOR RISKS AND CHARGES		
3 - Other	50,977	101,700
TOTAL PROVISIONS FOR RISK AND CHARGES (B)	50,977	101,700
D) PAYABLES DUE WITHIN 12 MONTHS		
7 - Due to suppliers	1,366	6,250
11 - Due to Parent Companies	261,331	261,331
14 - Other liabilities	23,467	23,681
TOTAL PAYABLES (D)	286,164	291,262
TOTAL LIABILITIES (A+B+C+D)	554,065	599,533

Centro Fiduciario SpA in liquidation
 Società a responsabilità limitata
 Share Capital: Euro 500,000.00 fully paid in.
 Tax Code and Companies Register no. 00526940101
 Registered Office in Via Cassa di Risparmio 15, Genoa

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
A) VALUE OF PRODUCTION:		
1) - Revenues from sales and services	-	-
5) - Other revenue and income, with operating grants indicated separately	47,650	4,000
TOTAL VALUE OF PRODUCTION (A)	47,650	4,000
B) COSTS OF PRODUCTION:		
7) - service costs;	39,866	40,298
12) - Provisions for risks	-	-
14) - Other operating costs	504	553
TOTAL COST OF PRODUCTION (B)	40,370	40,851
B1) USE OF PROVISION FOR LIQUIDATION EXPENSES AND CHARGES	(3,073)	23,335
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	10,353	68,186
C) FINANCIAL INCOME AND EXPENSE:		
16) - other financial income	-	-
b) from securities recorded under fixed assets	-	-
d) other income	-	-
of which transactions with the parent company	-	-
Total financial income	-	-
17) - interest and other financial charges	-	-
TOTALE (17)	-	-
TOTAL FINANCIAL INCOME AND EXPENSE (15+16-17+/-17bis)	-	-
PROFIT (LOSS) BEFORE TAX (A-B+/-C+/-D+/-E)	10,353	(60,186)
22) INCOME TAXES FOR THE YEAR		
TOTAL TAX (22)	-	-
23) PROFIT (LOSS) FOR THE YEAR	10,353	(60,186)

St. Anna Golf
 Società a responsabilità limitata
 Share Capital: Euro 50,000.00 fully paid in.
 Tax Code and Companies Register no. 02919060109
 Registered office in Genoa
 Administrative headquarters and General Management - Via Cassa di Risparmio 15, Genoa

Balance sheet as at 31 December 2022

		(in Euro)
	2022	2021
Assets		
B) FIXED ASSETS		
I - Intangible assets		
Total intangible fixed assets	3,504	-
b) financial assets designated at fair value	-	
II - Materials		
Total property, plant and equipment	8,299,824	8,290,184
III - Financial		
Total fixed financial assets	475,795	356,800
TOTAL FIXED ASSETS (B)	8,779,123	8,646,984
C) CURRENT ASSETS		
I - Inventories	-	
Total inventories	630,000	1,150,000
II - Loans		
Total loans	381,469	659,633
- payable within next financial year	381,469	659,633
IV - Cash and cash equivalents		
Total cash and cash equivalents	466	621
TOTAL CURRENT ASSETS (C)	1,011,935	1,810,254
D) ACCRUED INCOME AND PREPAID EXPENSES	414	8,079
Total assets	9,791,472	10,465,317

	2022	2021
Liabilities and shareholders' equity		
A) SHAREHOLDERS' EQUITY		
I - Capital	50,000	50,000
II - Share premium reserve	1,165,969	1,165,969
VI - Other reserves, indicated separately	1,182,159	-
8) Payments to cover losses	1,182,159	-
VIII - Retained earnings (losses carried forward)	-99,444	-
IX - Profit (loss) for the year	-1,291,401	-420,943
Loss covered in the year	-	321,499
TOTAL SHAREHOLDERS' EQUITY (A)	1,007,283	1,116,525
a) current		
b) deferred		
B) PROVISIONS FOR RISKS AND CHARGES		
TOTAL PROVISIONS FOR RISK AND CHARGES (B)	91,739	91,739
D) LIABILITIES		
TOTAL PAYABLES (D)	8,637,671	9,257,053
- payable within next financial year	1,607,218	2,169,673
- payable after next financial year	7,030,453	7,087,380
E) ACCRUED INCOME AND PREPAID EXPENSES	54,779	-
Total liabilities and shareholders' equity	9,791,472	10,465,317

St. Anna Golf
 Società a responsabilità limitata
 Share Capital: Euro 50,000.00 fully paid in.
 Tax Code and Companies Register no. 02919060109
 Registered office in Genoa
 Administrative headquarters and General Management - Via Cassa di Risparmio 15, Genoa

Income Statement as at 31 December 2022

Captions	(in Euro)	
	2022	2021
A) VALUE OF PRODUCTION		
1) Revenues from sales and services	312,996	260,288
2) change in inventories of work in progress, semi-finished and finished products	(520,000)	-
5) Other revenue and income relating to:	22,054	269,053
- Core business	22,056	89,053
- Extraordinary operations	-	180,000
TOTAL VALUE OF PRODUCTION (A)	-184,948	529,341
B) COSTS OF PRODUCTION		
6) raw materials, ancillary materials, consumables and commodities	(32,137)	(3,500)
7) Service costs	(161,663)	(78,791)
8) Use of third-party assets	(6,758)	(198)
10) Amortisation, depreciation and write-downs	(210,625)	(135,901)
a) Amortisation of intangible fixed assets	(876)	-
b) Depreciation of property, plant and equipment	(209,749)	(135,901)
14) Other operating costs relating to:	(99,585)	(96,605)
- Ordinary operations	(99,585)	(96,605)
TOTAL COST OF PRODUCTION (B)	(510,769)	(314,995)
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	(695,717)	214,346
C) FINANCIAL INCOME AND EXPENSE		
17) Interest and other financial expense		
e) other	(51,006)	(43,054)
Total interest and other financial expense	(51,006)	(43,054)
TOTAL FINANCIAL INCOME AND EXPENSE (15+16-17+/-17bis)	(51,006)	(43,054)
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES		
Write-downs		
a) of equity investments	(543,164)	(592,235)
Total write-downs	(543,164)	(592,235)
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND FINANCIAL LIABILITIES (D)	(543,164)	(592,235)
PROFIT (LOSS) BEFORE TAX (A - B +/- C +/- D)	(1,289,887)	(420,943)
20) Taxes on income: current, deferred, prepaid	(1,514)	-
b) taxes relating to previous years	(1,514)	-
21) Profit (loss) for the year	(1,291,401)	(420,943)

Commerciale Piccapietra SRL
 Società a responsabilità limitata a Socio unico
 Share Capital: Euro 500,000 fully paid in.
 Tax Code and Companies Register no. 02807740994
 Registered office in Genoa

Balance sheet as at 31 December 2022

	(in Euro) 2022
Assets	
B) Fixed assets, with those granted under a finance lease indicated separately:	
I. Intangible fixed assets	412,015
II. Tangible fixed assets	500
Total fixed assets, with those granted under a finance lease indicated separately	412,515
C) Current assets:	
I. Inventories:	-
II. Receivables, with those granted under a finance lease indicated separately:	-
- due within one year	-
- due after one year	-
IV. Cash and cash equivalents	80,950
Total working capital	80,950
D) Accruals and deferrals, with separate indication of the discount on loans	-
Total assets	493,465
	2022
Liabilities and shareholders' equity	
A) Shareholders' equity:	
Capital	500,000
II. Share premium reserve	-
IV. Legal reserve	-
VII. Other reserves	1
VIII. Losses carried forward	-
IX. Profit (loss) for the year	(25,923)
Total shareholders' equity	474,078
B) Provisions for risks and charges	-
C) Provisions for staff severance indemnities	-
D) Payables, with separate indication, for each item, of the amounts payable after the next financial year	-
- payable within next financial year	18,941
- payable after next financial year	-
Total payables, with separate indication, for each item, of the amounts payable after the next financial year	18,941
E) Accrued expenses and deferred income	446
Total liabilities and shareholders' equity	493,465

The tables do not present the period of comparison as the company was established on 18 March 2022

Commerciale Piccapietra SRL
 Società a responsabilità limitata a Socio unico
 Share Capital: Euro 500,000 fully paid in.
 Tax Code and Companies Register no. 02807740994
 Registered office in Genoa

Income Statement as at 31 December 2022

	(in Euro)
	2022
Captions	
A) VALUE OF PRODUCTION:	
1) revenues from sales and services	-
5) other revenue and income, with operating grants indicated separately	-
Total value of production	-
B) Costs of production:	
6) raw materials, supplies and consumables	-
7) services	25,483
8) use of third-party assets	-
9) staff costs	-
10) amortisation, depreciation and write-downs:	-
a) amortisation of intangible fixed assets	-
b) depreciation of property, plant and equipment	-
c) Other write-downs of fixed assets	-
d) write-downs of receivables included in current assets and cash and cash equivalents	-
11) changes in inventories of raw materials, ancillary materials, consumables and commodities	-
12) Provisions for risks	-
14) other operating expense	440
Total costs of production	25,923
Difference between production revenues and costs (A-B)	(25,923)
C) Total financial income and expense:	
16) Other financial income	-
17) interest and other financial expense, with separate indication of those from subsidiaries and associates and to parent companies	-
Total net operating income and expense	-
Profit (loss) before tax	(25,923)
20) Income taxes for the year: current, deferred and prepaid	-
21) Profit (loss) for the year	(25,923)

The tables do not present the period of comparison as the company was established on 18 March 2022

Summary document of the essential
information from the most recent
financial statements of the Bank's
subsidiaries

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Summary document of the essential information from the most recent financial statements
of the Bank's subsidiaries
(Article 2429, paragraph 3, of the Italian Civil Code)

C.A.T. Progetto Impresa Modena s.cons. a r.l.

Financial Statements as at 31/12/2021 (in Euro)

Captions	
total assets	123,428
liabilities	57,639
shareholders' equity	62,618
profit (loss) for the year	3,171
total liabilities	123,428
revenues	157,671
costs	154,500
profit (loss) for the year	3,171

Cassa di Risparmio di Fossano s.p.a.

Financial Statements as at 31/12/2022 (in Euro)

Captions	
total assets	2,416,725,161
liabilities	2,252,510,584
shareholders' equity	146,518,668
profit (loss) for the year	17,695,909
total liabilities	2,416,725,161
revenues	72,956,467
costs	55,260,558
profit (loss) for the year	17,695,909

Cassa di Risparmio di Savigliano s.p.a.

Financial Statements as at 31/12/2022 (in Euro)

Captions	
total assets	1,797,703,859
liabilities	1,698,096,413
shareholders' equity	92,381,625
profit (loss) for the year	7,225,821
total liabilities	1,797,703,859
revenues	55,687,234
costs	48,461,413
profit (loss) for the year	7,225,821

Sofipo s.a. in liquidation

Liquidation closing accounts as at 30/09/2022 (in Euro)

Captions

total assets	317,186
liabilities	640,532
shareholders' equity	(503,008)
profit for the year	179,662
total liabilities	317,186
revenues	197,829
costs	18,167
profit (loss) for the year	179,662

Resiban s.p.a.

Financial Statements as at 31/12/2022 (in Euro)

Captions

total assets	1,924,602
liabilities	1,220,551
shareholders' equity	630,522
profit (loss) for the year	73,529
total liabilities	1,924,602
revenues	3,203,187
costs	3,129,658
profit (loss) for the year	73,529

Unione Fiduciaria s.p.a.

Financial Statements as at 31/12/2022 (in Euro)

Captions

total assets	80,082,097
liabilities	30,797,904
shareholders' equity	49,085,571
profit (loss) for the year	198,622
total liabilities	80,082,097
revenues	21,983,399
costs	21,784,777
profit (loss) for the year	198,622

Sarda Factoring s.p.a.**Financial Statements as at 31/12/2022 (in Euro)**

Captions	
total assets	53,925,381
liabilities	44,716,006
shareholders' equity	9,176,590
profit (loss) for the year	32,785
total liabilities	53,925,381
revenues	2,220,458
costs	2,187,673
profit (loss) for the year	32,785

Alba Leasing s.p.a.**Financial Statements as at 31/12/2022 (in Euro)**

Captions	
total assets	5,669,498,437
liabilities	5,243,773,758
shareholders' equity	415,353,619
profit (loss) for the year	10,371,060
total liabilities	5,669,498,437
revenues	167,297,408
costs	156,926,348
profit (loss) for the year	10,371,060

Atrikè s.p.a.**Financial Statements as at 31/12/2021 (in Euro)**

Captions	
total assets	2,964,812
liabilities	2,898,945
shareholders' equity	119,999
loss for the year	(54,132)
total liabilities	2,964,812
revenues	1
costs	54,133
loss for the year	(54,132)

Lanciano Fiera - Polo Fieristico d'Abruzzo Consorzio

Financial Statements as at 31/12/2022 (in Euro)

Captions	
total assets	392,291
liabilities	297,373
shareholders' equity	93,401
profit (loss) for the year	1,517
total liabilities	392,291
revenues	452,035
costs	450,518
profit (loss) for the year	1,517

Immobiliare Oasi nel Parco s.r.l.

Financial Statements as at 31/12/2022 (in Euro)

Captions	
total assets	5,423,660
liabilities	147,950
shareholders' equity	5,541,372
loss for the year	(265,662)
total liabilities	5,423,660
revenues	2,906,257
costs	3,171,919
loss for the year	(265,662)

Autostrada dei Fiori s.p.a.

Financial Statements as at 31/12/2022 (in Euro)

Captions	
total assets	1,312,309,388
liabilities	706,120,559
shareholders' equity	553,495,603
profit (loss) for the year	52,693,226
total liabilities	1,312,309,388
revenues	277,401,928
costs	224,708,702
profit (loss) for the year	52,693,226

Nuova Erzelli s.r.l.**Financial Statements as at 31/12/2021 (in Euro)**

Captions	
total assets	12,388
liabilities	200
shareholders' equity	38,000
loss for the year	(25,812)
total liabilities	12,388
revenues	-
costs	25,812
loss for the year	(25,812)

Gility s.r.l. Società Benefit (*) - former Società di reskilling s.r.l.**Financial Statements as at 31/12/2022 (in Euro)**

Captions	
total assets	6,707,068
liabilities	353,802
shareholders' equity	6,552,000
loss for the year	(198,734)
total liabilities	6,707,068
revenues	238,730
costs	437,464
loss for the year	(198,734)

(*) The company changed its name at the shareholders' meeting on 18/01/2023

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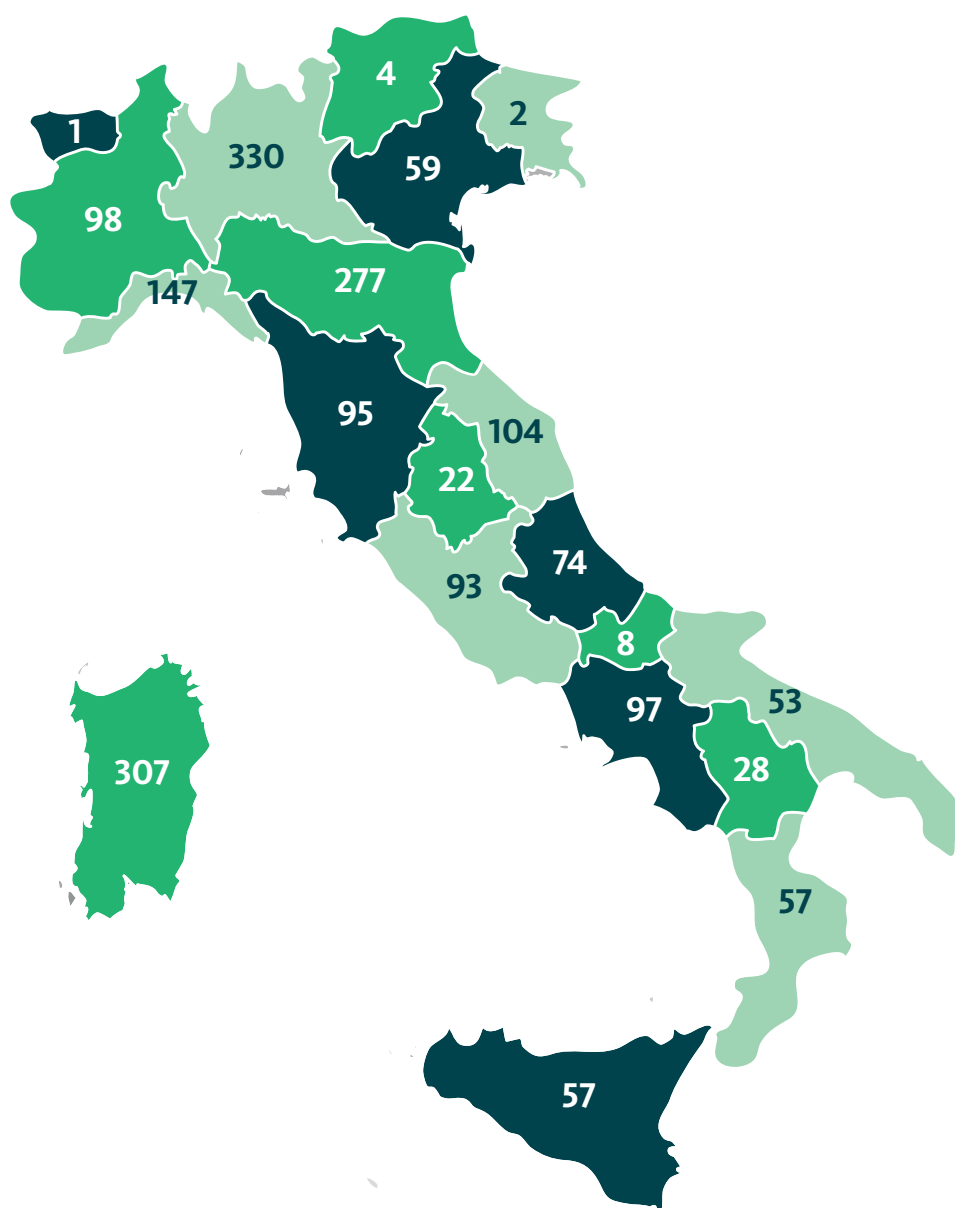
Geographical organisation of the Group

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Group commercial banks

Details	BPER Banca	Banco di Sardegna	Banca Cesare Ponti	31.12.2022	31.12.2021
Emilia - Romagna	277	-	-	277	281
Bologna	52			52	50
Ferrara	28			28	35
Forlì - Cesena	24			24	25
Modena	69			69	69
Parma	23			23	23
Piacenza	6			6	4
Ravenna	29			29	29
Reggio Emilia	32			32	32
Rimini	14			14	14
Abruzzo	74	-	-	74	87
Chieti	28			28	35
L'Aquila	27			27	32
Pescara	9			9	10
Teramo	10			10	10
Basilicata	28	-	-	28	30
Matera	13			13	15
Potenza	15			15	15
Calabria	57	-	-	57	62
Catanzaro	11			11	11
Cosenza	24			24	27
Crotone	7			7	7
Reggio Calabria	12			12	14
Vibo Valentia	3			3	3
Campania	97	-	-	97	109
Avellino	17			17	19
Benevento	4			4	4
Caserta	10			10	11
Naples	40			40	43
Salerno	26			26	32
Friuli Venezia G.	2	-	-	2	2
Pordenone	1			1	1
Trieste	1			1	1
Lazio	89	4	-	93	83
Frosinone	8			8	6
Latina	15			15	14
Rieti	5			5	5
Rome	54	4		58	50
Viterbo	7			7	8
Liguria	143	3	1	147	16
Genoa	74	1	1	76	6
Imperia	19			19	4
La Spezia	18	1		19	3
Savona	32	1		33	3
Lombardy	328	1	1	330	335
Bergamo	66			66	80
Brescia	81			81	88
Como	19			19	9
Cremona	7			7	5
Lecco	1			1	1
Lodi	3			3	3
Mantua	10			10	10
Milan	37	1	1	39	31
Monza Brianza	14			14	15
Pavia	31			31	30
Varese	59			59	63
Marche	104	-	-	104	120
Ancona	34			34	41
Ascoli Piceno	10			10	11
Fermo	11			11	12
Macerata	22			22	25
Pesaro-Urbino	27			27	31

Details	BPER Banca	Banco di Sardegna	Banca Cesare Ponti	31.12.2022	31.12.2021
Molise	8	-	-	8	9
Campobasso	5			5	6
Isernia	3			3	3
Piedmont	98	-	-	98	86
Alessandria	17			17	18
Asti	3			3	3
Biella	1			1	1
Cuneo	27			27	28
Novara	5			5	6
Turin	40			40	27
Verbano-Cusio-Ossola	3			3	2
Vercelli	2			2	1
Apulia	53	-	-	53	55
Bari	12			12	13
Barletta Andria Trani	7			7	7
Brindisi	6			6	6
Foggia	14			14	16
Lecce	5			5	5
Taranto	9			9	8
Sardinia	8	299	-	307	319
Cagliari	2	28		30	29
Nuoro	1	61		62	62
Oristano	1	43		44	48
Sassari	4	90		94	98
South Sardinia		77		77	82
Sicily	57	-	-	57	32
Agrigento	5			5	3
Catania	9			9	7
Enna	3			3	-
Messina	9			9	8
Palermo	20			20	8
Ragusa	1			1	-
Siracusa	6			6	4
Trapani	4			4	2
Tuscany	94	1	-	95	46
Arezzo	15			15	16
Florence	18			18	7
Grosseto	5			5	4
Livorno	5	1		6	4
Lucca	18			18	4
Massa e Carrara	21			21	2
Pisa	4			4	3
Pistoia	4			4	2
Prato	2			2	2
Siena	2			2	2
Aosta Valley	1	-	-	1	-
Aosta	1			1	-
Trentino-Alto Adige	4	-	-	4	4
Trento	4			4	4
Umbria	22	-	-	22	24
Perugia	17			17	18
Terni	5			5	6
Veneto	59	-	-	59	42
Belluno	2			2	2
Padua	15			15	9
Rovigo	6			6	7
Treviso	4			4	3
Venice	14			14	4
Verona	12			12	12
Vicenza	6			6	5
Total 31.12.2022	1,603	308	2	1,913	
Total 31.12.2021	1,414	328	-		1,742
Changes to the Group's geographical organisation during the year					171

TOTAL BRANCHES OF THE BPER BANCA GROUP

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List of IAS/IFRS endorsed by the
European Commission as at 31
December 2022

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Accounting standards

IAS/IFRS	ACCOUNTING STANDARDS	ENDORSEMENT (a)	AMENDMENTS
IAS 1	Presentation of Financial Statements	Reg. 1274/2008	Reg. 53/2009, 70/2009, 494/2009, 243/2010, 149/2011, 475/2012, 1254/2012, 1255/2012, 301/2013, 2113/2015, 2406/2015, 1905/2016, 2067/2016, 1986/2017, 2075/2019, 2104/2019, 2036/2021, 357/2022
IAS 2	Inventories	Reg. 1126/2008	Reg. 70/2009, 1255/2012, 1905/2016, 2067/2016, 1986/2017
IAS 7	Cash Flow Statement	Reg. 1126/2008	Reg. 1260/2008, 1274/2008, 70/2009, 494/2009, 243/2010, 1254/2012, 1174/2013, 1986/2017, 1990/2017, 2036/2021
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 1255/2016, 2067/2016, 2075/2019, 2104/2019, 357/2022
IAS 10	Events after the Reporting Period	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 1142/2009, 1255/2012, 2067/2016, 2104/2019
IAS 11	Construction contracts	Reg. 1126/2008	Reg. 1260/2008, 1274/2008, 1905/2016
IAS 12	Income Taxes	Reg. 1126/2008	Reg. 1274/2008, 495/2009, 475/2012, 1254/2012, 1255/2012, 1174/2013, 1905/2016, 2067/2016, 1986/2017, 1989/2017, 412/2019, 1392/2022
IAS 16	Property, Plant and Equipment	Reg. 1126/2008	Reg. 1260/2008, 1274/2008, 70/2009, 495/2009, 1255/2012, 301/2013, 28/2015, 2113/2015, 2231/2015, 1905/2016, 1986/2017, 1080/2021
IAS 17	Leases	Reg. 1126/2008	Reg. 243/2010, 1255/2012, 2113/2015
IAS 18	Revenue	Reg. 1126/2008	Reg. 69/2009, 1254/2012, 1255/2012, 1905/2016
IAS 19	Employee Benefits	Reg. 475/2012	Reg. 1255/2012, 29/2015, 2343/2015, 402/2019, 2036/2021
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 475/2012, 1255/2012, 2067/2016
IAS 21	Effects of Changes in Foreign Exchange Rates	Reg. 1126/2008	Reg. 1274/2008, 69/2009, 494/2009, 149/2011, 475/2012, 1254/2012, 1255/2012, 2067/2016, 1986/2017
IAS 23	Borrowing costs	Reg. 1260/2008	Reg. 70/2009, 2113/2009, 2067/2016, 1986/2017, 412/2019
IAS 24	Related Party Disclosures	Reg. 632/2010	Reg. 475/2012, 1254/2012, 1174/2013, 28/2015
IAS 26	Accounting and Reporting by Retirement Benefit Plans	Reg. 1126/2008	Reg. 357/2022
IAS 27	Separate Financial Statements	Reg. 1254/2012	Reg. 1174/2013, 2441/2015
IAS 28	Investments in Associates and Joint Ventures	Reg. 1254/2012	Reg. 1255/2012, 2441/2015, 1703/2016, 2067/2016, 182/2018, 237/2019, 2036/2021
IAS 29	Financial Reporting in Hyperinflationary Economies	Reg. 1126/2008	Reg. 1274/2008, 70/2009
IAS 32	Financial instruments: presentation	Reg. 1126/2008	Reg. 1274/2008, 53/2009, 70/2009, 494/2009, 495/2009, 1293/2009, 149/2011, 475/2012, 1254/2012, 1255/2012, 1256/2012, 301/2013, 1174/2013, 1905/2016, 2067/2016, 1986/2017, 2036/2021
IAS 33	Earnings per Share	Reg. 1126/2008	Reg. 1274/2008, 494/2009, 495/2009, 475/2012, 1254/2012, 1255/2012, 2067/2016
IAS 34	Interim Financial Reporting	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 495/2009, 149/2011, 475/2012, 1255/2012, 301/2013, 1174/2013, 2343/2015, 2406/2015, 1905/2016, 2075/2019, 2104/2019, 357/2022
IAS 36	Impairment of Assets	Reg. 1126/2008	Reg. 1274/2008, 69/2009, 70/2009, 495/2009, 243/2010, 1254/2012, 1255/2012, 1374/2013, 2113/2015, 1905/2016, 2067/2016, 2036/2021
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Reg. 1126/2008	Reg. 1274/2008, 495/2009, 28/2015, 1905/2016, 2067/2016, 1986/2017, 2075/2019, 2104/2019, 1080/2021, 2036/2021
IAS 38	Intangible assets	Reg. 1126/2008	Reg. 1260/2008, 1274/2008, 70/2009, 495/2009, 243/2010, 1254/2012, 1255/2012, 28/2015, 2231/2015, 1905/2016, 1986/2017, 2075/2019, 2036/2021
IAS 39	Financial Instruments: recognition and measurement	Reg. 1126/2008	Reg. 1274/2008, 53/2009, 70/2009, 494/2009, 495/2009, 824/2009, 839/2009, 1171/2009, 243/2010, 149/2011, 1254/2012, 1255/2012, 1174/2013, 1375/2013, 28/2015, 1905/2016, 2067/2016, 1986/2017, 34/2020, 25/2021
IAS 40	Investment Property	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 1255/2012, 1361/2014, 2113/2015, 1905/2016, 1986/2017, 400/2018, 2036/2021
IAS 41	Agriculture	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 1255/2012, 2113/2015, 1986/2017, 1080/2021

IAS/IFRS	ACCOUNTING STANDARDS	ENDORSEMENT (a)	AMENDMENTS
IFRS 1	First-time Adoption of International Financial Reporting Standards	Reg. 1136/2009	Reg. 1164/2009, 550/2010, 574/2010, 662/2010, 149/2011, 1205/2011, 475/2012, 1254/2012, 1255/2012, 183/2013, 301/2013, 313/2013, 1174/2013, 2343/2015, 2441/2015, 1905/2016, 2067/2016, 1986/2017, 519/2018, 182/2018, 1595/2018, 1080/2021, 2036/2021, 1392/2022
IFRS 2	Share-based Payment	Reg. 1126/2008	Reg. 1261/2008, 495/2009, 243/2010, 244/2010, 1254/2012, 1255/2012, 28/2015, 2067/2016, 289/2018, 2075/2019
IFRS 3	Business Combinations	Reg. 495/2009	Reg. 149/2011, 1254/2012, 1255/2012, 1174/2013, 1361/2014, 28/2015, 1905/2016, 2067/2016, 1986/2017, 412/2019, 2075/2019, 551/2020, 1080/2021, 2036/2021
IFRS 4	Insurance Contracts	Reg. 1126/2008	Reg. 1274/2008, 494/2009, 1165/2009, 1255/2012, 1905/2016, 2067/2016, 1986/2017, 1988/2017, 2097/2020, 25/2021
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 494/2009, 1142/2009, 243/2010, 475/2012, 1254/2012, 1255/2012, 2343/2015, 2067/2016, 2036/2021
IFRS 6	Exploration for and Evaluation of Mineral Resources	Reg. 1126/2008	Reg. 2075/2019
IFRS 7	Financial instruments: disclosures	Reg. 1126/2008	Reg. 1274/2008, 53/2009, 70/2009, 495/2009, 824/2009, 1165/2009, 574/2010, 149/2011, 1205/2011, 475/2012, 1254/2012, 1255/2012, 1256/2012, 1174/2013, 2343/2015, 2406/2015, 2067/2016, 1986/2017, 34/2020, 25/2021, 2036/2021, 357/2022
IFRS 8	Operating segments	Reg. 1126/2008	Reg. 1274/2008, 243/2010, 632/2010, 475/2012, 28/2015
IFRS 9	Financial instruments	Reg. 2067/2016	Reg. 1986/2017, 498/2018, 34/2020, 25/2021, 1080/2021, 2036/2021
IFRS 10	Consolidated Financial Statements	Reg. 1254/2012	Reg. 313/2013, 1174/2013, 1703/2016
IFRS 11	Joint Arrangements	Reg. 1254/2012	Reg. 313/2013, 2173/2015, 412/2019
IFRS 12	Disclosure of interests in other entities	Reg. 1254/2012	Reg. 313/2013, 1174/2013, 1703/2016, 182/2018
IFRS 13	Fair Value Measurement	Reg. 1255/2012	Reg. 1361/2014, 2067/2016, 1986/2017
IFRS 15	Revenue from Contracts with Customers	Reg. 1905/2016	Reg. 1986/2017, 1987/2017, 2036/2021
IFRS 16	Leases	Reg. 1986/2017	Reg. 1434/2020, 25/2021, 1421/2021
IFRS 17	Insurance Contracts	Reg. 2036/2021	Reg. 1491/2022 (*)

(*) the companies apply the amendment at the latest from the date of the start of their first financial year starting on or after 1 January 2023.

Interpretations

IFRIC/SIC	INTERPRETATIONS	ENDORSEMENT (a)	AMENDMENTS
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Reg. 1126/2008	Reg. 1260/2008, 1274/2008, 1986/2017
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	Reg. 1126/2008	Reg. 53/2009, 1255/2012, 301/2013, 2067/2016
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Reg. 1126/2008	Reg. 254/2009, 1255/2012
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Reg. 1126/2008	Reg. 1254/2012, 2067/2016
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Reg. 1126/2008	
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	Reg. 1126/2008	Reg. 1274/2008
IFRIC 9	Reassessment of Embedded Derivatives	Reg. 1126/2008	Reg. 495/2009, 1171/2009, 243/2010, 1254/2012, 2067/2016
IFRIC 10	Interim Financial Reporting and Impairment	Reg. 1126/2008	Reg. 1274/2008, 2067/2016
IFRIC 12	Service Concession Arrangements	Reg. 254/2009	Reg. 1905/2016, 2067/2016, 1986/2017, 2075/2019
IFRIC 13	Customer Loyalty Programmes	Reg. 1262/2008	Reg. 149/2011, 1255/2012, 1905/2016
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Reg. 1263/2008	Reg. 1274/2008, 633/2010, 475/2012
IFRIC 15	Agreements for the Construction of Real Estate	Reg. 636/2009	Reg. 1905/2016
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Reg. 460/2009	Reg. 243/2010, 1254/2012, 2067/2016
IFRIC 17	Distributions of Non-cash Assets to Owners	Reg. 1142/2009	Reg. 1254/2012, 1255/2012
IFRIC 18	Transfers of Assets from Customers	Reg. 1164/2009	Reg. 1905/2016
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Reg. 662/2010	Reg. 1255/2012, 2067/2016, 2075/2019
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Reg. 1255/2012	Reg. 2075/2019
IFRIC 21	Levies	Reg. 634/2014	
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Reg. 519/2018	Reg. 2075/2019
IFRIC 23	Uncertainty over Income Tax Treatments	Reg. 1595/2018	
SIC 7	Introduction of the Euro	Reg. 1126/2008	Reg. 1274/2008, 494/2009
SIC 10	Government Assistance – No Specific Relation to Operating Activities	Reg. 1126/2008	Reg. 1274/2008
SIC 15	Operating Leases – Incentives	Reg. 1126/2008	Reg. 1274/2008
SIC 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders	Reg. 1126/2008	Reg. 1274/2008
SIC 27	Evaluating the Substance of Transactions in the Legal Form of a Lease	Reg. 1126/2008	Reg. 1905/2016, 2067/2016, 2036/2021
SIC 29	Service Concession Arrangements: Disclosures	Reg. 1126/2008	Reg. 1274/2008, 254/2009, 1986/2017
SIC 31	Revenue – Barter Transactions Involving Advertising Services	Reg. 1126/2008	Reg. 1905/2016
SIC 32	Intangible Assets – Web Site Costs	Reg. 1126/2008	Reg. 1274/2008, 1905/2016, 1986/2017, 2075/2019

Key: (a) The Regulation listed is that of the first publication of the Standard or the replacement of the same.

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Resolutions of the Shareholders' Meeting on 26 April 2023

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Resolutions of the Shareholders' Meeting on 26 April 2023

The Ordinary Shareholders' Meeting, in a single calling, chaired by the Chair dott. Flavia Mazzarella, adopted the following resolutions:

- approved the statutory financial statements for 2022, the allocation proposal of the profit and the distribution of a cash dividend of Euro 0.12 per share for each of the 1,415,850,518 ordinary shares representing the share capital, for a maximum total amount of Euro 169,902,062.16 (net of those which will be held in the portfolio on the ex-date, on which no dividend will be paid);
- integrated the fees paid to Deloitte & Touche S.p.A., appointed as independent auditors for the period 2017-2025, in accordance with the terms proposed by the Board of Statutory Auditors;
- approved the Report on Remuneration Policy and Compensation Paid pursuant to art.123-ter of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), comprising the part related to remuneration policies of the BPER Banca s.p.a. Group and the compensation paid during the 2022;
- approved the short-term incentive plan based on financial instruments pursuant to art. 114-bis of the Consolidated Law on Finance;
- approved the authorisation to purchase and dispose of up to 6,700,000 ordinary shares of BPER Banca S.p.A. (not exceeding a total amount of Euro 13 million), with no par value, to service the 2023 MBO incentive scheme and the 2022-2025 Long-Term Incentive (LTI) Plan (as last approved by the Shareholders' Meeting of 5 November 2022), in addition to any severance payments due, under the terms and conditions specified.

It should be noted that, as provided in the notice of call, the attendance at the Shareholders' Meeting by those with voting rights took place, without access to the meeting rooms, exclusively through the Designated Representative pursuant to art.135-undecies of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), Pursuant to Law Decree no. 198 dated 29 December 2022, enacted by Law no. 14 of 24 February 2023, extending until 31 July 2023 the provisions set forth in art. 106, para. 4, of Law Decree no.18 of 17 March 2020, as enacted by Law no. 27 of 24 April 2020, as later amended, and art. 3, para. 1, of Law Decree no. 228 of 30 December 2021 enacted by Law no. 15 of 25 February 2022

The meeting was attended by proxy - exclusively via the Designated Representative - by a total of 566 Shareholders with voting rights, representing 831,920,870 ordinary shares (equal to 58.757677% of the share capital).

